

REPLACEMENT PROSPECTUS

ACN 603 792 712



TRADITIONAL THERAPY CLINICS LIMITED

For the offer of 30,000,000 New Shares to raise A\$15,000,000 at an Offer Price of A\$0.50 per New Share and for the admission to the Official List of Australian Securities Exchange.



Important notice

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Replacement Prospectus.

LEAD MANAGER



CORPORATE ADVISOR



TECHNICAL LEAD MANAGER AND BROKER TO THE OFFER



IMPORTANT INFORMATION

OFFER

The Offer contained in this Replacement Prospectus is an invitation to acquire Shares in Traditional Therapy Clinics Limited (**TTC** or **the Company**).

LODGEMENT AND LISTING

This Replacement Prospectus is dated 30 June 2015. A copy of this Replacement Prospectus was lodged with ASIC on 30 June 2015. This Replacement Prospectus replaces the Original Prospectus dated 16 June 2015.

The Company has applied to ASX for admission to the Official List of ASX and for quotation of the Shares issued under Replacement Prospectus on ASX within seven days after the date of the Original Prospectus. A copy of the Original Prospectus was lodged with ASX on 19 June 2015. A copy of this Replacement Prospectus will be lodged with ASX.

Neither ASIC nor ASX or their officers take any responsibility for the contents of this Replacement Prospectus or for the merits of the investment to which this Replacement Prospectus relates.

EXPIRY DATE

No Shares will be allotted or issued on the basis of this Replacement Prospectus later than 13 months after the date of this Replacement Prospectus.

NOTE TO APPLICANTS

The information in this Replacement Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Replacement Prospectus should not be construed as financial, taxation, legal or other advice.

This Replacement Prospectus is important and should, along with each of the documents incorporated by reference, be read in its entirety prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Shares and the Shares offered under this Replacement Prospectus must be regarded as a speculative investment. Some of the risks that should be considered are set out in Section 8 (Risk Factors) of this Replacement Prospectus. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues).

There may also be risks in addition to these that should be considered in light of your personal circumstances. If you do not fully understand this Replacement Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the Shares.

No person named in this Replacement Prospectus guarantees the Company's performance or any return on investment made pursuant to this Replacement Prospectus.

NO OFFERING WHERE OFFERING WOULD BE ILLEGAL

This Replacement Prospectus does not constitute an Offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of

Shares, in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The distribution of this Replacement Prospectus outside Australia may be restricted by law and therefore any person who resides outside Australia and who receives this Replacement Prospectus should seek advice on and observe any such restrictions. Any person who has a registered address in any other country who receives this Replacement Prospectus may only apply for Shares where that person is able to reasonably demonstrate to the satisfaction of the Company that the person may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.

The Company will not offer to sell, nor solicit an offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with these restrictions may constitute violation of applicable laws.

NOTICE TO UNITED STATES RESIDENTS

The securities being offered pursuant to this Replacement Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable State securities laws. This Replacement Prospectus does not constitute an offer or invitation to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. Any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act and applicable State securities laws.

NOTICE TO HONG KONG RESIDENTS

The contents of this Replacement Prospectus 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 Replacement Prospectus, you should obtain independent professional advice.

FINANCIAL INFORMATION AND AMOUNTS

The "Financial Information" section in Section 6 sets out in detail the Financial Information referred to in the Replacement Prospectus. The basis of preparation of the Financial Information is set out in the "Financial Information" in Section 6. All references to FY2012, FY2013, FY2014 and FY2015 appearing in this Replacement Prospectus are to the financial years ended or ending 31 December 2012, 31 December 2013, 31 December 2014, or 31 December 2015 respectively, unless otherwise indicated. Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by International Financial Reporting Standards. This Replacement Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of

the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Replacement Prospectus is unaudited.

The Historical Financial Information and the Forecast Financial Information in this Replacement Prospectus should be read in conjunction with, and they are qualified by, reference to the information contained in Section 6.

The functional currency of TTC is Chinese Yuan (**Renminbi** or **RMB**). The presentation currency is Australian dollars (**A\$** or **AUD**). Save as set out above, the financial amounts referred to in this Replacement Prospectus are expressed in Australian dollars unless stated otherwise. TTC has adopted the foreign currency translation accounting policy set out in Section 6. Accordingly, investors should be aware that the amounts represented in the Replacement Prospectus may change as a result of fluctuations in the exchange rates between AUD and RMB.

DISCLAIMER

Investors should not rely on any information which is not contained in this Replacement Prospectus in making a decision as to whether to acquire Shares in the Company under the Offer. No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in the Replacement Prospectus. Any information or representation not contained in this Replacement Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Replacement Prospectus.

This Replacement Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Replacement Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Replacement Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described under the heading "Risk Factors" in Section 8.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Replacement Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the ASX after the date of this Replacement Prospectus.

This Replacement Prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy and completeness of such information.

Some numerical figures included in this Replacement Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

This Replacement Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications under the Offer in the seven-day period after the lodgement of the Original Prospectus with ASIC (**Exposure Period**). The Exposure Period has been extended by ASIC by for a further seven days by written notice to TTC. This Replacement Prospectus was lodged to address the concerns raised by ASIC in respect to the content of the Original Prospectus.

The purpose of the Exposure Period is to enable the Original Prospectus to be examined by market participants prior to the raising of funds. ASIC Class Order 00/169 means that there is no additional exposure period under the Corporations Act for this Replacement Prospectus.

ELECTRONIC REPLACEMENT PROSPECTUS

This Replacement Prospectus will be made available in electronic form on the Company's share offer website: www.ttc-ltd-shareoffer.com, and through a link on the Technical Leader Manager's website www.afssec.com.au. Any references to documents included on the Company's website and the share offer website are for convenience only, and none of the documents or other information available on the website is incorporated by reference in this Replacement Prospectus. The Offer constituted by this Replacement Prospectus in electronic form is available only to persons receiving this Replacement Prospectus in electronic form within Australia. Persons who access the electronic version of this Replacement Prospectus should ensure that they download and read the entire Replacement Prospectus. If unsure about the completeness of the Replacement Prospectus received electronically, or a print out of it, you should contact the Company. A paper copy of the Replacement Prospectus will be available free of charge by contacting:

QA Capital Pty Ltd (Lead Manager)

Tel: 02 9231 3689 (within Australia)
Tel: +61 2 9231 3689 (outside Australia)
Or

AFS Capital Securities Ltd (Technical Lead Manager and Broker)

Sydney
Tel: +61 2 8208 6042
Fax: +61 2 8014 7069
Melbourne
Tel: +61 3 9013 0629
Fax: +61 3 8080 7144
email: ipo@afssec.com.au

Computershare Investor Services Pty Ltd (Registry) – Offer information line

Tel: 1300 384 520 (within Australia)
or Tel: +61 3 9415 4380 (outside Australia)
between 8.30am and 5.00pm Australian Eastern Standard Time

Applications for Shares under this Replacement Prospectus may only be made:

- Under the General Public Offer:
 - by applying online at www.ttc-ltd-shareoffer.com and paying by BPAY®; or
 - by completing a printed copy of the General Public Offer Application Form attached to or accompanying this Replacement Prospectus and paying by cheque, bank draft or money order.
- Under the Broker Firm Offer:
 - by completing a printed copy of the Broker Firm Offer Application Form attached to or accompanying this Replacement Prospectus and returning it to your Broker by the Closing Date of the Offer; or
 - by instructing your broker or the Technical Lead Manager, AFS Capital Securities Ltd, to submit a bid via the ASX Bookbuild Facility using the ASX code TTCXBB prior the close of the Bookbuild.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Replacement Prospectus or the complete and unaltered electronic version of the Replacement Prospectus. If this Replacement Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

PRIVACY

By completing an Application Form, you are providing personal information to the Company and the Registry, which is contracted by the Company to manage Applications, and consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside of Australia by the Company, and the Registry on its behalf, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's public share register. This information must continue to be included in the Company's public share register even if you cease to be a Shareholder. The Company

and the Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Registry for ongoing administration of the Company's public share register;
- the Lead Manager and the Technical Lead Manager and Broker in order to assess your Application;
- the Australian Tax Office and other government bodies as required by law;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or the Registry, details of which are set out elsewhere in this Replacement Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Registry if any of the details you have provided change. In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

DEFINED WORDS AND ABBREVIATIONS

Defined terms and abbreviations used in this Replacement Prospectus are defined in the "Glossary" section in Section 10.

TIME

All references to time in this Replacement Prospectus refer to Australian Eastern Standard Time unless stated otherwise.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Replacement Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Replacement Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Replacement Prospectus are illustrative only. Unless otherwise stated, all data contained in graphs and tables is based on information available as at the date of this Replacement Prospectus.

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CHAIRMAN'S LETTER

30 June 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to invite you to become a shareholder of Traditional Therapy Clinics Limited (**TTC**). TTC operates under the Fuqiao brand and is one of the largest chains (the largest by number of clinics) of traditional therapeutic health and wellness clinics in China, with over 300 owned and franchised clinics. It is a well-established business with clinics in 26 of the 33 administrative divisions in China and has a strong record of growth with a compound annual revenue growth rate of 69% over the past 4 years. The Fuqiao brand is highly recognised throughout China and is a government recognised industry leader, having received the prestigious Chinese Well-Known Trademark designation.

TTC operates in the therapeutic massage industry in China, which is a very fragmented market that provides considerable opportunity for growth and brand consolidation. Despite its large scale, TTC holds approximately 1% of the total market share, which was estimated in 2014 at A\$43.99 billion (RMB 216 billion), and forecast to grow to A\$58.45 billion (RMB 287 billion) by 2017 (refer to part 8 "Industry scale and growth" of the Independent Market Report in Section 3).

TTC is seeking to raise A\$15,000,000 under the Offer and to obtain a listing on the Australian Securities Exchange in order to achieve the following:

- gain access to capital to assist in accelerating its growth plans
- assist to further lift its image for the purpose of gaining more candidate franchisees
- enhance its operating and governance standards

The majority of the Board of TTC consists of Australian Non-executive Directors who are supported by bi-lingual senior staff to ensure clear and effective communication between Chinese and Australian executives, members of the Board and Australian investors. The Board has also been involved with TTC for a considerable period and has built reporting and governance frameworks to closely monitor and manage the business after the IPO.

TTC is an Australian holding company subject to Australian regulations, with business operations in China. This Replacement Prospectus contains detailed information about the Offer, the industry in which TTC operates and its financial and operating performance.

TTC is subject to a range of risks, including those associated with the training and provision of staff, reputation and trademarks, reliance on key personnel, cross-border enforcement of Director or shareholders' obligations, the communication barrier between the Directors and between the Company and the investors, and the cultural differences between the Group's business operations and Australian investors, which are fully detailed in Section 8. I encourage you to read this document carefully and in its entirety before making your investment decision.

On behalf of the Directors, I invite you to subscribe for Shares in the Company and I look forward to welcoming you as a shareholder of TTC.

Yours sincerely,



Andrew Sneddon

Chairman

Traditional Therapy Clinics Limited

01. INVESTMENT OVERVIEW



01. INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Replacement Prospectus. In deciding whether to apply for Shares, you should read this Replacement Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1 SUMMARY OF THE OFFER

This Replacement Prospectus provides investors with the opportunity to participate in the initial public offering of New Shares in TTC, a company incorporated in Queensland.

The Offer

KEY OFFER STATISTICS	
Offer price	A\$0.50
Total number of New Shares to be issued	30,000,000
Number of Shares held by Existing Shareholders ⁽¹⁾	190,772,000
Total number of Shares on issue at Completion of the Offer	220,772,000
Total cash proceeds to the Company from the Offer	A\$15,000,000
Indicative market Capitalisation at completion of the Offer ⁽²⁾	A\$110,386,000

(1) Shares held by the Existing Shareholders will be subject to voluntary escrow arrangements. See Section 9.6 for further details of these voluntary escrow arrangements.

(2) Calculated as the total number of Shares on issue on Completion of the Offer multiplied by the Offer Price.

Important dates

EVENT	DATE AND TIME (AUSTRALIAN EASTERN STANDARD TIME)
Lodgement of the Original Prospectus with ASIC	16 June 2015
Application for listing with ASX	19 June 2015
Lodgement of the Replacement Prospectus with ASIC	30 June 2015
Opening Date / ASX BookBuild opens	1 July 2015
Closing Date / ASX BookBuild closes	20 August 2015
Issue of New Shares	24 August 2015
Expected dispatch of holding statements	24 August 2015
Expected commencement of the trading of Shares on ASX	31 August 2015

The dates above are indicative only and may change without notice. The Company reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. Investors are therefore encouraged to submit their Application Forms as early as possible upon the opening of the Offer.

TTC intends to utilise the ASX BookBuild Facility as part of the Offer and reserves the right to vary the opening and closing dates for ASX BookBuild and also close the book early at its discretion.

01. INVESTMENT OVERVIEW

How to invest

Applications for New Shares can only be through the following:

- Under the General Public Offer:
 - by applying online at www.ttc-ltd-shareoffer.com and paying Application Monies by BPAY®; or
 - by completing a printed copy of the General Public Offer Application Form attached to or accompanying this Replacement Prospectus and paying Application Monies by cheque, bank draft or money order.
- Under the Broker Firm Offer:
 - by completing a printed copy of the Broker Firm Offer Application Form attached to or accompanying this Replacement Prospectus and returning it to your Broker by the Closing Date of the Offer; or
 - by instructing your broker or the Technical Lead Manager, AFS Capital Securities Ltd, to submit a bid via the ASX Bookbuild Facility using the ASX code TTCXBB prior the close of the ASX Bookbuild.

Detailed instructions on how to apply for Shares are set out in Section 2 of this Replacement Prospectus and in the General Public Offer Application Form and in the Broker Firm Offer Application Form attached to the Replacement Prospectus and found online at www.ttc-ltd-shareoffer.com or through www.afssec.com.au.

Admission to the Official List of ASX

The Replacement Prospectus is also issued for the purpose of qualifying the Company for admission to the Official List of ASX. The Company has applied to ASX for listing and quotation of its Shares, including New Shares, within seven days after the date of the Original Prospectus. A copy of the Original Prospectus was lodged with ASX on 19 June 2015. A copy of this Replacement Prospectus will be lodged with ASX.

If ASX does not grant permission for official quotation of the Shares within three months after the date of this Replacement Prospectus, or such longer period permitted by the Corporations Act, none of the Shares offered for subscription under this Replacement Prospectus will be allotted or issued and Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

1.2 OVERVIEW OF TTC

TOPIC	SUMMARY	FOR MORE INFORMATION
Nature of the Company's business	<p>TTC is the franchisor and owner of one of the largest chains (the largest by number of clinics) of traditional therapeutic health and wellness clinics in China. It is a well-established business with a strong growth profile, employing a repeatable and scalable business model of both franchised and owned clinics.</p> <p>TTC has a highly recognised and respected brand, having received the prestigious Chinese Well-Known Trademark designation from the State Administration for Industry and Commerce. It operates within a highly regulated industry sector of significant scale, which offers opportunity for further growth.</p>	Section 4.1
The Company's corporate structure	TTC is an Australian entity. Its operating businesses are wholly owned subsidiaries of TTC and these operating businesses operate in China.	Section 4.3
The Company's business model	<p>The TTC business model consists of both franchising and owning clinics. Until 2012 the focus had primarily been on franchising, but given the higher absolute profit generated by owned clinics, the Company has embarked on a strategy of clinic acquisition, primarily from its franchised clinic base.</p> <p>For TTC, the combination of fee revenue from franchised clinics and direct revenue from owned clinics provides diversification of income and profits. TTC's owned clinics also act as flagship marketing hubs and reference centres for potential franchisees.</p>	Section 4.4

01. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
The clinics network and customers of the Company	<p>As at 30 April 2015, the TTC network consists of 310 clinics spread across 26 out of China's 33 administrative divisions, with a concentration in the central, southern and south eastern regions of China.</p> <p>In the foot bath care industry where TTC operates, customers tend to be urban, middle and upper income earners, between 25 and 65 years old. Women account for approximately 30% of the customer base, and this segment continues to grow.</p>	Section 4.4.3 and Section 4.4.4
Management of the clinics by the Company	For franchised clinics, a TTC trained clinic manager is employed by each franchisee. This TTC-trained clinic manager is charged with the responsibility of ensuring that operations are in compliance with TTC's detailed written operating standards and franchise agreements; and of reporting to TTC the operating performance of the franchised clinics. TTC's owned clinics are operated by TTC.	Section 4.4.6
Employees and training of therapists of the Company	<p>TTC has approximately 730 employees. However, including those employed by the franchisees, there are approximately 10,000 therapists working within the TTC network.</p> <p>TTC focuses on the provision of high-quality training to staff members to ensure that a consistent standard of service is provided throughout the TTC clinic network. As such, TTC has designed a therapist training program at the Chongqing Fuqiao Human Resources Centre of the Chongqing City Management College. The training centre provides a three-month therapist training course, at the minimum, taught by approximately 30 staff employed by the Group. 95 percent of graduate therapists found employment within the TTC clinic network. In 2014, 1,932 new therapists were trained at the Chongqing Fuqiao Human Resource Centre.</p>	Section 4.5
The trademarks and branding of the Company	<p>The Company has 58 registered trademarks and 4 design patents in China. In addition, it has registered key names and logos in Hong Kong, Macau, Taiwan, USA, Germany and Singapore.</p> <p>TTC, via its wholly owned subsidiary Fuqiao Holdings, holds the prestigious Chinese Well-Known Trademark. This is considered significant as it is considered to be a reflection of the regard with which the China Central Government holds TTC's business.</p>	Section 4.6
Sources of revenues generated by the Company	<p>The Company generates revenue from four principal sources, which are as follows:</p> <ul style="list-style-type: none"> • Franchise Fees, which franchisees pay annually and in advance • Training Fees, which are paid by franchisees for the provision of trained clinic managers and staff. These fees are paid up-front at the commencement of a franchise • Management Fees, which franchisees pay monthly in advance for the life of the franchise • Revenue generated from operation of owned clinics 	Section 4.4.1 and Section 4.4.2

01. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Material agreements to the Company's business	Franchising clinics is a material component of TTC's business model. The franchise documents include the Franchise Agreement, the Training Agreement and the Trademark License Agreement. These agreements facilitate the setting up of a franchise in accordance with TTC standards, the use of the Fuqiao brand and other intellectual property and know-how, and the provision of a trained manager and appropriately trained staff.	Section 9.3.2
Key drivers of growth	TTC's growth to date has principally been through the expansion of its franchised operations. However, since 2013 the Company has been expanding its base of owned clinics.	Section 4.7
Key strategies for growth	<p>Recognising the financial benefits to the Company of owning clinics, as well as the sale of franchises, the Company has comprehensive strategies covering the following:</p> <ul style="list-style-type: none"> • Continued growth of franchised operations including the continued formal marketing of the franchise opportunity • Expanding the number of owned clinics by acquisition of existing franchises, setting up of clinics in suitable locations or acquisition and rebranding of suitable existing operations <p>Other strategies also include the following:</p> <ul style="list-style-type: none"> • Expanding the Company's access to appropriately qualified and dedicated therapists by growing and improving in-house training facilities • Enhancing IT and mobile CRM systems to provide better service to customers 	Section 4.8
The Company's competitors	<p>The Company's competitors include the following:</p> <ul style="list-style-type: none"> • China Liangtse Group – This company has 88 clinics across the northern, eastern, central and north western part of China and seven in Europe. China Liangtse Group provides foot massage, body massage, physiotherapy and spa services. • K-Lotus Massage – This company has approximately 100 self-owned or franchised clinics in central and eastern China. K-Lotus Massage provides foot massage, body massage and spa services. 	Section 3
Business plan and timeline	<p>TTC intends to continue to grow the number of franchised clinics. In FY2015, the Company forecasts to grant 35 additional franchises (in FY2014, 62 new franchises were granted). As at 30 April 2015, 13 franchise agreements had been completed while there were 105 potential franchisees in various stages of discussion and negotiation, spread across 21 provinces of China.</p> <p>With respect to the expansion of owned clinics, TTC intends to continue growing its owned clinic network. To date, it has identified 21 potential acquisition targets from the franchised clinic base and plans to finalise the acquisition of some of these clinics after the completion of the IPO (the effect of these potential acquisitions is not included in the financial forecasts).</p>	Section 4.4.1 and Section 4.4.2

01. INVESTMENT OVERVIEW

1.3 KEY INVESTMENT FEATURES

FEATURE	DESCRIPTION
Proven Business Model	<p>The business model of both owned and franchised clinics has facilitated growth since the commencement of operations in 1998.</p> <p>Furthermore, TTC services are built on health and wellness techniques that have been accepted and used in China for hundreds of years.</p>
Compelling business model	<p>Company trained clinic (franchise) managers limit “owner/operator” risks.</p> <p>Upfront payment of franchise and training fees avoids reliance on the underlying economic performance of the franchisees.</p> <p>Expanded emphasis on owned clinics given the potential returns offered by owned clinics without a material difference to the operating model of TTC trained managers in each clinic</p>
Investor Communication	<p>TTC recognises the need for clear, timely and accurate communication with investors and the investor market. To facilitate this, TTC has a bilingual Australian resident CFO with appropriate qualifications and experience. In addition to this, TTC’s operating entities also have a bilingual Secretary, who is based at the head office in China and has worked extensively outside China in corporate and corporate advisory roles.</p>
Experienced Board	<p>In addition to the two Executive Directors, the Chairman and Non-executive Directors have extensive, relevant experience and success in franchising, healthcare and consumer industries.</p>
Strong market position in a growing market	<p>TTC is one of the largest participants in a growing but highly fragmented industry in China. It is estimated that the industry sector in which TTC participates will grow from RMB 216 billion (AUD 43.99 billion) in 2014 to RMB 287 billion (AUD 58.45 billion) in 2017 (>10% per annum) (refer to part 8 “Industry scale and growth” of the Independent Market Report in Section 3).</p>
Positioned for further growth	<p>The Company has attained significant momentum in its growth. Its network of owned and franchised clinics has grown from 104 at the end of 2011 to 310 as of 30 April 2015. The scale, branding and geographical spread of TTC network clinics will assist in achieving growth.</p> <p>The addressable market in China for clinics of TTC’s scale and quality is estimated to be greater than 4,500 (refer to part 8 “Industry scale and growth” of the Independent Market Report in Section 3).</p> <p>Like other consumer service businesses globally, it is envisaged that over time, there will be consolidation among the leading brands.</p>
Branding and differentiation	<p>TTC has a unique branding and strong brand awareness across China. It was awarded the Chinese Well-Known Trademark which is recognised at a national level by the State Administration for Industry and Commerce, and acts as a value proposition for customers.</p>
Cash generation	<p>In the 3 years from FY2012 to FY2014, TTC has generated the following;</p> <ul style="list-style-type: none"> operating cash generation has totalled A\$37.3 million (on average, A\$12.43 million per annum); revenue has totalled A\$55.3 million (on average, A\$18.43 million per annum); and resultant NPAT of A\$22.66 million (on average, A\$7.6 million per annum).
Technical standards	<p>TTC and its franchisees operate on strict technical and general operating standards. TTC has been engaged with the central government of China in drafting industry standards.</p>

01. INVESTMENT OVERVIEW

1.4 KEY RISK FACTORS

Investing in Shares involves substantial risks. The key risks listed in the table below are not exhaustive and an investment in TTC should be considered speculative. Before making an investment decision, potential investors should read the entire Replacement Prospectus. In particular, investors should give full consideration to the detailed discussion on the risks that are associated with, and which could affect the financial performance of, an investment in TTC, as set out in “Risk Factors” in Section 8.

RISK FACTORS	SUMMARY	FOR MORE INFORMATION
Training and provision of staff	The Group’s services are labour-intensive and rely on staff that are skilled in traditional therapy. The occurrence of any unforeseeable circumstance that would affect the ability of the Group to recruit highly skilled staff members, or that would cause the Group to lose staff members, may limit the Group’s ability to provide services, especially as the Group endeavours to expand its business.	Section 8.2.1
Reputation and trademarks	The brand of the Group, “Fuqiao,” has been registered as a trademark with the World Intellectual Property Organisation and it is protected in China, Hong Kong, Macau, Taiwan, USA, Germany and Singapore. The Company cannot ensure that there will not be any unauthorised usage or misuse of the Group’s brand. Any infringement of the Group’s intellectual property rights in respect of its trademarks may be detrimental to the Group’s reputation, lead to litigation or adversely affect the Group’s financial performance.	Section 8.2.2
Reliance on key personnel	TTC’s business is reliant upon the provision of high quality marketing and operational services by its senior personnel. It is also dependent on its skilled training staff and technical personnel for the successful and ongoing provision of its business activities. Any change in the quality or quantity of these services, or an inability to attract qualified and motivated personnel to provide these services, could affect TTC’s business activities and financial performance.	Section 8.2.3
The Property (new head office in Chongqing) purchased by Wuhuan Fuqiao	<p>Wuhuan Fuqiao (a wholly owned subsidiary of TTC) and Chongqing Jialaijin Real Estate Co. entered into a property purchase agreement to purchase 7 floors in a 32-level building (excluding any land-use right) to be used as TTC’s head office in Chongqing. The purchase agreement was not registered at the local real estate and land administration departments within the time limit in accordance with local regulations. Although this is not a violation of any Chinese laws, Wuhuan Fuqiao may face risks of inability to acquire title to the Property.</p> <p>In order to mitigate the specific risks with respect to the Property sale, Ms Zhirong Hu executed a personal guarantee to Wuhuan Fuqiao on 1 June 2015 (Deed of Guarantee and Indemnity) guaranteeing the performance and liability of the Vendor under the Property purchase agreement. In addition, the existing majority shareholder, Hwazon Investment Limited, also executed and registered a share charge with respect to its shares in TTC on 14 June 2015 (Share Security Deed) to secure Ms Zhirong Hu’s performance and liabilities under the Deed of Guarantee and Indemnity.</p>	Section 8.2.4

01. INVESTMENT OVERVIEW

RISK FACTORS	SUMMARY	FOR MORE INFORMATION
Land-use rights in China	<p>Under PRC Law, most lands in the PRC are State-owned. Individuals, businesses and other organisations can possess land by being granted land-use rights from the local government for limited time periods. After the expiration of the term, the land user that has maintained continuous use of the land has the right to apply for an extension. The application shall be approved subject to considerations of public interest.</p> <p>Under special circumstances, the State may also reclaim the land prior to the expiry of the granted land-use right in consideration of public interest. However, the State is required to give compensation to the related land user determined by the remaining effective term of the land-use right, and the conditions of development of the reclaimed land.</p> <p>The land-use right with respect to the new head office of TTC will expire on 16 January 2060. Whilst TTC will not own such land-use right and TTC is not aware of any intention by the local governments to reclaim the land-use rights related to any other property held or to be held by TTC, if the local government exercises its power to revoke land-use rights, reclaim such land or refuse the extension of the land-use tenure, the normal business operations of TTC may be significantly disturbed.</p>	Section 8.2.5
Cross-border enforcement of Director/ shareholders' obligations	<p>The Executive Directors and representatives of the major shareholders of TTC (Hwazon Investment Limited) reside in China. Therefore, it is difficult to ensure that they will comply with obligations imposed by Australian law.</p> <p>The Board has established a corporate governance framework for the Group and holds regular board meetings. Board and committee meetings are held in China at least 3 times a year to maintain proper communication with the Directors and the stakeholders who reside in China.</p>	Section 8.2.6
Communication barrier between the Directors and between the Company and the investors	<p>The Executive Directors and most operating staff of TTC can only communicate in Chinese. There may be a delay and/or inaccuracies when communicating with the English-speaking Non-executive Directors and investors in Australia. The Group has employed personnel who are fluent in both Chinese and English, including Zhonghan (John) Wu, who is the Chief Financial Officer, to ensure accurate and timely communication of any information relating to the Company.</p>	Section 8.2.7
Cultural differences between the Group's business operations and Australian investors	<p>Australian investors, if without much exposure to Chinese culture may not fully understand the business model or business decisions of TTC, which will inevitably be influenced by the Chinese culture.</p>	Section 8.2.8
Competitive environment	<p>The traditional healthcare market in China is highly fragmented and competitive with low barriers to entry. TTC's competitors regularly develop and provide new services to customers and may also have other strategies available to increase their market share. If TTC is unable or unwilling to adapt or to respond to such strategies, it may experience a decline in customer numbers and financial performance.</p>	Section 8.2.9

01. INVESTMENT OVERVIEW

RISK FACTORS	SUMMARY	FOR MORE INFORMATION
Potential merger and acquisition activity	In exploring acquisition opportunities to enhance growth, transactions may lead to unforeseen expenditures and integration risks and difficulties in relation to its operational, financial, control and management information systems.	Section 8.2.10
Risk of significant control by Existing Shareholders	Immediately after the Offer, Existing Shareholders will beneficially own approximately 86.41% of the Company's issued capital assuming that 30,000,000 New Shares are issued under the Offer, which enables the Existing Shareholders, if acting together, to pass any shareholder resolution (including a special resolution) without any new Shareholder. In particular, Hwazon Investment Limited, a related party entity controlled by Ms Zhirong Hu, will hold 70.34% of shares in the Company. As a result, Ms Hu, or Ms Hu acting together with the other Existing Shareholders, would be able to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholders' approval.	Section 8.2.11
Operating and foreign exchange risks in China	The Group's profitability will be generated in China. Economic or political instability in China (which may be caused by a number of unforeseeable events) may have an adverse effect on TTC.	Section 8.2.12
Liquidity	<p>Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. Any inability to manage this risk may lead to an adverse effect on TTC's financial performance.</p> <p>In addition, on Completion of the Offer, all Existing Shareholders will hold approximately 86.41% of the Shares. Each of the Existing Shareholders has entered into a voluntary escrow agreement in relation to all of the Shares it holds for a period of two years. The absence of sale of Shares by the Existing Shareholders during the escrow period may cause, or at least contribute to, limited liquidity in the market for the Shares. This may also affect the prevailing market price at which Shareholders are able to sell their Shares.</p>	Section 8.2.13
Chinese regulatory environment	There are uncertainties and inconsistencies in the enforcement of existing laws and regulations in the PRC. The PRC's legal system is largely based on legislation and prior case law has limited precedential value. Any litigation in the PRC may be protracted and may result in substantial legal costs and diversion of resources. Legal uncertainty in the PRC may limit the legal protection available to potential litigants. The occurrence of one or several of these risks could have material and adverse effects on the Group's business, net assets, financial condition and operational results. Laws and regulations may also change that may adversely affect the Group's ability to transfer funds out of China and therefore, restrict the ability of TTC to pay dividends.	Section 8.2.14

01. INVESTMENT OVERVIEW

RISK FACTORS	SUMMARY	FOR MORE INFORMATION
Lack of insurance coverage	In the PRC, it is not customary for businesses to take out extensive insurance protection. Aside from the public liability insurance and the vehicle insurance by Chongqing Fuqiao, and the comprehensive property insurance and the vehicle insurance bought by Wuhuan Fuqiao, TTC's operating entities have not taken out any other insurance policies that would cover risks for business premises. Any uninsured occurrence of loss or damage, litigation or business disruption may result in substantial cost to the Chinese operating subsidiaries, which, in turn, could have a material and adverse effect on TTC or its subsidiaries' business, net assets, financial condition and operational results.	Section 8.2.15
Approvals, permits and licences	The Chinese operating companies of TTC, Fuqiao Holdings and its subsidiaries require certain licences and approvals granted at the discretion of the relevant PRC authorities. Criteria for eligibility may change and these authorities have the power to revoke previously granted licences or approvals, which may interrupt the business activities carried out by the Group. This may have material and adverse effects on TTC or its subsidiaries' business, net assets, financial condition and operational results.	Section 8.2.16
Repatriation of dividends	<p>In each financial year, subject to the forecast financial targets of the Company being achieved, TTC intends to make interim and final dividend payments to Shareholders.</p> <p>The TTC Group generates majority of its profit through the business operations of Fuqiao Holdings, the Group's operating entity that is classified as a wholly foreign-owned enterprise (WFOE) in China. Under the relevant Chinese law, before TTC can make distribution of any profit, it is required to set aside 10% of its annual post-tax profits generated in China to a statutory common reserve fund each year until the aggregate balance of the statutory common reserve fund reaches 50% of the WFOE's registered capital. This will reduce the pool of funds that is available to be distributed as dividends to investors in their first few years of investing in TTC. This will result in lower dividend payments by TTC when compared to other listed companies that do not generate their profit in China.</p> <p>The Chinese government also imposes additional restrictions on the repatriation of funds overseas in general, including the approval requirements by the State Administration of Foreign Exchange (SAFE). There is no guarantee that the Chinese government will not tighten their foreign exchange control policy. In such event, TTC's ability to transfer funds from China to overseas may be limited, which may restrict the repatriation of dividends from China.</p>	Section 8.2.17

01. INVESTMENT OVERVIEW

RISK FACTORS	SUMMARY	FOR MORE INFORMATION
Rapid expansion of TTC's scale of business	<p>In recent years, the Company has recognised the greater profitability that can be achieved by operating owned clinics as compared to granting franchise rights to franchisees to operate clinics. Since 2012 the Company has started to acquire clinics (refer to Section 4.4.2 "Owned clinics").</p> <p>At this stage, the Company's ability to increase revenue is dependent upon the Company being able to negotiate competitive prices for the acquisition of clinics, recruit suitable management and operational staff, and management of the owned clinics. If TTC is unable to properly manage its expansion plans, the profitability of its business operations may be adversely affected.</p>	Section 8.2.18
Renewal of franchise agreements	<p>The contractual term for TTC's standard franchise agreement is 5 years which is the maximum period as limited by the Chinese government. Therefore, TTC needs to renegotiate franchise agreements every five years. Whilst TTC considers itself to have relatively strong bargaining power over franchisees, and considering the historically low rate of non-renewal of franchise agreements, there is the possibility that TTC is unable to renew franchise agreements with certain franchisees, or will renew a franchise agreement on less agreeable terms to TTC.</p>	Section 8.2.19
Corporate structure of the TTC Group	<p>The main business operations of the TTC Group are conducted by the Chinese entities in its corporate structure. TTC is the parent holding company of the TTC Group, which holds the PRC entities through a Hong Kong entity. Therefore, Shareholders of TTC may not have as direct control of the day-to-day affairs of the TTC Group's business as shareholders of companies with actual business operations may have.</p>	Section 8.2.20
Housing provident fund in China	<p>Under Chinese law, a housing provident fund is established for each employed person. Regular contributions to the fund are required by both employers and employees. If the employer fails to comply with the regulations, the relevant authorities can demand the employer to comply or impose a fine of up to RMB 50,000 (approximately A\$10,183).</p> <p>As at the date of this Replacement Prospectus, none of the Chinese entities of the TTC Group has made the required housing provident fund contributions for any employee. TTC may be subjected to fines and orders to comply with the regulations within a time limit. This may interrupt the normal cash flow of TTC's business operations.</p> <p>In order to mitigate this risk, Ms Zhirong Hu, Executive Director of TTC, has signed a personal guarantee on 23 May 2015 to compensate all Chinese entities of TTC Group for all fines, losses and costs incurred as a result of their prior and future non-compliance with the regulations of housing provident funds.</p>	Section 8.2.21

01. INVESTMENT OVERVIEW

1.5 SELECTED FINANCIAL INFORMATION

The following table presents a summary of the Group's financial data which has been derived from the Financial Information set out in Section 6 and should be read together with the Investigating Accountant's Report on the Financial Information as set out in Section 7.

This Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act. The Financial Information provided complies with International Financial Reporting Standards adopted by the International Accounting Standards Board.

The summarised financial data should be read together with the Management Discussion and Analysis of the Financial Information in Section 6.

HISTORICAL AND FORECAST STATEMENTS OF FINANCIAL PERFORMANCE

YEAR ENDING 31 DECEMBER A\$'000	FY2012 HISTORICAL	FY2013 HISTORICAL	FY2014 HISTORICAL	FY2015 FORECAST
Revenue	8,823	15,639	30,864	41,662
Cost of revenue	(2,843)	(4,380)	(10,438)	(15,038)
Gross profit	5,980	11,259	20,426	26,624
Selling and distribution expenses	(53)	(79)	(63)	(73)
General and administrative expenses	(1,214)	(1,942)	(1,941)	(4,959)
Other expenses	–	–	(3)	–
Finance costs	(3)	(5)	(10)	(12)
Finance income	70	94	56	113
Profit before income tax	4,780	9,327	18,465	21,694
Income tax expense	(1,486)	(2,980)	(5,448)	(5,841)
Profit after income tax	3,294	6,347	13,017	15,853
Other comprehensive income	–	–	–	–
<i>Items that may be reclassified subsequently to profit or loss</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
Foreign currency translation	(19)	1,541	1,364	398
Total comprehensive income	3,275	7,888	14,381	16,251

01. INVESTMENT OVERVIEW

1.6 DIRECTORS AND KEY MANAGEMENT

TTC has assembled a well-credentialed and balanced Board, and a management team with extensive experience.

NAME	POSITION	EXPERIENCE
Mr Andrew Sneddon	Chairman Non-executive Director	Mr Sneddon is an Australian resident and a Chartered Accountant. He is a retired partner from PwC after 33 years with the firm. Since retirement Mr Sneddon has strategically mentored a number of high growth companies. He has extensive experience in strategy, mergers and acquisitions, public market listings and capital raisings.
Ms Zhirong Hu	Managing Executive Director	Ms Hu founded the Fuqiao Group in 1998 and is a resident of China. She has a certificate of completion in economic management major at Tsinghua University School of Economics. Ms Hu is a member of Chongqing Committee of the Political Consultative Conference and the fourth Executive Director of Chongqing Acupuncture and Aoxibustion Association. Ms Hu has won multiple awards, both in the national and the local level, including "The Most Remarkable Business Woman of China", which was awarded by the China General Chamber of Commerce in 2006.
Mr Sanzheng Zhang	Chief Executive Officer Executive Director	Mr Zhang has a degree in economics and management from School of Central Committee of Communist Party of China and is a resident of China. He has considerable experience in finance and business management. Previously Mr Zhang was Vice Executive Officer and Chief Accountant in a Chinese military enterprise. He has been with the Group for 14 years.
Mr Jeff Fisher	Non-executive Director	Mr Fisher, a resident of Australia, was a CEO of the "Oporto" franchise group for 8 years, steering it through two private equity transactions. Currently he is CEO of the Bondi Pizza Group. With Mr Glen Lees, Mr Fisher built Oporto from 5 to 150 stores throughout Australia.
Mr Glen Lees	Non-executive Director	Mr Lees, a resident of Australia, is a Chartered Accountant (previously Coopers & Lybrand and Horwaths). He was the CFO of the "Oporto" franchise group for 13 years, working with Mr Fisher and steering it through two private equity sales. Mr Lees is the current CFO of the Bondi Pizza Group.
Mr Ping Jian	Deputy Chief Executive Officer	Mr Jian, a resident of China, joined TTC in 2003. Prior to being the deputy Chief Executive Officer, he worked as a manager of one of the TTC Group's clinics and after which, as a Director of the Human Resource Department.
Mr Zhonghan (John) Wu	Chief Financial Officer	Mr Wu, a resident of Australia, is a member of CPA Australia, ACMA and CGMA. He is a board director of several private and public companies and has extensive experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements. He is currently a non-executive director and the chairman of the audit committee of Blackgold International Holdings Ltd (ASX code: BGG). He speaks both English and Mandarin.
Ms Lisa Dalton	Company Secretary	Ms Dalton, a resident of Australia, is an accomplished governance professional, senior executive and leader with over 15 years of experience in the mining, energy, construction, agricultural, health and childcare sectors.

01. INVESTMENT OVERVIEW

1.7 USE OF FUNDS

As at 31 December 2014, the Company had approximately A\$15,158,000 in cash (A\$18,813,000 in 2013). The Company intends to continue maintaining a material net cash balance as an offset to the current and non-current deferred income liability. Based on the Subscription, the Company expects to receive proceeds of A\$15,000,000 from the issue of Shares at the Offer Price of A\$0.50 per Share. The table below sets out the proposed use of funds based on the Subscription (**Total Funds**). The amounts represented below may change as a result of fluctuations in the exchange rate.

USE OF FUNDS	AMOUNT	% OF TOTAL FUNDS
Investment in new owned clinics (over an expected two years) ¹	A\$10,988,045	73.3%
CRM systems and IT systems ²	A\$2,000,000	13.3%
Costs of the Offer to be paid out of proceeds raised ³	A\$2,011,955	13.4%
TOTAL	A\$15,000,000	100%

1 Refer to Section 4.4.2 for more information about the investment plan on new owned clinics.

2 Refer to Section 4.8.4 for more information about CRM and IT systems.

3 Refer to Section 9.8 for more information about the costs of the Offer.

The proposed use of proceeds described above represents the Company's current intentions based upon the present plans and business conditions. The amounts and timing of the actual expenditures may vary significantly and will depend upon numerous factors, including the timing and success of the Company's development efforts.

1.8 CAPITAL STRUCTURE FOLLOWING THE OFFER

The ownership structure of TTC when the Offer has been completed will be as follows:

	NUMBER OF SHARES	%
Shares on issue at date of Replacement Prospectus	190,772,000	86.41
Shares offered under this Replacement Prospectus	30,000,000	13.59
Total	220,772,000	100.00

The Existing Shareholders will retain 86.41% of the Company if Subscription is achieved. All Existing Shareholders have voluntarily agreed that their Shares will be held in escrow until a date that is twenty-four (24) months after Listing Date (refer to "Escrow arrangements" in Section 9.6).

1.9 EXISTING SHAREHOLDER INTERESTS

The table below sets out the interests of the Existing Shareholders as at the date of this Replacement Prospectus and immediately following the Offer:

SHAREHOLDERS	PRE OFFER		POST OFFER ASSUMING SUBSCRIPTION	
	Number of Shares	%	Number of Shares	%
Hwazon Investment Limited	155,288,408	81.4	155,288,408	70.34
Talent Felicity Ltd	4,578,528	2.4	4,578,528	2.07
Asia Glory Technology Limited	3,433,896	1.8	3,433,896	1.56
Best Scenery Investments Limited	8,966,284	4.7	8,966,284	4.06
Virtue Link Holdings Limited	9,157,056	4.8	9,157,056	4.15
Xiaobei Huang	9,347,828	4.9	9,347,828	4.23
Total Existing Shareholders	190,772,000	100.00	190,772,000	86.41

01. INVESTMENT OVERVIEW

TTC considers Hwazon Investment Limited to be a related party of TTC for the reasons that (i) Ms. Zhirong Hu holds 7,180 ordinary shares (88.2%), Mr. Sanzheng Zhang holds 495 ordinary shares (6.08%) and Mr. Ping Jian holds 465 ordinary shares (5.71%) in Hwazon Investment Limited; and (ii) Ms. Hu and Mr. Zhang are Directors of TTC, and Mr. Jian is the Deputy CEO of TTC. The other Existing Shareholders are not related parties of TTC except by virtue of being the Shareholders of TTC. None of the Existing Shareholders are related to any other Existing Shareholders.

Please refer to “Existing Shareholder interests” in Section 9.5 for more information.

1.10 ANSWERS TO KEY QUESTIONS

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is the issuer of this Replacement Prospectus?	Traditional Therapy Clinics Limited, a company incorporated in Queensland.	Section 4.3
What is being offered?	Pursuant to the Offer, the Company invites Applications for 30,000,000 Shares at an Offer Price of A\$0.50 each to raise A\$15,000,000.	Section 2.1
What is the Offer Price?	The Offer Price is A\$0.50 per Share.	Section 1.1
Is the Offer underwritten?	No. The Offer is not underwritten.	
What are the key dates of the Offer?	The Offer closes on 20 August 2015. The Shares are expected to be allotted on 24 August 2015. The Holding Statements are expected to be dispatched on 24 August 2015. The Shares are expected to commence trading on ASX on 31 August 2015.	Section 1.1
What is the amount to be raised under the Offer?	TTC is offering 30,000,000 Shares to raise A\$15,000,000 before costs of the Offer. If the subscription amount is not raised then TTC will not proceed with the Offer and will repay Application Monies received (without interest).	Section 2.1
Why does the Company want to be listed on the ASX?	TTC recognises that Australia was one of the first western countries to legally recognise Chinese traditional medicine and has a growing Chinese-Australian community. In addition, the ASX is a mature, professional capital market with high market performance, low operating costs, and a relatively shorter timeframe for a listing. TTC believes a listing under these conditions will support the active pace of the Company's expansion.	
What will the market capitalisation of the Company be upon listing on ASX?	The market capitalisation is expected to be A\$110,386,000, based on the Offer Price of A\$0.50 per Share, and the Subscription of 30,000,000 Shares being reached.	Section 1.1

01. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What are the significant tax implications of investing in the Company?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.12
What are the costs of the Offer payable by the Company?	The Company's costs of the Offer are estimated to total approximately A\$3.6 million based on the Subscription amount.	Section 9.8
How do I apply for Shares?	<p>If you are applying under the General Public Offer or the Broker Firm Offer, by submitting a valid Application Form contained within or accompanying this Replacement Prospectus (including the electronic version of the Replacement Prospectus) in accordance with the instructions contained within.</p> <p>If you are applying for Shares using ASX BookBuild, contact your Broker or the Technical Leader Manager, AFS Capital Securities Ltd, who will submit your bid into the ASX BookBuild Facility using the ASX code TTCXBB prior to the close of the ASX BookBuild offer period.</p> <p>The Company will make announcements about the ASX BookBuild component of the offer via the ASX announcements platform under the Company's ASX head stock code, TTC. These announcements are available on the ASX website, and will include the key parameters of the ASX BookBuild.</p>	Section 2.2
What is the allocation policy?	The Company will determine the basis for the allocation of Shares.	Section 2.3
When will I receive confirmation that my Application has been successful?	Holding Statements confirming Applicants' allocations under the Offer are expected to be dispatched to Shareholders on 24 August 2015.	Section 2.2 and Section 1.1

1.11 QUESTIONS OR FURTHER INFORMATION

If you have queries in relation to this Replacement Prospectus, including how to complete the Application Form or how to obtain additional copies, you may refer to either of the following:

- contact the Offer Information Line on 1300 384 520 (within Australia) and +61 3 9415 4380 (outside Australia) from 8.30am until 5.00pm (AEST) Monday to Friday until Completion of the Offer;
- visit **www.ttc-ltd-shareoffer.com** to download and print an electronic copy of the Replacement Prospectus. You may only download an electronic copy of the Replacement Prospectus if you are a resident of Australia and access the website from within Australia.

If you are uncertain on any matters relating to TTC or as to whether TTC is a suitable investment for you, then you should seek professional advice from your stockbroker, accountant, financial adviser, lawyer or other professional adviser.

02. DETAILS OF THE OFFER



02. DETAILS OF THE OFFER

2.1 THE OFFER

TTC is seeking to raise A\$15,000,000 through the issue of 30,000,000 Shares under the Offer. The Offer consists of a General Public Offer, a Broker Firm Offer and an Institutional Offer of Shares. The allocation of Shares between the Applicants is determined by TTC at its absolute discretion. The Offer is not underwritten.

A Subscription amount of A\$15,000,000, representing 30,000,000 Shares at the Offer Price of A\$0.50 per Share, is required under the Offer. The Offer will not proceed and all Applications and associated Application Monies will be returned to Applicants (without interest), unless the Subscription amount of A\$15,000,000 is raised under the Offer. The Company reserves the right not to proceed with the Offer or any part of it at any time before allotment of Shares to Applicants under the Offer.

New Shares will be issued as fully paid Shares and when issued will rank equally with the existing Shares on issue.

2.2 HOW TO APPLY FOR SHARES UNDER THE OFFER

The Offer is comprised of:

- (a) General Public Offer;
- (b) Broker Firm Offer;
- (c) ASX BookBuild Facility; and
- (d) Institutional Offer.

2.2.1 Applying for Shares under the General Public Offer

To participate in the General Public Offer, you must complete the General Public Offer Application Form attached to, or accompanying this Replacement Prospectus or alternatively complete your Application online by making a BPAY® payment as described online at www.ttc-ltd-shareoffer.com.

The General Public Offer Application contains detailed instructions on how to complete the form. If you apply through the General Public Offer, you must apply for a minimum of A\$2,000 and incremental multiples of A\$200 after that.

(A) PAYMENT AND SUBMITTING THE GENERAL PUBLIC OFFER APPLICATION FORM

- **Apply ONLINE and pay by BPAY®**

If you are eligible to apply for New Shares under the General Public Offer, and you are applying online, you must complete your online Application by following the instructions and by making a BPAY® payment. If you apply using a paper copy of the General Public Offer Application Form, you cannot pay for Shares using BPAY. Instead you must pay by cheque, bank draft or money order.

Using the BPAY® details provided when you complete your online Application, you need to:

- (1) access your participating BPAY® financial institution either through telephone banking or internet banking;
- (2) select BPAY® and follow the prompts;
- (3) enter the biller code supplied;
- (4) enter the unique Customer Reference Number supplied for each Application;
- (5) enter the total amount to be paid which corresponds to the number of Shares you wish to apply for under each Application (i.e. a minimum of A\$2,000 and incremental multiples of A\$200 after that). Note that your financial institution may apply limits on your use of BPAY®. You should enquire about the limits that apply in your own personal situation;
- (6) select the account you wish your payment to be made from;
- (7) schedule your payment. Note that Applications without payment cannot be accepted; and
- (8) record your BPAY® receipt number and date paid. Retain these details for your records.

02. DETAILS OF THE OFFER

BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Monies will be received by 5.00pm (AEST) on the Closing Date. If you do not pay the Application Monies, your Application will be incomplete and will not be accepted.

If you complete your Application by making a BPAY® payment, you do not need to complete or return the paper General Public Offer Application Form. By completing a BPAY® payment, you acknowledge you are applying pursuant to the General Public Offer Application Form.

- **Apply by Post and pay by Cheque, Bank Draft or Money Order**

If you do not wish to pay by BPAY® a paper General Public Offer Application Form must be completed in accordance with its accompanying instructions. Once completed, please lodge your General Public Offer Application Form and Application Monies so that they are received at the following address by 5.00pm AEST on the Closing Date.

By mail to:

Traditional Therapy Clinics Limited Offer
C/- Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

By hand delivery

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Cheque(s), or bank draft(s) or money orders must be:

- in Australian currency;
- drawn at an Australian branch of a financial institution;
- crossed "Not Negotiable"; and
- made payable: to "Traditional Therapy Clinics Limited IPO Account".

If paying by cheque(s), Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

(B) ACCEPTANCE OF GENERAL PUBLIC OFFER APPLICATIONS

Regardless of the method of Application the Registry must receive the relevant Application by no later than the close of the Offer (unless TTC varies the dates and times).

A completed BPAY® payment or a completed and lodged paper General Public Offer Application Form constitutes an irrevocable offer to TTC to subscribe for Shares on the terms and conditions set out in this Replacement Prospectus (including any supplementary or replacement prospectus), and as set out in the Application Form.

TTC reserves the right to:

- (a) reject any Application, including Applications that have not been correctly completed or are accompanied by payments that are dishonoured;
- (b) accept late Applications received after the close of the Offer;
- (c) allocate to any Applicant a lesser number of Shares than that for which any Applicant applied; and
- (d) waive or correct any errors made by an Applicant in their Application.

02. DETAILS OF THE OFFER

2.2.2 Applying for under the Broker Firm Offer

(A) WHO CAN APPLY UNDER THE BROKER FIRM OFFER?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

(B) HOW TO APPLY UNDER THE BROKER FIRM OFFER?

Applications for Shares may only be made on a Broker Firm Offer Application Form attached to or accompanying this Replacement Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Offer Application Form.

By making an application, you declare that you were given access to the Replacement Prospectus, together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Replacement Prospectus or the complete and unaltered electronic version of this Replacement Prospectus.

If you apply in the Broker Firm Offer, you must apply for a minimum of A\$2,000 and incremental multiples of A\$200 after that. There is no maximum number or value of Shares that may be applied for under the Broker Firm Offer. However, TTC and the Lead Manager reserve the right to reject or scale back any applications in the Broker Firm Offer. TTC and the Lead Manager also reserve the right to aggregate any applications which they believe may be multiple applications from the same person. TTC may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Form to the Registry.

The Broker Firm Offer opens at 9.00am (AEST) on 30 June 2015 and is expected to close at 5.00pm (AEST) on 20 August 2015. TTC and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their applications as early as possible. Please contact your Broker for instructions.

TTC, the Registry and the Lead Manager take no responsibility for any acts or omissions by your Broker with your Application. Broker Firm Offer Application Form and Application Monies (including without limitation, failure to submit Broker Firm Offer Applications Forms by the close of the Broker Firm Offer). Please contact your Broker if you have any questions.

(C) ALLOCATION POLICY UNDER THE BROKER FIRM OFFER

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the applicants nominated by those Brokers (subject to the right of TTC and the Lead Manager to reject or scale back applications). It will be a matter for the Brokers how they allocate firm stock among their eligible retail clients, and they (and not TTC and the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you have confirmed your firm allocation with your Broker.

02. DETAILS OF THE OFFER

2.2.3 Applying for Shares using ASX BookBuild® Facility

The ASX BookBuild Facility is open to all eligible Applicants who may instruct their broker or the Technical Lead Manager, AFS Capital Securities, to submit a bid via the ASX BookBuild Facility.

The ASX BookBuild Facility is an electronic BookBuild facility operated by ASX and is part of the ASX public market infrastructure and trading system. The ASX BookBuild Facility provides a fair, transparent and efficient process for issuing new capital, with defined allocation rules.

All eligible investors will be able to bid for Shares offered under this Replacement Prospectus may ask their Broker or the Technical Lead Manager to submit a bid via the ASX BookBuild Facility. Please contact your Broker or the Technical Lead Manager in order to bid. Your bid will then be submitted by your Broker or the Technical Lead Manager into the ASX BookBuild Facility using the ASX code TTCXBB prior to the close of the ASX BookBuild offer period.

The Company will make announcements about the ASX BookBuild component of the offer via the ASX announcements platform under the Company's ASX head stock code, TTC. These announcements are available on the ASX website, and will include the key parameters of the ASX BookBuild.

The Company has appointed AFS Capital Securities as Technical Lead Manager to manage the BookBuild on behalf of the Company.

Brokers will be notified of allocations and any other relevant information by the Technical Lead Manager on the closing of the BookBuild. Where an Applicant receives an allocation of Shares as a result of a bid entered on their behalf via ASX BookBuild, the Applicant is obliged to subscribe for the number of Shares allocated to them.

All applications submitted via ASX BookBuild are automatically pooled and allocated by the system. If there is any scale-back, then all investor bids are treated equally and will be scaled pro rata. Investors are encouraged to submit their bids early.

Settlement of the trades entered into the ASX BookBuild Facility shall take place Delivery versus Payment via the CHESS primary market facility.

Further information about ASX BookBuild can be found on the ASX website, www.asx.com.au/bookbuild.

2.2.4 Institutional Offer

(A) INVITATIONS TO BID

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager will separately advise Institutional Investors of the application procedures for the Institutional Offer.

(B) ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER

The allocation of Shares among applicants in the Institutional Offer will be determined by TTC and the Lead Manager. The Lead Manager, in consultation with TTC, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors, and there is no assurance that any Institutional Investor will be allocated any Shares or the number of Shares for which it bid. The allocation policy will be influenced by the following factors:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- TTC's desire for an informed and active trading market following Listing on the ASX;
- TTC's desire to establish a wide spread of institutional shareholders;
- overall level of demand under the General Public Offer, Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term shareholders; and
- any other factors that TTC and the Lead Manager considered appropriate.

02. DETAILS OF THE OFFER

2.2.5 Withdrawal or early close of the Offer

TTC reserves the right to withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer is withdrawn, then Application Monies will be refunded. No interest will be paid on any Application Money refunded as a result of the withdrawal of the Offer or otherwise. TTC will retain any interest which accrues on Application Monies.

TTC reserves the right to close the Offer early.

2.2.6 Brokerage, commission and stamp duty

You do not have to pay brokerage, commission or stamp duty if you acquire Shares under the Offer. Fees are payable, in relation to the Offer, to Brenowen Cross Capital Pty Limited, the Corporate Adviser to the Offer, to QA Capital Pty Ltd, the Lead Manager to the Offer, to Lalent Felicity Inc, the Chinese listing consultant to the Company and to AFS Capital Securities the Technical Lead Manager and Broker to the Offer. Details are set out in "Interests of advisers" in Section 5.5. These fees will be paid out of the proceeds of the Offer.

2.3 ALLOCATION OF SHARES

The acceptance of any Application and the allocation of Shares are at the discretion of the Company. In consideration for the Directors agreeing to consider an Applicant's Application, the Applicant agrees its Application is an irrevocable offer which cannot be withdrawn. The Company reserves the right to reject any application and to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies. No Applicant under the Offer has any assurance of being allocated all or any Shares applied for.

2.4 APPLICATION MONIES

All Application Monies will be held in a special purpose trust account until Shares are issued to successful Applicants.

Application Monies will be refunded (in full or in part) if:

- (a) an Application is rejected;
- (b) an Application is subject to scale-back;
- (c) the Offer is withdrawn or cancelled;
- (d) the Subscription is not met; or
- (e) permission for quotation of the Shares is not granted within three (3) months after the date of this Replacement Prospectus or such longer time as permitted by the Corporations Act.

No interest will be paid on any Application Monies that are refunded. After Listing, or if Listing does not occur, TTC will retain any interest earned on Application Monies. Refund cheques will be sent after the close of the Offer or as otherwise applicable under the circumstances outlined above.

2.5 ASX LISTING

TTC will, within seven days after the date of this Replacement Prospectus, apply for admission to the official list of ASX and for official quotation on ASX of the Shares offered under this Replacement Prospectus. Trading of Shares on ASX is expected to commence on 31 August 2015.

It is expected that the initial Holding Statements will be despatched by standard post on 24 August 2015 and that trading of Shares on a normal settlement basis will commence on 31 August 2015. If you apply, then it is your responsibility to determine your allocation before you trade in Shares. If you trade in Shares before you receive your initial Holding Statement, then you do so at your own risk.

The fact that ASX may agree to grant Official Quotation to any Shares is not to be taken in any way as an indication of the merits of TTC or the Shares offered. ASX takes no responsibility for the contents of this Replacement Prospectus.

If permission for quotation of the Shares is not granted within 3 months after the date of this Replacement Prospectus, Application Monies will be refunded without interest as soon as practicable.

02. DETAILS OF THE OFFER

2.6 TAX IMPLICATIONS OF INVESTING IN THE COMPANY

The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. A general summary of the tax implications of investing in the Company is contained in Section 9.12.

2.7 FOREIGN INVESTORS

2.7.1 PRC residents

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

2.7.2 Hong Kong residents

This document has not been, and will not be, registered as a prospectus under the Hong Kong Companies Ordinance, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

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

03. INDEPENDENT MARKET REPORT



03. INDEPENDENT MARKET REPORT

INDEPENDENT MARKET REPORT

The Directors

Traditional Therapy Clinics Limited

Level 27, AMP Centre,

50 Bridge Street

Sydney NSW 2000 Australia

30 April, 2015



Dear Directors

Independent Market Report on the Foot Bath Care and Traditional Chinese Medicine Industry in China

Introduction

Hejun Consulting understands that Traditional Therapy Clinics Limited (TTC) is the holding company which provides, via both franchised and owned clinics, traditional Chinese foot and body massage therapy to its customers. TTC operates exclusively in China, owns the leading Chongqing Fuqiao brand, and secures revenue from both franchise licensing and ancillary fees as well as the operation of its own clinics.

Hejun Consulting understands that TTC is planning to raise funds via an Initial Public

Offering (IPO) on the Australian Securities Exchange (ASX). Hejun Consulting Company has been invited to provide a third-party market research report for the IPO prospectus. Hejun Consulting Company is a management consulting and market research firm that was established in 2001. Hejun Consulting currently has in excess of 1,300 employees and has provided services to more than 3,000 clients. Hejun Consulting is the first Chinese consulting company to be certificated by the International Council of Management Consulting Institutes (ICMCI).

Table 1: Clients of Hejun Consulting include:

Listed Companies	<p>Listed on Chinese Stock Exchanges: Industrial and Commercial Bank of China (ICBC), Zhejiang CONBA Pharmaceutical Co Ltd, Guangdong CHJ Jewellery Co Ltd, Xinjiang Chalkis Co Ltd.</p> <p>Listed on the Hong Kong Stock Exchange: Hengan International Group Co Ltd, Dalian Wanda Group Co Ltd, China Vanke Co Ltd, Haier Electronics Group Co Ltd, Sinotrans Ltd, China Dongxiang (Group) Co Ltd.</p> <p>Listed on NASDAQ: New Oriental Education & Technology Group Inc</p>
Fortune 500 Companies	<p>13 Fortune 500 companies in 2013, including: China Mobile Communications, Bank of China, China Railway Group, China Faw Group, China Minmetals, Huawei Investment & Holding Co, Sinopharm, COFCO.</p>
Government Agencies and Institutions	<p>State-owned Assets Supervision and Administration Commission, People's Government of Yunnan Province, People's Government of Fujian Province, China Central Television (CCTV).</p>



In undertaking this assessment, Hejun Consulting has relied on information derived from public market data, or independent research conducted by Hejun Consulting. This research was undertaken between September and December 2014. All effort has been made by Hejun Consulting to ensure that the information and data listed in this report is correct at the time of writing. Conclusions, and any assumptions attached to those conclusions, are based on Hejun Consulting's investigations and analyses of the facts as they were known at December 2014, and Hejun Consulting is of the opinion that the underlying assumptions and the conclusions are reasonable.

1. Overview

Chinese therapeutic massage (generically described as “Foot Massage”) is considered part of traditional Chinese medicine and is used in the prevention and treatment of common complaints such as insomnia, fatigue, a lack of energy, obesity, and mild non-specific illnesses. There are a number of different styles of treatment including foot massage, physical therapy, classical massage, cupping and moxa-moxibustion.

In 2014 the “Foot Massage” sector industry revenue was forecast to be 216 billion RMB (\$45.67 billion AUD)¹, with an increase of 10% over 2013, and is expected to grow to 287 billion RMB (\$60.69 billion AUD) in 2017.

The industry is very disaggregated. The participants are organized according to one of the following 4 subsets: nationwide chain companies, regional chain companies,

comprehensive clinics and small clinics. The biggest market participants are Chongqing Fuqiao Foot Therapy Massage, China Liangtse Group and K-Lotus Massage.

In 2005 the PRC Central Government, recognising the significance and importance of the industry, commenced the introduction of industry standards and industry development policy, resulting in material legislative change in 2007 and 2009.

There are a number of factors and trends that influence the industry, these include:

- *The growing middle class, growth in wages and the continued growth of the economy*
- *Increasing urbanisation*
- *Increasing industry standardisation as a result of regulation*

2. Key definitions

The definitions below are set out in the following publications from the Chinese Central Government

■ **“Technical Specifications for the Management of Foot Bath Care”**

■ **“Technical Specifications for the Management of Bath Industry by the Ministry of Commerce”**

■ **“Management Regulations of Business Franchising by the State Council”³:**

- **The Bath Industry:** Provides facilities that include: baths, medicated baths, saunas, hot springs and spas. This is complemented by other supporting services such as: foot baths, health care massages, pedicures, dining and accommodation. It includes the sub-sectors “Foot Bath Care” and “Comprehensive Baths” as described below.
- **Foot Bath Care:** Is a treatment that commences with hot water and traditional Chinese medicine preparations, and a professional foot masseur performing therapeutic massage with suitable intensity and discipline. The massage mainly focuses on body parts below the knee, with other areas of the body treated as needed.
- **Foot Bath Care Shop:** A Foot Bath Care Shop provides a clean and hygienic place in which to conduct treatments.
- **Comprehensive Baths:** Provide services such as bath, sauna, hot spring and spa, as well as food, accommodation and other supporting services.
- **Business Franchising:** Under a franchise agreement the franchisor will have the right to grant others the ability to use their trademark, trade name, and method of operation.
- **Franchise Fees:** The payments franchisees make to franchisors.

¹ Based on a RMB-AUD exchange rate of 0.21146, as of June 6, 2015. The data comes from Sina Finance, <http://finance.sina.com.cn/forex/cny.shtml>.

² Chinese ministry and commerce, “Technical specification of bath industry”, January 1, 2007.

³ Chinese state council, “Management Regulations of Business Franchising”, January 31, 2007, http://www.gov.cn/jzwgk/2007-02/14/content_527207.htm.



3. Business sector background

The Foot Bath Care industry is based on traditional Chinese medicine. It provides services such as: foot massage, body massage and sub-health⁴ physical therapy. These services relate specifically to healthcare.

By contrast the Comprehensive Baths industry provides products and services such as: baths, saunas, hot springs and spas, as well as food, accommodation and other supporting services. Hejun Consulting Company considers that the service offering of Comprehensive Baths is different to that of the Foot Bath Care industry. Based on our research on consumer behaviour and the services of industry participants, we consider that Foot Bath Care services fall within the healthcare sector, while the Comprehensive Baths fit more appropriately within the comprehensive leisure and entertainment sector.

As a result, for the remainder of this report, the analysis provided by Hejun Consulting Company will be focused on the Foot Bath Care industry.

- **Services:** The Foot Bath Care industry mainly includes services such as: foot massages, body massages, and sub-health physical therapy. According to the description from the China Foot Reflection Area Health Research Association⁵, with optimal stimulation to the foot reflex area and other parts of the body, Foot Bath Care can help to improve immune system function, help prevent diseases, assist with other ailments, and improve general body health. Therapists at clinics deliver these products and services.
- **Customers:** The customers of the Foot Bath Care industry are people who consider themselves need of the type of healthcare provided by the industry sector, and are people of certain economic means. The industry is mainly targeted towards the middle class. According to McKinsey's report The Middle Class Reshape China's Consumer Market, China's Middle Class refers to the urban households that have an annual income of 60,000-229,000 RMB⁶. Most consumers range between 25 to 65 years old, with males being the main customers⁷. The amount of female customers has increased in recent years, and now accounts for about 30% of customer volume⁸.
- **Industry Sector Revenue Streams:** Revenue and profit can be derived from two operating streams:
 - **Clinics:** Clinics earn money by providing products and services to customers in their clinics; and
 - **Franchising Fees:** Revenue is received from earning franchise fees. This is a result of granting other clinics status as franchisees. Revenue streams include: brand franchise fees, training fees and management fees.
- **Business Flow:** The key steps in setting up and then running a clinic for a Foot Bath Care company include: choosing a clinic location, recruitment, training and management of therapists, providing services to consumers by therapists, customer relationship management and brand promotion. A franchisor also has additional commitments which include providing management services and training support to franchisees.
- **Cost Structure:** The costs associated with running Foot Bath Care companies include the following: therapists' fees, clinic rent expenses, decoration and depreciation expenses, and daily operating costs, with the first three accounting for the majority of costs.

4 Sub-health physical therapy relates to massage techniques for people that have no specific illness, but typically exhibit a lack of energy. Symptoms include physical fatigue, headaches and sleep disorders.

5 Chinese foot reflection zone health law institute, "the service management system standard for pedicures institution (draft)", 2007.

6 McKinsey China, "The middle class reshape the Chinese consumer market", 2013, <http://www.mckinsey.com.cn/mapping-chinasmiddle/>.

7 Hejun research, November 2014.

8 The ministry of commerce trade in service and trade services department, and china's commercial association professional committee of bath, "China Bath industry Development Report, 2014", June 2014, <http://fms.mofcom.gov.cn/sys/print.shtml?lingzix/fazhengzhinan/201410/20141000766877>.

4. Industry participants

- **Types of Industry Participants:** In mainland China, companies providing Foot Bath Care services are divided into two different company profiles: Chain companies and Single Clinic companies. Chain companies have either a national presence or are concentrated in one region of China, and Single Clinic companies offer either foot massages or foot massages plus other services (the latter referred to as a Comprehensive clinic in the table below). These four types of enterprises have a different market orientations as described in the table below:

Table 2: Main stakeholders and types									
Business model	Stakeholder type	Definition on stakeholder type	Products and services	Price scope for products and services	Number of companies	Average number of clinics	clinic size	Number of therapist	Investment per clinic
Chain	Nationwide chain clinics	Having clinics in many regions of China	Foot massage, Chinese anipulation, Thai anipulation, essential oil care	Medium and high	5	Around 100	500-700 m ²	20-25 persons per clinic	About 3.50 million RMB
	Regional chain clinics	Having clinics in one region of China	Foot massage, Chinese anipulation, Thai anipulation, essential oil care	Medium and high	10-15	No more than 10	400-600 m ²	15-20 persons per clinic	
Single clinic	mprehensive single clinic	Clinics doing foot massage, bath, sauna, chess and cards businesses	Mainly recreational services such as baths, saunas, chess and cards, pplemented by foot massages	Medium and high	in total about 100,000	1	More than 2,000m ²	Total employees about 80-100 persons per clinic, foot therapist 5-10 persons/clinic	8-12 million RMB
	Small-size single clinic	Clinics doing foot massage business	Mainly foot massages, pplemented with massage	Low		1	80-120m ²	5-10 persons per clinic	100,000-200,000 RMB

Source: Hejun research, November 2014.



The Main Participants in the Industry: The major market participants in the Foot Bath Care industry are: Chongqing Fuqiao Foot Therapy Massage, China Liangtse Group and K-Lotus Massage. Each of the participants hold less than 1% market share. Among them, Fuqiao is the largest by number of clinics.

- **Chongqing Fuqiao Foot Therapy Massage⁹** : Founded in 1998, Chongqing Fuqiao currently has 310 clinics, including self-owned and franchised clinics. Its clinics are distributed throughout China, concentrated mainly in central, southern and south eastern China. Chongqing Fuqiao offers a variety of products and services that include: foot massages, body massages and sub-health physical therapy. The company has chosen to target the mass public market, with an average price per treatment between 100 and 250 RMB. It currently has a therapist training centre in conjunction with the Chongqing City Management College that has more than 30 teachers and staff. It is the first and only company in its business sector to be awarded China's Well-Known Trademark, has passed the ISO9001:2000 International Quality System Certificate, and has entered into a partnership with Chongqing Medical University to fund the sub-health therapy research laboratory as a research center for the Company's products and services.
- **China Liangtse Group¹⁰** : Founded in 1997, China Liangtse currently has 95 clinics, including self-owned and franchised clinics. They current have 88 clinics across Mainland China, located in northern, eastern, central and north western China. Outside of China, China Liangtse has 3 clinics in Germany, 2 clinics in Finland, 1 in the Netherlands and 1 in Britain. It provides the following services: foot massages, body massages, physiotherapy and spas. The average price per treatment ranges between 80 to 300 RMB.
- **K-Lotus Massage¹¹** : Founded in 1999, K-Lotus currently has approximately 100 clinics, including self-owned clinics and franchised clinics. K-lotus' clinics are situated nationwide, with the majority being concentrated in central and eastern China. It provides services such as: foot massages, body massages and spas. Its products and services are priced highly. It owns Shanxi Gray Collar Occupational Training School, which is staffed with approximately 10 teachers.

⁹ The data of Chongqing Fuqiao comes from its official website, <http://www.cfquqiao.com/index.html>.

¹⁰ The data of China Liangtse Group stores and distribution comes from the global branch of China Liangtse Group's official website, <http://www.huaxialiangzi.com/qffd/>.

¹¹ The data of K-Lotus Massage comes from the website of K-Lotus Massage, <http://www.qzl.com.cn/Company/Memorabilia.asp>.

5. Well-Known Trademark

In excess of 6 million trademarks have been granted in China, and of these a number have also received the designation of Well-Known Trademark. There are three different kinds of Well-Known Trademarks:

- Chinese Well-Known Trademark which is recognised at a national level by the State Administration for Industry and Commerce (**Chinese Well-Known Trademark**);
- Provincial Well-Known Trademark which is recognised at a Provincial level by the relevant departments of industry and commerce; and
- Prefecture Well-Known Trademark which is recognised at a local government level by the relevant departments of industry and commerce

A Well-Known Trademark enjoys higher levels of protection in China, and given the importance of branding to Chinese consumers the special designation also brings greater recognition with consumers.

The highest level of protection is for the Chinese Well-Known Trademark, and the higher levels of protection include:

- a fast-track process for the progression of trademark disputes; and
- a higher level of penalties applied for successful prosecution

For the Chinese Well-Known Trademark, protection is also conferred under the Paris Convention for the Protection of Industrial Property (PCPIP), thus providing protection to these trademarks at an international level. This protection allows protected parties to prosecute infringements in international markets according to the laws of the trademark owner's country of origin.

There are 3077 Chinese Well-Known Trademarks in existence in China. Chongqing Fuqiao Foot Therapy Massage has been designated as a Chinese Well-Known Trademark.



6. Franchising in the Foot Bath Care industry

Statistics of Franchise Businesses in China: Franchising has become a widely adopted business model in many industries in China, especially in the service industry. There were more than 2500 companies registered with some form of franchising in their business model in December 2014, with over 100,000 individual franchisee stores in China.

Franchise Regulation: In 2007, the State Council published the Management Regulations of Business Franchise (hereafter referred to as the Regulations). The Regulations came into effect on the 1st of March 2007, and have been widely recognised as forming the legal basis of franchise agreements in China. The Regulations stipulate that the Ministry of Commerce (which is the competent authority of commerce) is responsible for the supervision and administration of all franchise activities. Municipalities directly under the central government are responsible for the supervision and administration of franchise activities within their respective administrative region.

Main Clauses of Laws and Regulations:

Management Regulations of Business Franchise This details the regulatory requirements of franchising; specifies the conditions that the franchisor shall meet when engaging in franchise activities; the franchisor's disclosure rules; the franchisee's contract requirements; the codes of conduct and the related legal responsibilities of the franchisors and the franchisees.

Management Method of Commercial Franchise Information Disclosure This was issued in 2007 by the Ministry of Commerce, and revised in 2012. This report details the information required to be disclosed by franchisors. It specifies that the franchisor must provide the following information: management resources, management fees, products and services and codes of conduct.

Management Method of the Record of Commercial Franchise This was released in 2007 by the Ministry of Commerce, and revised in 2012. This report highlights the information requirements for franchise activities including processes and the recording of activities and financial information.

The franchise model is commonly employed across the Foot Bath Care industry. All major participants (Chongqing Fuqiao Foot Therapy Massage, China Liangtse Group and K-Lotus Massage) adopt a franchise model for the large majority of their clinics.

In the Foot Bath Care industry, professional therapists working in franchisee stores are generally provided by the parent company or franchisor. These therapists must undertake professional training upon joining the company. In order to compensate the franchisor, fees are generally charged as follows: general franchisee fees and professional technician training fees. These two expenses are payable upon gaining a license to become an official franchisee.

Furthermore, the provisions of the franchise contract will require the franchisee to pay a fixed fee, or an allocated percentage of revenue or profit to the franchisor each year.

7. Regulation of the industry

Before 2007, with the rapid growth in demand for Foot Bath Care services, the number of Foot Bath clinics grew rapidly. Many companies expanded quickly but not all managed that growth effectively. Also, due to a lack of regulatory policy, the operation of Foot Bath clinics was not standardised. Illegal behaviours such as prostitution were found to have occurred in many clinics, bringing harm to the reputation of the industry. However, with the Foot Bath Care business sector being an important part of the service industry in China and a significant employer, the Central Government moved to introduce regulations. Since 2007, the Ministry of Commerce has released a number of regulatory policies, and authorities have sought to shutdown clinics involved in illegal activities such as prostitution. The standardisation of the industry through this regulatory oversight along with the effort to rid the industry of illegal activities has put the industry on a more sustainable footing.

The Foot Bath Care sector recorded revenue of nearly 200 billion RMB (\$42.29 billion AUD) in 2013, paid tax of approximately 5 billion RMB (\$1.06 billion AUD), and employed 6.72 million¹² people. The promotion of the sustainable development of the Foot Bath Care industry is an important goal for the Central Government.

Industry Regulation:

There are many government agencies involved in regulation of the sector. The specific role of each agency is listed below:

Table 3: Industry Regulation Department	
Ministry of Commerce of the People's Republic of China	The department in charge of the Foot Bath Care industry, also the policy maker for the sector. Hereinafter referred to as the "Ministry of Commerce"
Department of Trade in Services and Commerce Services	A department of the Ministry of Commerce which oversees the management of the sector.
Bath Professional Committee of Chinese Chamber of Commerce	Established to create industry standards, management processes, quality requirements, professional qualifications and service standards with guidance from the Ministry of Commerce.
Traditional Chinese Medicine Institute, Acupuncture Institute, Health and Epidemic Prevention Departments, Quality & Technical Supervision and Regulation Department	Established to create industry standards, management processes, quality requirements, professional qualifications and service standards with guidance from the Ministry of Commerce.

The Bath Committee is a branch of the China General Chamber of Commerce, and was established on January 31, 2005. It is a non-profit organization, which was collaboratively formed by the Bath industry, related companies, organizations and individuals.

¹² The ministry of commerce trade in services and trade services department, China's commercial association professional committee of bath, "China Bath industry Development Report 2014", June 2014, <http://fms.mofcom.gov.cn/sys/print.shtml?lingzix/fazhengzhinan/201410/20141000766877>.



Industry Regulatory Policy:

- **Technical Specification for the Foot Bath Care Management:** Issued in 2007 by the Ministry of Commerce, this policy stipulates the following terms and definitions: technical specifications for foot health management, professional requirements, security requirements, management requirements and employees' job skill requirements.
- **Bathing Places Hygienic Practices:** Issued in 2007 by the Ministry of Commerce, this policy stipulates the following: requirements for the bathing establishments' workplace health, health management and personnel hygiene.
- **Bath Industry Operators Technical Specifications:** Published in 2007 and 2008 by the Ministry of Commerce, this policy stipulates the following terms and definitions: professional requirements, management, and employee's technical requirements in the Bath industry.
- **Bath Enterprise Quality of Service Requirements:** Published in 2011 by the Ministry of Commerce, this policy stipulates the following: quality requirements of the bath companies' facilities and quality of service.
- **Bath Industry Management Approach (Draft):** Issued in 2013 by the Ministry of Commerce, this policy stipulates business responsibilities that cover: bath governing bodies, operating baths, bath businesses, that bathing places follow service specifications, technical conditions, safety management and other related requirements.
- **Foot Massage Service Standards:** Issued in 2013 by the Ministry of Commerce, this policy stipulates: the Foot Bath Care industry service requirements, foot masseur requirements, service requirements and service process specifications.

From 2008 to 2010, Chongqing Fuqiao was appointed by the Ministry of Commerce to draft “Industry Standards of Technical Specification for the Foot Bath Care Management” and “Industry Standards of Classified Technical Requirement for Foot Bath Care Company”, and arrange discussions about these industry standards with experts from the Ministry of Commerce, the Bath Committee, Health and Epidemic Prevention Departments, and other companies in the sector. These standards were finalized by Chongqing Fuqiao based on feedback from these discussions and then issued by the Ministry of Commerce and executed from July 1, 2010.

Continued Government Promotion

Through a variety of policies, the Government has continuously promoted the development of the Foot Bath Care industry. Regulation is a core part of the sustainable development of the industry and the Government continues to issue relevant policy in the areas of operation and management, professional training, quality of service, and hygiene to promote standardisation across the industry.

8. Industry scale and growth

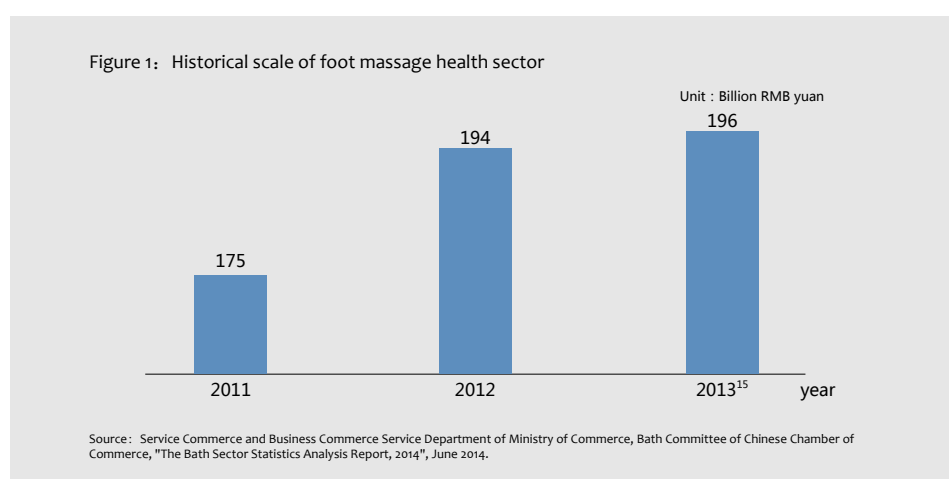
Industry Segments

According to Hejun's research, the Foot Bath Care industry is divided into three segments based on consumer behaviour and the price of services:

- **Segment 1:** Includes companies that have standardised management processes and are oriented toward serving the public mass market. These products are priced at a medium to low level. The segment 1 takes up about 70% of the total market share¹³;
- **Segment 2:** Includes companies that service the official consumption market (official consumption refers to the reception, communication, administrative, travel and transportation expenses which arise in the process of performing official duties). The prices of these products and services are high. The segment 2 takes up no less than 10% of the total market share¹⁴;
- **Segment 3:** Includes companies with informal stores, which service the low quality, low cost market. These companies generally can not get a business license from the Department of Industry and Commerce.

Industry Scale

According to statistical data from the Ministry of Commerce, listed in The Report of the Development of China's Bath Industry, the scale of China's Bath industry continues to expand. The revenue generated from all official operating stores in the Bath industry was 175 billion RMB (\$37.01 billion AUD) in 2011, increasing to 194 billion RMB (\$41.02 billion AUD) in 2012, and 196 billion RMB (\$41.45 billion AUD) in 2013. Due to the fact that data and information from informal operating stores is hard to obtain, the statistics provided by the Ministry of Commerce only include the companies in Segment 1 and Segment 2 above.



¹³ Hejun research, November 2014.

¹⁴ Hejun research, November 2014.

¹⁵ Official consumption dropped from accounting for over 10% of the industry scale to almost zero, due to anti-corruption in China.



Forecast of the Foot Bath Care Industry

Hejun's research forecasts the Foot Bath Care Industry to achieve a growth rate of 10% per annum from 2014¹⁶ to 2017 (Figure 2). We came to this conclusion based on the following assumptions:

a. Forecast rates of economic growth, average income growth, urbanization and increasing health awareness are accurate.

b. Revenue growth from the official consumption segment is zero.

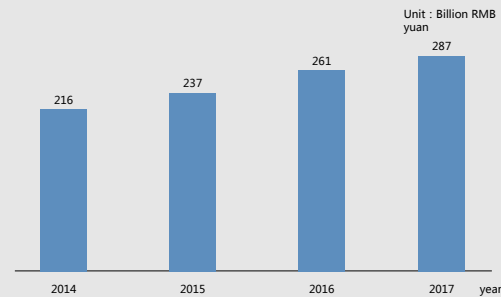
c. There is no effect from reduced official consumption on the public mass market segment.

We noted that in 2013, official consumption dropped from accounting for over 10% of the industry scale to almost zero, due to anti-corruption in China. However, increasing consumption in the public mass market increased by a great degree and resulted in overall industry growth of 1% in 2013. Thus, we consider the industry growth in 2013 to be an isolated event, and predict growth in the next 3 years to fall more in line with historical growth rates of approximately 10% per annum.

Addressable Market

Hejun Consulting has estimated the current addressable market by reviewing the urbanised population of China across its major regions and utilising demographics and minimum disposable income required to support clinics. Urbanisation is growing at approximately 14 million people per annum equating to expansion of the addressable market by >90 clinics per annum. The estimated addressable market is 4,500 clinics within China.

Figure 2: Forecast of scale of foot massage health sector



Source: Hejun research, November 2014.

Table 4: Estimated addressable market

Area	Province or Municipality	Urban population (person in thousands)	Potential Market
Northwest China	Shanxi, Gansu, Xinjiang, Qinghai, Ningxia	44580	297 clinics
North China	Beijing, Tianjin, Hebei, Shanxi, Neimenggu	96350	642 clinics
Northeast China	Liaoning, Jilin, Heilongjiang	65400	436 clinics
East China	Shanghai, Jiangsu, Zhejiang, Shandong, Anhui, Fujian, Jiangxi	228130	1521 clinics
Central China	Hubei, Hunan, Henan	101800	679 clinics
Southwest China	Sichuan, Chongqing, Guizhou, Yunnan, Xizang	83640	558 clinics
South China	Guangdong, Guangxi, Hainan	96360	642 clinics

Source: Hejun research, November 2014.

¹⁶ The data of 2014 has not been published yet.

9. Factors affecting industry development

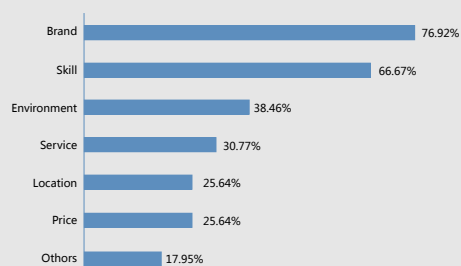
Hejun Consulting believes that the Foot Bath Care industry is mainly affected by the following 9 factors:

Brand Value

According to consumer research conducted by Hejun Consulting, it was found that a Foot Bath company's brand is the most important factor that customers take into consideration when selecting a Foot Bath company. In random interviews conducted with a sample size of 300 people, 77% of respondents mentioned a company's brand being the most important factor in their choice of Foot Bath massage(Figure 3).

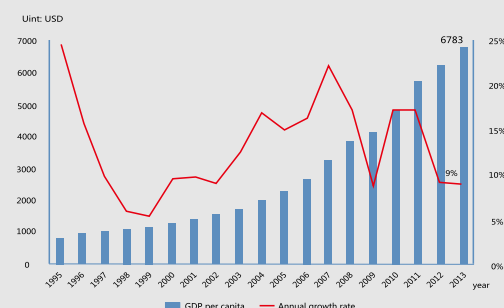
The Continued Growth of the Economy and Increase in the Average Wage

Figure 3: The Factors that Affect Consumer's Purchase



Source: Hejun research, November 2014.

Figure 4: GDP per capita



Source: National Bureau of Statistics of the People's Republic of China, "China statistical yearbook", 2014, table3-1. Based on exchange rate on March 14, 2015.

The price range of Foot Bath Care products and services is concentrated between 100-250 RMB per treatment. This means that the target customers are required to have a certain economic standing. With the growth of China's economy and increasing income levels, more and more people are capable of consuming the services supplied by the Foot Bath Care industry. In recent years, China's GDP per capita has grown quickly, reaching 42,000 RMB (\$8881.32 AUD) in 2013 with year-on-year growth of 7.7%. Furthermore, urban personal income reached almost 30,000 RMB (\$6343.8 AUD) in 2013, with a year-on-year increase of 9.7%. In the future, this report concludes that the growth trend of per capita GDP will continue to be positive(Figure 4).

The Growing Middle Class

The main customers of the Foot Bath Care industry, are China's middle class. With the high growth rate of GDP, China's middle class is growing rapidly, and according to estimates by McKinsey, 68% of China's urban families were classified as middle class in 2012. McKinsey¹⁷ predicts that by 2022 the number will grow to 76%, representing

¹⁷ McKinsey China, "The middle class reshape the Chinese consumer market", 2013, <http://www.mckinsey.com.cn/mapping-chinasmiddle/>.



an additional 97 million new urban middle class families or 290 million new urban people. This potential additional middle class population significantly increases the potential customer base of the Foot Bath Care industry.

The Development of Urbanization

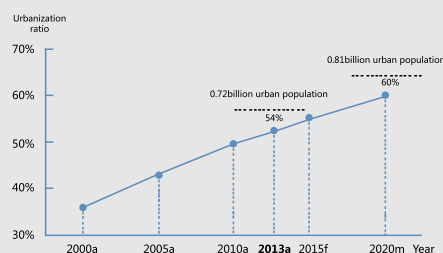
The main customers of Foot Bath Care companies are located in urban areas. As a result, the expansion of the urban population base is positive for the market's growth. Data from the National Bureau of Statistics¹⁸ in 2013 concluded that China's urban population is 720 million, with an urbanisation rate of 54%. The New Urbanization Country Plan, launched by the State Council, mentioned that by 2020, China's urbanisation target rate is 60%. If achieved, this will mean that China has a total urban population of 810 million in 2020, an increase of 90 million people (assuming a current population of 1.36 billion). The growing urban population will provide further customers for the Foot Bath Care industry(Figure 5).

The Improvement of Public Health Awareness

With the improvement of peoples' living standards, health consciousness has increased, with health spending per capita rapidly increasing. According to WHO statistics in 2012, China's public and private per capita health expenditure was US\$480 (\$366.00 AUD)¹⁹, which increased by 13.5% when compared to US\$423 (\$322.54 AUD) in 2011. The following chart represents China's per capita health expenditure:(Figure 6).

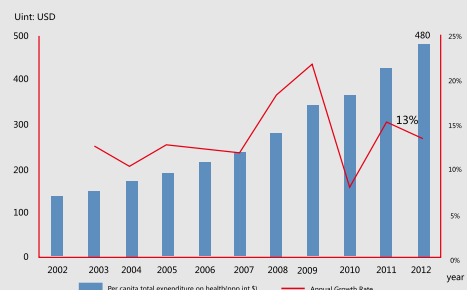
Although China's per capita health expenditure has experienced rapid growth in recent years, its expenditure

Figure 5: China's urbanisation ratio



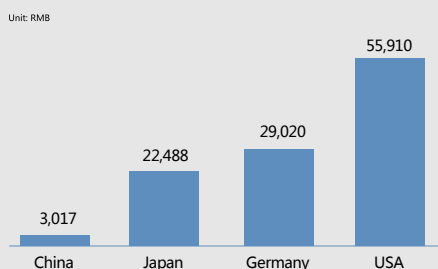
Source: National Bureau of Statistics of the People's Republic of China, "China statistical yearbook", 2014, table 2-6. The State Council, "The New Urbanization State Plan(2014-2020)", Page 12, March 16, 2014.

Figure 6: Per capita health expenditure



Source: WHO, Global Health Observatory Data Repository, November 2014.

Figure 7: Per capita health expenses of different country in 2012



Source: WHO, Global Health Observatory Data Repository, November 2014.

still lags behind developed economies by a considerable amount. From the low base, China's per capita health expenditure still has substantial room to grow (Figure 7).

Industry Standardisation

In 2011, the Ministry of Commerce classified the Foot Bath Care industry as one of the eight life service industries managed by the Department of Trade in Services and Commercial Services of the Ministry of Commerce. The Ministry of Commerce released the Guidelines for Standardised Development of Bath Industry during the "Twelfth Five-Year" Period²⁰ ("the Guidelines"). In the Guidelines, standardisation is highlighted as one of the most important requirements for the further development of the industry. With an improvement in standardisation across the industry, a large number of informal companies will be forced to leave the industry, thus bringing increased market demand for standard-complying companies.

The Influence of Mobile Internet Technology

The number of Chinese mobile smart device²¹ users reached 1.06 billion in 2014, up 231.7% from 2013 (0.32 billion). The booming²² development of Wechat, Taobao, Jingdong and Facebook marked the arrival of the era of mobile internet. These new technologies have had a profound impact on how traditional businesses think about their branding, distribution channels, supply chain, product innovation, and business models.

So far, the influence of mobile internet on the Foot Bath Care industry has been limited. In the future, mobile internet will mainly be used in terms of brand dissemination and promotion in the Foot Bath Care industry.

Hejun Consulting is of the opinion that traditional Foot Bath Care enterprises can use mobile internet to better understand customer preferences and therefore help create differentiated products and services.

The significant development of additional product/service differentiation, combined with the amalgamation of online and offline promotion, provides a significant opportunity for market participants to gain market share, and become leaders in the future 250+ billion RMB (\$52.87 billion AUD) domestic Foot Bath Care industry.

Social Awareness

The health benefits of Foot Bath Care services are becoming more widely accepted by the general public. Whilst most customers use the services of Foot Bath Care companies principally for relaxation, more people are using the services to promote improved health outcomes and treat common ailments. The Government has sought to raise awareness of the industry and develop a framework for the standardisation of industry practices to help guarantee the future development of the industry. The Guidelines propose to "strengthen the positive propaganda of public opinion, eliminate social prejudice towards the Bath industry, and create a good development environment for the Bath industry". This will help to improve society's perception of the Foot Bath Care industry, and continuously promote its future development.

Anti-Corruption Action in China

In service industries like the Foot Bath Care and Catering industries, official consumption is an important part of total consumption. However, after the 18th National Congress of the Communist Party of China, a national anti-corruption campaign has had an impact on certain service and consumer products industries, leading to a rapid decrease in official consumption. This has impacted those companies specifically targeting the official consumption market, but there has been no notable impact on those companies servicing the mass markets.

¹⁸ National Bureau of Statistics of the People's Republic of China, "China statistical yearbook", 2014, table 2-6, <http://www.stats.gov.cn/tjsj/ndsj/2014/indexch.htm>.

¹⁹ Sina Finance, "RMB-AUD exchange rate", June 6, 2015, <http://finance.sina.com.cn/money/forex/hq/AUDUSD.shtml>.

²⁰ The ministry of commerce, "Guidance of the ministry of commerce on normative development of Bath industry during the 'twelfth five-year'", November 8, 2011, <http://www.mofcom.gov.cn/article/subject/shangwubu/lanmuone/201111/20111107835005.html>.

²¹ Smart device includes smart phone, pad and other smart devices

²² Talkdata data center, "mobile smart device users were accorded by the number of active devices", January 22, 2015, <http://blog.talkingdata.net/?p=3115>.



10. Conclusion

Based on traditional Chinese medicine which is ingrained in Chinese culture, and benefitting from the huge population base, China has a large Foot Bath Care industry, the size of which was 196 billion RMB (\$41.45 billion AUD) in 2013.

In the next three to five years, the Foot Bath Care industry will continue to grow, with the following factors being the major contributors:

- Economic growth and the increase of per capita wealth;
- Increase in the middle class population;
- Increasing urbanisation;
- Increasing health consciousness;
- Support from the government.

The future development of the industry also presents the following important trends:

- Industry standardisation based on an established regulatory framework and ongoing policy development;
- Commercial opportunities from the advent of mobile internet technology; and
- Consolidation by leading brands of what is today a highly fragmented market

Disclosure

This is an independent report prepared by Hejun Consulting. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Hejun Consulting has no interest in Chongqing Fuqiao Foot Therapy Massage and no interest in the outcome of the IPO. Payment of these fees to Hejun Consulting is not contingent on the outcome of the IPO. Hejun Consulting has not, and will not receive any further benefits (including any commissions), and there are no factors which may reasonably be assumed to have influenced the contents of this report, nor which may be assumed to have provided bias or influence. Hejun Consulting does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect to the IPO.

Yours faithfully,



Vincent Shan

Partner

Hejun Consulting Co., Ltd.

04. COMPANY OVERVIEW



04. COMPANY OVERVIEW

4.1 INTRODUCTION

Traditional Therapy Clinics Limited is a franchisor and the owner of one of the largest chains (largest by number of clinics) of traditional therapeutic health and wellness clinics in China (299 franchise licences granted and 11 owned clinics in operation as at 30 April 2015). It is a well established business with a strong growth profile, employing a repeatable and scalable business model. TTC has a highly recognised and respected brand, having received the prestigious Chinese Well-Known Trademark designation from the State Administration for Industry and Commerce. It operates within a strongly regulated industry sector of significant scale, which offers opportunity for further growth.

4.2 HISTORY

A timeline of significant events and milestones for the Company are set out below.

DATE	MILESTONE
1998	Fuqiao established (started its business with foot massage and therapy services, 4 beds in Chongqing)
2000	Chongqing Fuqiao Health Caring Service Co., Ltd. established
2002	Trademark "Fuqiao" approved by State Administration Trademark Office
2002	First franchise established
2004	Provincial Government recognition of Fuqiao as Well-Known Trademark
2007	ISO9001: 2000 (International Quality System Certificate) approval granted
2006-2008	58 trademarks relevant to TTC together with appropriate domain names registered in PRC, Hong Kong, Macau, Taiwan, USA, Germany and Singapore
2007	At the request of the Ministry of Commerce (Central Government) the Company led the preparation of industry standard (SB/T10441-2007) regarding technical industry standards (implemented 2008)
2009	Further request to assist in developing technical grading requirements standards (number SBT10540-2009) (implemented 2010)
2010	The Company was awarded the honour of "Chinese Modern Service Model Integrity Unit" by the Institute for International Trade and Economic Cooperation Research of Ministry of Commerce
2011	Exceeded 100 clinics
2012	The Company was graded by China Business Federation as "AAA credit enterprise", and it was awarded "The Most Socially Responsible Enterprise for 2012" by China International Medical Exchange Foundation
2013	Exceeded 200 clinics. Acquired 7 owned clinics
2014	Central Government recognition of Fuqiao as a Chinese Well-Known Trademark
2014	22nd July, Fuqiao approved as the National Professional Skills Appraisal Center for Bath and Massage Therapists by the Health and Family Planning Commission
2014	Acquired 2 owned clinics
2015	Exceeded 300 clinics

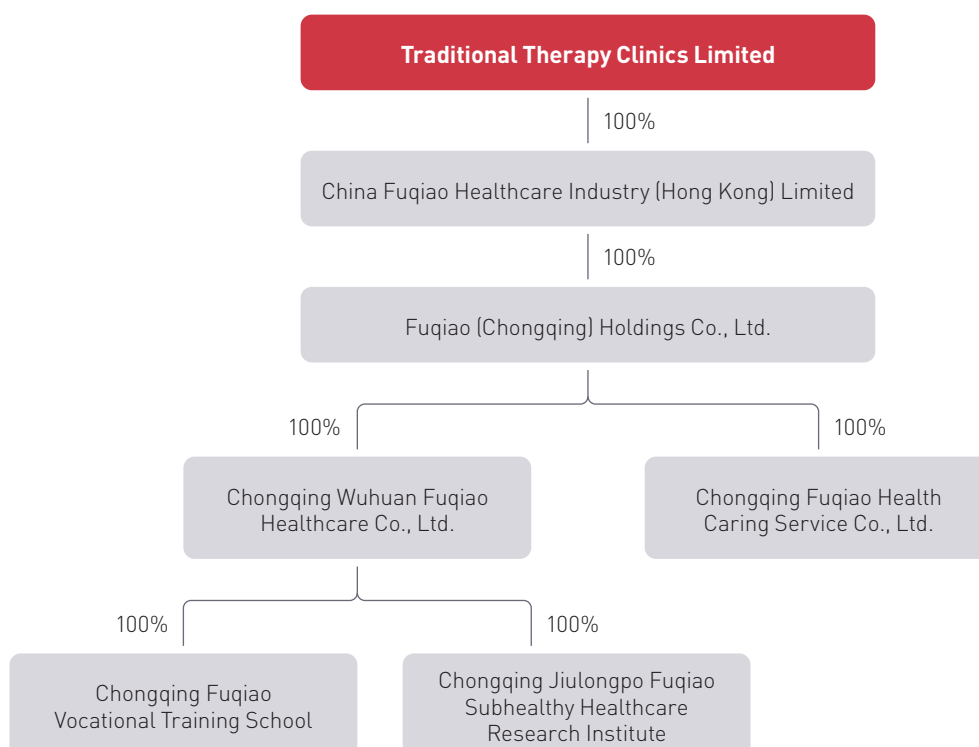
04. COMPANY OVERVIEW

4.3 CORPORATE STRUCTURE

TTC was incorporated in Queensland, Australia on 24 February 2015. A group restructure, commencing in April 2015 and completing in May 2015, resulted in:

- the acquisition by TTC of China Fuqiao Healthcare Industry (Hong Kong) Limited, together with its wholly owned subsidiary Fuqiao (Chongqing) Holdings Co., Ltd. (**Fuqiao Holdings**) which is the main operating and holding company of the business in China;
- the acquisition by Fuqiao Holdings of Chongqing Wuhuan Fuqiao Healthcare Co., Ltd. (**Wuhuan Fuqiao**) which is another operating company in China, along with its wholly owned subsidiaries, Chongqing Fuqiao Vocational Training School and Chongqing Jiulongpo Fuqiao Subhealthy Healthcare Research Institute, which provide training and career development to the staff of the Group;
- the acquisition by Fuqiao Holdings of Chongqing Fuqiao Health Caring Service Co., Ltd. which is another operating company of the Group in China.

The Group structure at the date of this Replacement Prospectus is shown in the diagram below.



4.4 BUSINESS MODEL

The TTC business model consists of both franchised and owned clinics. Until 2012 the focus had primarily been on franchising, but given the higher absolute profit able to be achieved by owned clinics, the Company has embarked on a strategy of clinic acquisition, primarily from its franchised clinic base. This is in conjunction with continuing franchising. Acquisition risk involved in acquiring a franchised clinic is mitigated given each franchise has a TTC trained manager within it, who oversees day to day operations and reports operating statistics monthly to TTC head office.

For TTC, the combination of fee revenue from franchised clinics and direct revenue from owned clinics provides diversification of income and profits. The owned clinics also act as flagship marketing hubs and reference centres for potential franchisees.

04. COMPANY OVERVIEW

4.4.1 Franchised clinics

TTC has 299 franchised clinics as at 30 April 2015.

• Franchise Documents

TTC franchise documents include the Franchise Agreement, the Training Agreement and the Trademark License Agreement. These agreements facilitate the franchisee setting up the franchise in accordance with TTC standards, use of the Fuqiao brand and other intellectual property and know-how, the provision of a trained manager and appropriately trained staff.

The franchisee is bound to establish and operate the business according to the systems, formats and operational standards specified by TTC.

The franchise documents are standard documents with little variation between franchises and are for a period of 5 years (the maximum period as limited by Chinese government). Details of the franchise and associated agreements are shown in Section 9.3.2 of the Replacement Prospectus.

TTC does not provide any financial support to franchisees. The cost of establishing a franchise, which is borne by the franchisee, typically includes arranging the lease of premises, approvals and fit-out.

• Fees

Fees payable by a new Franchisee to TTC include franchise fees, training fees and management fees. The fees current at the date of the Replacement Prospectus are set out in the table below.

FRANCHISE FEES	PAYMENT TERMS	AUD '000
Upfront Fees		
Training Fees	payable 5 years in advance	101.8
Total Upfront Fees for 5 years		101.8
Annual Fees		
Franchise Fee	payable annually in advance	22.4 p.a.
Management Fees	payable monthly in advance	24.4 p.a. (2.03/month)
Total Annual Fee		46.8 p.a.
Total Fee over 5 year term		336

(Note: Calculated based on the FY2015 forecast exchange rate which is A\$1: RMB 4.91)

The first year's franchise fee of RMB 110,000 (A\$22,403) is paid upfront upon signing and prior to commencement of fit-out of the new facility, and as a condition of the granting of the franchise and commencement of operations. At the commencement of each subsequent year, an additional franchise fee of RMB 110,000 (A\$22,403) is payable. Prior to 2013, the franchise fees were paid up front, five years in advance.

The training fee of RMB 500,000 (A\$101,833) is payable up-front for the full five year term of the franchise. The training fee facilitates the provision by TTC of a manager and trained therapists, whose remuneration is paid for by the franchisee.

A management fee of RMB 120,000 (A\$24,440) annually is payable in equal instalments monthly (RMB 10,000 (A\$2,033) per month) in advance.

All fees paid by franchisees to TTC are fixed, are not a function of revenue or profit of the individual franchise operation and therefore do not vary from year to year.

At the conclusion of the Franchise Agreement, the franchisee may, in consultation with TTC, either renew the license or let the arrangement lapse. The franchise fee and the management fee (but no additional training fee) after each renewal need to be determined through negotiations between the franchisee and TTC. On renewal, TTC has never approved any discounts to the franchise fee or management fee for any existing franchisee.

04. COMPANY OVERVIEW

Typically, franchisees are financial investors, who do not work in the businesses themselves. The implication of this is that for little capital outlay TTC receives the franchise fee, staffing fee and management fee, as well as renewal fees, but maintains a high degree of control by virtue of the franchise agreements and reporting requirements undertaken by the TTC trained clinic managers.

• Franchise Establishment Costs

In addition to the franchise, staffing and management fees, franchisees are responsible for the up-front capital costs for a franchisee establishment. These costs amount to approximately RMB 2,500,000 (A\$509,165) to RMB 3,000,000 (A\$610,998), including fit-out costs and approvals, and may vary depending on location.

When establishing a franchise, TTC expects the franchisee will have their establishment capital returned within two to three years (calculated based on after-tax profits). To the extent this is not being achieved, TTC will assist the franchisee with remedial actions.

• Franchising Process

The marketing of the TTC franchise opportunity is principally via the reputation of the Fuqiao brand and business, and the financial success of its franchisees.

Franchise enquiries	TTC receives approximately 2,000 enquiries per annum.
Assessment of candidate franchisee	Post initial review, potential franchisees are invited to TTC head office in Chongqing to meet senior management and facilitate an assessment of franchisees. They must be able to invest RMB 4 million (A\$0.81 million) or more and have wide and respected social networks and relationships.
Clinic site selection	A franchise candidate must have a proposed location that is approved by TTC for the establishment of a clinic. This typically includes: <ul style="list-style-type: none"> • an urban population of more than 150,000 and a gross domestic product (GDP) per capita of more than RMB 25,000 RMB (A\$5,092) p.a; • a location of suitable size, with parking, adjacent staff quarters (typically within 5 minute walk) and with appropriate local fire, and health compliance; and • appropriate lease or ownership arrangements for the site
Franchise agreement executed	The franchise agreement is executed upon the payment of the requisite franchise and training fees (see above).
Site development and fit-out	Typically clinics have a street level entrance with a flight of stairs decorated in appropriate style leading to the clinic entrance foyer. Each clinic typically sits within leased premises, and it is the franchisee's responsibility to fit-out the clinic in accordance with TTC requirements. Clinic decoration is to the standards required by TTC. The construction quality during fit-out is monitored by TTC head office in Chongqing.
Provision of staff	TTC always provides an experienced senior therapist together with qualified therapy staff and a trained clinic administration manager.

• Multi-Site Franchisees

As at 30 April 2015 there were 19 syndicates holding 51 franchised clinics. (All multi-site franchisees are syndicates rather than individuals).

NUMBER OF SYNDICATES	NUMBER OF FRANCHISES HELD BY EACH SYNDICATE
1	14
1	3
17	2

04. COMPANY OVERVIEW

• Franchise Pipeline

TTC intends to continue to grow its franchised clinics. In FY2015 the Company is planning to grant a further 35 franchises (in FY2014, 62 new franchises were granted). This 2015 forecast is based on historic performance together with an analysis of the current pipeline. As at 30 April 2015 there were 105 potential franchisees in various stages of discussion and negotiation, spread across 21 provinces. As at 30 April 2015, 13 franchise agreements had been completed for FY2015, equating to 37% of the forecast of 35 new franchises by December 2015.

• Franchise Renewals and Assignments

TTC's experience with renewals of expiring franchisees has been positive. In the five years to December 2014, there have been 51 renewal events, with no non-renewals. Since commencement of the business in 1998 there have been 60 renewal events with 2 non-renewals.

Assignment of the franchise and thus sale of the business under the Fuqiao brand is not possible without head office approval.

4.4.2 Owned clinics

As at 30 April 2015 TTC owned 11 clinics, which are in all material respects the same as franchised clinics. The exception being the "flagship" clinic, which forms part of head office and is materially larger than other clinics in revenue and profit.

Two of the owned clinics (head office and "Cultural Palace", both in Chongqing) were greenfield developments. The other 9 owned clinics were existing franchises that were purchased by TTC.

The following schedule is a pro forma average profit and loss account per clinic for TTC's owned clinics based on audited accounts for 8 clinics owned for the full year of 2014. TTC head office clinic has been excluded given its scale, and 2 clinics acquired during 2014 are excluded given part year ownership.

PRO-FORMA AVERAGE PROFIT AND LOSS ACCOUNT PER CLINIC FOR TTC'S OWNED CLINICS

	AUD 000'S
Total Revenue	1,714
Cost of Revenue	
Property Rent/Outgoings	152
Staff Costs	626
Other	65
Total Cost of Revenue	843
Gross Profit	870
General and administrative expenses	
Maintenance	72
State tax	96
Other	37
Profit before income tax	666

Note: Calculated based on the FY2015 forecast exchange rate which is AUD\$1:RMB 4.91

04. COMPANY OVERVIEW

- **Expansion of owned clinics**

TTC is cognizant of the earnings contribution potential offered by owned clinics versus fee income from franchised clinics over a comparative 5 year period (see below). TTC has established that directly owning and managing clinics is similar to monitoring and providing trained managers to franchised clinics, so accordingly TTC has been growing the number of owned clinics, while also continuing with franchising operations.

Options for growing the owned clinic network include:

- greenfield establishment, the direct cost of which is effectively the same as for a franchised clinic;
- acquisition of an existing franchisee, the cost of which, based on the two clinics acquired in 2014, has been at multiples of up to 3.0 times EBITDA; and
- acquisition and rebranding of a third party operated clinic.

The preference to date for growing the owned clinic network has been to acquire franchisees given:

- franchised clinics have been providing key operating information to TTC since commencement of the franchise, which provides underlying strength to pre-acquisition due diligence; and
- each franchise is operated by a TTC trained manager who has detailed insight into the day to day operations and performance of the clinic.

In addition to economic benefits, the Company owned clinics are used as benchmark facilities for franchisees in each region.

The respective revenue potential for franchised and owned clinics is below:

- **Franchises** provide over their 5 year life a total of approximately RMB 1,650,000 (A\$336,049) revenue to TTC and a further approximately RMB 1,150,000 (A\$234,216) over the subsequent 5 year life of a renewed franchise. There is no direct capital commitment by TTC to franchises.
- **Owned clinics** that have been acquired or developed provided an average profit before income tax contribution per clinic of RMB 3,270,000 (A\$665,988) per annum (in 2014), but require a commitment of capital. Based on historic transactions, the capital commitment has been up to 3 times EBITDA (RMB 10.88 million (A\$2.22 million)) if acquired, and approximately RMB 2.5 million (A\$0.51 million) to RMB 3 million (A\$0.61 million) if developed.
- **Owned clinics Pipeline**

TTC intends to continue growing its owned clinic network. It has identified 21 potential acquisition targets from the franchised clinic base, and in 2015 the Company plans to finalise the acquisition of some of these clinics post the completion of the Offer (the effect of these potential acquisitions is not included in the financial forecasts).

4.4.3 Clinic network

TTC is one of the largest operators in the Chinese therapeutic massage sector. TTC is both a franchisor and owner of traditional Chinese therapy clinics, all operating under the “Fuqiao” brand. TTC receives fee revenue from franchised clinics and direct revenue from owned clinics.

The TTC network currently employs approximately 10,000 therapists of which the vast majority have been trained by TTC. The network revenue from customers in the year to December 2014 was estimated to be in excess of A\$400 million, and in excess of 15 million services were provided to customers in that year.

The “Fuqiao” treatment methods have been specifically developed by the Company over the past 15 years, and are supported by continued internal and external research and technique development. Therapeutic techniques used by TTC therapists are common across the network, by virtue of the specific TTC training received by therapists. Managers at both franchised and owned clinics have all been trained by TTC, therefore providing consistency of service across the TTC network.

04. COMPANY OVERVIEW

Across the network, individual treatments typically run for between 30 minutes and 2 hours, ranging in cost from RMB 100 (A\$20.37) to RMB 250 (A\$50.92) per treatment. Customers are also offered food and light refreshments in dedicated dining areas (no alcoholic beverages are served).

Marketing to customers is generally conducted at an individual clinic level, and may vary depending on regional culture, however all marketing material is approved by head office. Treatment charges may also vary from region to region, but are based on a standard rate card for each clinic. The clinics must obtain in-principal approval from the head office regarding variances in treatment charges.

Since inception in 1998, TTC has rapidly grown its clinic network. From 2007 when there were 14 clinics, the decision was taken to roll out franchises more aggressively to keep up with demand, and as potential franchisees grew through 2011 to 2014 the Company grew its internal infrastructure, personnel and therapist training to facilitate further growth, recognising limits on growth are necessary to ensure the maintenance of standards and skills of staff. As at 30 April the TTC network encompassed 310 clinics.

FRANCHISE GROWTH			
December Year End	Annual Net New Franchise	Owned	Total
Existing		2	2
2002	1		3
2003	1		4
2004	3		7
2005	3		10
2006	2		12
2007	2		14
2008	20		34
2009	18		52
2010	17		69
2011	35		104
2012	45		149
2013	77	7	233
2014	62	2	297
01/01/2015 to 30/04/2015	13		310

Source: TTC

China consists of 33 administrative divisions, classified as 22 provinces, 4 municipalities, 5 autonomous regions and 2 special administrative regions, excluding Taiwan province.

TTC's network of clinics is broadly spread throughout China. TTC is represented in 26 administrative divisions, with a concentration in the central, southern and south eastern regions.

04. COMPANY OVERVIEW

CLINIC DISTRIBUTION AS AT APRIL 2015



4.4.4 Clinic customers

In the foot bath care industry where TTC operates, customers tend to be urban, middle and upper income earners, between 25 and 65 years old. Women account for approximately 30% of customers, and continue to grow as a proportion of customer numbers.

Most customers pay for services in cash at the time of service delivery. Clinics also offer an advanced payment option, where customers can purchase future treatments at a 5 to 10 percent discount to the standard rate.

4.4.5 Typical TTC clinic

The owned and franchised clinics are similar in all key respects, typically consisting of an entry foyer, treatment rooms, which have multiple treatment tables or beds, a dining area, one or two staff rooms and an adjacent car park. Dormitory accommodation is also provided for therapist staff, typically in a separate building, but in close proximity to the clinic itself.

Each clinic is fitted out to a consistent high quality incorporating a traditional Chinese theme.

Typical details of the TTC clinics are as follows:

Clinic size	Approximately 1,000 sqm
Staff Dormitory Accommodation (Separate)	Approximately 400 sqm
Number of therapists	28 to 60
Management and ancillary staff	10 to 20
Individual treatment beds	40 to 80
Treatments per day per clinic	210 (on average)
Revenue per customer per treatment	A\$24.44 (RMB 120) (on average)

04. COMPANY OVERVIEW

4.4.6 Clinic management

Each clinic, whether owned or franchised is operated by a clinic manager trained by TTC. Responsibilities for a clinic manager include operations as well as maintenance of standards. The clinic manager of franchised clinics is employed by the franchisee and not by TTC.

TTC management believes quality and standardisation of service is the key to successfully growing the clinic network. Detailed operating standards are incorporated in both operating and training manuals, including:

- Customer Service Standards;
- Therapists Training Standards;
- Administrative Management; and
- Financial Management Standards.

The clinic manager is required to report on operational matters to TTC, allowing TTC to remain closely involved with franchisees and monitor their operations. Reports and their frequency are as follows:

REPORT	FREQUENCY
Management and operations	Monthly
Follow up on monthly reports	Monthly
Customer Surveys	Quarterly
Safety	Quarterly
Detailed, covering: Operations Staff Turnover Sales Improvements	Annual
Inspection by TTC head office	Annual, and unscheduled
Franchisee Conference	Annual

Monthly management and operations reports include the number and type of treatments provided, from which TTC can estimate underlying revenue and costs of franchisee operations. Franchisees are not required to provide financial accounts, and franchise fees paid to TTC are not based on franchisee revenue or profit.

Within the TTC head office franchise division there are 15 staff directly responsible for overseeing the quality and consistency of operations across the TTC network, including reviewing reports, taking action where required and undertaking a continuous program of site visits, both announced and unannounced, to monitor performance.

4.5 HEAD OFFICE AND EMPLOYEES

4.5.1 Head office

TTC's head office is located in the central business district of Chongqing in southwest China. Chongqing is one of the five national central cities in China and services a population in excess of 30 million people. Chongqing is the largest (by population) municipality in the world.

04. COMPANY OVERVIEW

TTC's head office is the base for operations, administration and senior staff. The head office also includes a flagship clinic which is used as a marketing reference site for potential franchisees, as well as being a profit centre. The head office facilities accommodate approximately 100 staff, together with 120 therapists and clinic staff.

NEW HEAD OFFICE

The current head office facilities are located in Building 141, Xinglongwan, Yuanjiagang, Jiulongpo District, Chongqing City, PRC; however, these offices reached capacity some time ago.

In 2013 Wuhuan Fuqiao (wholly owned by TTC) entered into a contract for the acquisition of 7 levels in a 32-level building as TTC's new head office facilities which are due to be handed over on or before 31 December 2015.

The new office is considered material to future growth, and will represent a new flagship for the TTC operations in China. It is intended to show to potential franchisees and therapists the solidity and reliability of the business, as well as the standing of the Fuqiao brand.

TTC will own 7 floors of the 32 story building consisting of 1 floor for head office operations, 2 floors for the dormitory, 2 floors for the training centre, 2 floors for the flagship clinic and the showroom, together totalling 8,750 sqm of floor area. No land-use right with respect to the new office facilities will be owned by TTC. The new building is currently in the process of being built under a fixed price contract. The total consideration for the development is RMB 160 million (A\$32.59 million), of which TTC has paid (from internally generated cash) RMB 128 million (A\$26.07 million) as at 31 December 2014. The balance of RMB 32 million (A\$6.52 million) is due at completion on or before 31 December 2015. At completion, the new building will have completed registration and received the "Record Registration Certificate for Chongqing Construction Project Completion Acceptance".

According to the valuation report dated 9 February 2015 and valuation conducted by Chongqing Tongcheng Real Estate and Land Asset Valuation Co., Ltd. the estimated total value of the 7 levels purchased by TTC in the new building is RMB 162.75 million (A\$33.15 million). This valuation estimate is valid for one year from 11 February 2015 to 10 February 2016.

4.5.2 Employees

TTC has approximately 730 employees in China as set out below:

CATEGORY	EMPLOYEES
Senior Executives	5
Finance/Asset Management	8
Admin and IT	8
Legal	3
Human Resources	8
Franchise Sales and Marketing	15
Research	4
Training	30
Management of owned Clinics	7
Management reserve	13
Owned clinics staff	629
Total	730

04. COMPANY OVERVIEW

4.5.3 Therapist training

Professional staff are the key assets of TTC and its franchised network. Part of the franchise arrangement with TTC includes the provision by TTC to the franchisee of trained staff under the Training Agreement.

TTC has designed a staff training program and oversees staff training conducted at the Chongqing Fuqiao Human Resources Centre within the Chongqing City Management College. The Chongqing City Management College is a full time public diploma level college administered at the Provincial level. The Fuqiao Human Resources Centre was established by TTC in conjunction with the College.

Under its arrangement with the College, TTC provides approximately 30 staff to the centre, and the centre provides the teaching facilities.

Course lengths for TTC Fuqiao therapists are typically 3 months training in college and 3 months practical training within a TTC clinic. Therapists have a career path within either TTC owned clinics or franchisees and with further training and experience may become franchise managers, typically after a minimum of two years.

In 2014, 1,932 new therapists were trained at the Chongqing Fuqiao Human Resources Centre. Ninety five percent of graduating therapists found employment within the TTC clinic network.

Of the approximately 10,000 therapists working within the TTC franchised and owned clinics, the vast majority have been trained by TTC.

The therapist staffing plan for FY2014 and forecast plan for FY2015 is as follows:

TOTAL ANNUAL RECRUITMENT	FY2014 THERAPISTS (ACTUAL)	FY2015 THERAPISTS (PLANNED)
Total Estimated Therapists Requirements		
New clinics	62	35
Average therapists per clinic	28	30
Total therapists for new clinics	1,736	1,050
Total existing therapists of franchised clinic	8,264	10,000
Net turnover (20%) p.a	1,653	2,000
Total existing therapists of owned clinic	511	629
Net turnover (15%) p.a	77	94
Plan recruitment	1,932	1,850
Net turnover (5%)	98	93
Human Resource Reserve	21	613
Gross requirements of therapists	3,585	3,850
Estimated Sources		
Therapists recruited by franchisees and trained by Fuqiao managers in franchised clinics	1,653	2,000
Therapists recruited by head office and trained at training centre	1,932	1,850
	3,585	3,850

04. COMPANY OVERVIEW

A therapist, on average, earns RMB 3,500 (A\$713) to RMB 4,500 (A\$916) per month, as salary on a commission only basis. In addition, each therapist is provided a monthly food allowance, health insurance and accommodation, which together are valued at approximately RMB 1,500 (A\$305) per month. In total, the average annual remuneration for a therapist is approximately RMB 70,000 (A\$14,257). The average annual wage in China in the Health, Social Securities and Social Welfare Sector was approximately RMB 45,000 (A\$9,165) in 2013 (*Source: China Statistical Yearbook and industry surveys*).

4.6 TRADEMARKS AND BRANDING



The Group has 58 registered trademarks and 4 patents in China, as well as having key names and logos registered in Hong Kong, Macau, Taiwan, USA, Germany and Singapore.

The Group's two key registered logos are shown above. The Foot icon stands for liveliness, loveliness, intimacy, health and vigor. The Corporate Badge incorporates aspects of strong vitality for the people

TTC's core brand, "Fuqiao", is an established, recognised brand in the traditional therapy sector across China.

TTC, via its wholly owned subsidiary Fuqiao Holdings, holds the prestigious "Chinese Well-Known Trademark", also known as "Chinese Famous Brand". This is considered significant as it is considered to be a reflection of the regard with which the China Central Government holds TTC's business.

At a commercial level, the positive impact the "Chinese Well-Known Trademark" has amongst franchisees, potential franchisees and therapy customers is significant.

Additionally, the Chinese Well-Known Trademark provides a greater level of trademark protection within China, a quicker process of dispute resolution should one arise, and a higher level of penalties for breach of trademark. The TTC Group is the only holder of the Chinese Well-Known Trademark in the "Foot Bath Care" Sector.

4.7 GROWTH DRIVERS

4.7.1 China demographics and growing middle class

Key drivers of growth in the Chinese therapeutic massage sector include continued growth of the Chinese economy and average wage, as well as a growing and more urbanized middle class. Services provided by TTC are targeted at the growing middle class who can afford such services.

4.7.2 Fragmented industry

The therapeutic massage/foot bath care sector in China is highly fragmented, with an estimated 100,000 enterprises and 6.72 million employees (refer to Independent Market Report in Section 3). Whilst TTC is one of the largest industry participants, it still has very low overall market share.

In accordance with the Independent Market Report, a clinic's brand is the most important factor consumers take into account when selecting a provider. The Directors believe that with TTC's focus on standardisation, as well as its 'Chinese Well-Known Trademark' designation, it is well positioned to continue growing its network and achieving consolidation around its brand within a currently fragmented industry landscape.

04. COMPANY OVERVIEW

4.7.3 Urbanisation

The movement of the Chinese population from rural regions to cities (urbanisation) is occurring at the rate of approximately 14.0 million people per annum. In terms of TTC's addressable market this equates to a potential expansion of more than 90 clinics per annum. Based on the Independent Market Report, the current estimated addressable market for TTC clinics is in excess of 4,500 within China (refer to part 8 "Industry scale and growth" of the Independent Market Report in Section 3).

4.7.4 Healthcare

The Independent Market Report in Section 3 notes that the health benefits of foot bath care services are becoming more widely accepted by the general public. Whilst most customers use the services of foot bath care companies principally for relaxation, more people are using the services to promote improved health outcomes and treat common ailments.

4.8 STRATEGY

4.8.1 Continued expansion of franchise clinic base

Since 2011, the average annual growth rate in the number of TTC franchised clinics has been approximately 40%. The Company expects the number of franchised clinics to continue to increase in the future.

4.8.2 Continued expansion of owned clinic base

Significant opportunity exists to grow TTC's operations by acquiring existing clinics (from third parties or franchisees) or developing greenfield owned clinics in suitable locations.

TTC considers that its 11 owned clinics have met or exceeded the necessary hurdles to provide sufficient certainty around the "owned clinic" business model, with a high probability that the planned further rollout of owned clinics will be successful.

In addition, the rollout will have the additional benefit of assisting with projection of the Company brand and standards setting for the TTC network.

4.8.3 Training and human resources

One of the potential limitations to growth is access to appropriately qualified and dedicated therapists. TTC intends to extend its current involvement in training with the establishment of its own institute in conjunction with Chongqing Municipal Health Bureau. TTC's supply of appropriately qualified therapists is considered a durable competitive advantage and a potential barrier for aspiring competitors to provide similar levels of service to TTC.

4.8.4 Investment in technologies

TTC is investing in systems to:

- take advantage of its extensive customer base, including expanding customer loyalty programmes;
- receive independent and regular feedback from customers on service quality and suggestions for improvement;
- provide operational efficiencies; and
- provide means to improve direct marketing to customers of existing and new products.

The investment includes mobile applications and digital capabilities for bookings, new Website customer front end and development and implementation of an integrated CRM database.

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS



05. KEY INDIVIDUALS, INTERESTS AND BENEFITS


The Company is very cognizant of investor expectations with respect to governance and communications. In that regard, the majority of the TTC Board is constituted of Australian resident independent, Non-executive Directors who have extensive skills and experience in both business operations and governance. The Board and senior management have a broad experience base covering operational, technical, corporate and commercial backgrounds spanning a number of decades across a range of different industries. The Board is well positioned to implement, oversee and monitor the Company's strategic objectives. Additionally, TTC's bi-lingual CFO, John Wu, resides in Australia to facilitate timely and accurate engagement with the market.

5.1 BOARD OF DIRECTORS


At Listing, the Board will comprise five members, consisting of the Independent, Non-executive Chairman, the Managing Director, the CEO and two Independent, Non-executive Directors. The following table provides information regarding the Directors, including their ages and positions:

DIRECTOR	EXPERIENCE
 <p>Andrew Sneddon Age 58</p>	<p>Chairman, Andrew Sneddon, was a Partner with PricewaterhouseCoopers for 18 years before retiring in 2008. In his PWC role, Andrew led the technology practice for a period of time and specialised in fast growth and emerging technology companies, working with many companies from start ups to successful global corporations. In more recent years he was the partner leading the firm's Australian Life Sciences Practice. Andrew has extensive experience in a wide range of technical areas including mergers and acquisitions, business and strategic planning, audit, valuation, capital raising and stock exchange listings on the Australian, NASDAQ and London Stock Exchanges.</p> <p>Andrew is the Chairman of Fusion Payments Limited, ServiceRocket Inc, TGR BioSciences Pty Limited, Elastagen Pty Ltd and a Non-executive Director of Innate Immunotherapeutics Limited and ClearView Wealth Limited. Andrew is also a member of the Audit and Compliance Committees of the Crescent Capital Private Equity Funds.</p>
Role	Chairman and Independent Non-executive Director Member, Audit and Risk Committee Member, Nomination and Remuneration Committee
Expertise/ Qualifications	BEcon, Chartered Accountant
Location	Sydney, Australia
Independence or affiliations	Independent, Non-executive Chairman
Legal or disciplinary action	Nil
Insolvent companies	Nil



05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

DIRECTOR	EXPERIENCE
 <p>Zhirong Hu Age 51</p> <p>Role Expertise/ Qualifications Location Independence or affiliations Legal or disciplinary action Insolvent companies</p>	<p>Managing Director and Founding Shareholder, Ms Hu was born and raised in Chongqing. She holds certificate of completion in economic management major at Tsinghua University. She started the Fuqiao business with her then husband in 1998. She has been key in drafting industry standards for traditional therapy in China.</p> <p>Ms Hu is also well connected socially and politically. She is the 3rd member of the Chongqing Committee of the Political Consultative Conference and the 4th Executive Director of Chongqing Acupuncture and Aoxibustion Association. She has won multiple awards nationally and locally; she was awarded “The Most Remarkable Business Woman of China” by the China General Chamber of Commerce, “Most Excellent Individual of contributing for the transfer, training and employment of the rural work force” by the Central Government Of China and “The Best Female Entrepreneur in Chongqing” by the provincial government.</p> <p>Currently, Ms Hu is the Managing Director of the TTC Group having formerly been its President.</p> <p>Managing Director Economic Management, Franchising and Politics</p> <p>Chongqing, China Not independent, founding shareholder and Managing Director</p> <p>Nil Nil</p>
 <p>Sanzheng Zhang Age 60</p> <p>Role Expertise/ Qualifications Location Independence or affiliations Legal or disciplinary action Insolvent companies</p>	<p>Executive Director and Chief Executive Officer, Mr Zhang holds a bachelor degree from School of Central Committee of Communist Party of China and he is also an accountant. He has been involved in financial and business management for over 40 years. Previously he was vice executive officer and chief accountant in a PRC military enterprise before joining Fuqiao.</p> <p>Mr Zhang has been working for Fuqiao for 14 years.</p> <p>Executive Director & CEO Bachelor degree and qualified general level accountant certification</p> <p>Chongqing, China Not independent, CEO of the TTC Group</p> <p>Nil Nil</p>



05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

DIRECTOR	EXPERIENCE
 <p>Jeff Fisher <i>Age 48</i></p>	<p>Non-executive Director, Jeff Fisher, is a shareholder and the CEO of Casual Dining Concepts, the owner of the Bondi Pizza Casual Dining Restaurant chain and has had over 30 years of retailing and franchising experience. Jeff was formerly the CEO and a shareholder of the Oporto Group from 2003 up until 30 June 2011 when the Oporto business (along with the Red Rooster and Chicken Treat businesses) were purchased by Archer Private Equity. In 2007 the Oporto was acquired by Quadrant Private Equity and Jeff remained on as CEO for the following 4 years until the sale to Archer Private Equity.</p>
Role	<p>Prior to Oporto, Jeff worked for Barbeques Galore as the National Operations Manager covering both company and franchised outlets, and was heavily involved in the roll out of franchised BBQ Galore stores across the USA. He has held senior management roles with Coles Myer, The Warehouse Group and John Danks in various operational capacities.</p>
Expertise/Qualifications	Independent, Non-executive Director
Location	Chairman, Nomination and Remuneration Committee
Independence or affiliations	Member, Audit and Risk Committee
Legal or disciplinary action	Franchising and Retail
Insolvent companies	Sydney, Australia
	Independent, Non-executive Director
	Nil
	Nil

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

DIRECTOR EXPERIENCE	
 <p>Glen Lees Age 49</p>	<p>Non-executive Director, Glen Lees, is currently a shareholder and the CFO of Casual Dining Concepts, which owns and operates the Bondi Pizza chain of casual dining restaurants.</p> <p>Prior to this Glen was a shareholder and the CFO of Oporto Franchising from 1998 to 2011, when the Oporto business (along with the Red Rooster and Chicken Treat businesses) was purchased by Archer Private Equity.</p> <p>In 2007 Oporto was acquired by Quadrant Private Equity and Glen remained on as a shareholder and the CFO for the following 4 years until the business was sold to Archer Private Equity.</p> <p>Prior to this Glen owned and operated a successful franchised business in the automotive industry and sold this business in 1998 in order to join the Oporto business.</p> <p>Before going into business on his own Glen worked for Coopers & Lybrand in the Audit division and then Horwath's in the Business Recovery & Insolvency Division.</p> <p>Glen has over 22 years of business, retailing and franchising experience.</p>
	<p>Role Independent, Non-executive Director Chairman, Audit and Risk Committee Member, Nomination and Remuneration Committee</p> <p>Expertise/Qualifications Franchising, Retail, B. Com, Chartered Accountant</p> <p>Location Sydney, Australia</p> <p>Independence or affiliations Independent, Non-executive Director</p> <p>Legal or disciplinary action Nil</p> <p>Insolvent companies Nil</p>
 <p>Ping Jian Age 50</p>	<p>Deputy CEO. Mr Jian joined TTC in 2003. He has worked as a manger of a clinic and Director of the Human Resource Department. He is currently the Company's Deputy Chief Executive Officer.</p>
	<p>Role Deputy Chief Executive Officer</p> <p>Expertise/Qualifications Healthcare industry and Retail</p> <p>Location Chongqing, China</p> <p>Independence or affiliations Employee of the TTC Group</p> <p>Legal or disciplinary action Nil</p> <p>Insolvent companies Nil</p>

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

DIRECTOR	EXPERIENCE
 <p>Zhonghan (John) Wu Age 35</p> <p>Role Expertise/ Qualifications Location Independence or affiliations Legal or disciplinary action Insolvent companies</p>	<p>Chief Financial Officer John Wu holds a Master of Commerce degree from the University of New South Wales in Australia and is a member of CPA Australia and the Chartered Institute of Management Accountants of the United Kingdom. He is also a Chartered Global Management Accountant (CGMA) and a consultant of CPA Australia.</p> <p>Mr Wu currently holds the position of board director for several private and public companies and has extensive experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements. He is currently a non-executive director and chairman of audit committee of Blackgold International Holdings Ltd. (ASX: BGG), listed on the ASX since February 2011, constituent stock of ASX All Ordinaries Index. He is also a director of JAZ Pacific Australia Pty Ltd, an Australian coal trading company, which is a partner of a major Chinese steel mill.</p> <p>Mr Wu has gained extensive experience in finance and accounting from multinational corporations. He has held various financial management positions with multinational companies in Hong Kong, Australia, and New Zealand such as Toyota, Nestlé, British America Tobacco and Deloitte.</p> <p>Chief Financial Officer M. Comm, Certified Practising Accounting (CPA), ACMA, CGMA</p> <p>Sydney, Australia Employee of the TTC Group</p> <p>Nil</p> <p>Nil</p>
 <p>Lisa Dalton Age 50</p> <p>Role Expertise/ Qualifications Location Independence or affiliations Legal or disciplinary action Insolvent companies</p>	<p>Company Secretary, Lisa Dalton, is an accomplished governance professional, senior executive and leader with over 15 years' experience in the mining, energy, construction, agricultural, health and childcare sectors and has a proven track record of leading high performing teams across a varied range of specialties, in rapidly changing environments.</p> <p>Lisa's experience encompasses leading teams in the lead up to and during complex mergers and acquisitions, and responding to take-over approaches, strategic planning and implementation, all facets of governance, risk and compliance, human resources, culture development, corporate communications and change management. Lisa is currently an independent member of the Audit and Risk Committees for the Public Trustee of Queensland and for the Queensland Department of Health. She also provides governance support to a number of listed, unlisted and not for profit entities.</p> <p>Company Secretary B. App Sc., M. App Sc., LLB (Hons), FAICD, FGIA, FCIS</p> <p>Brisbane, Australia Employee of the TTC Group</p> <p>Nil</p> <p>Nil</p>

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

5.2 INTERESTS AND BENEFITS

The following Section 5.5, Interests of Advisors sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out in this Replacement Prospectus, no:

- Director or proposed Director of TTC;
- Person named in this Replacement Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Replacement Prospectus;
- Promoter of the Company; or
- Underwriter to the Offer or financial services licensee named in this Replacement Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of the Replacement Prospectus with ASIC, or has held in the two years preceding lodgement of this Replacement Prospectus with ASIC, any interest in:

- The formation or promotion of the Company;
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- The Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

5.3 DIRECTORS' AND MANAGERMENTS' INTERESTS AND REMUNERATION

5.3.1 Non-executive Directors' remuneration

The Directors decide the total amount paid to each Director as remuneration for their services. Under ASX listing rules the total amount paid to all Non-executive Directors must not exceed in total in any financial year the amount fixed in a general meeting of the company. This amount is currently A\$1,000,000 per annum. Annual fees agreed to be paid to the Non-executive Directors are A\$200,000 to the Chairman and A\$80,000 to each Non-executive Director. All Directors fees include superannuation at the statutory rate.

In addition to fees (and as part of their remuneration), Non-executive Directors are also participants in the Employee Share Ownership Plan (**ESOP**), which entitle them to receive options to acquire shares in the Company. Details of the ESOP are outlined in Section 5.3.7.

Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Company.

There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

5.3.2 Managing Director remuneration – Ms Zhirong Hu

Ms Hu is Managing Director and an employee of the TTC Group. From 1 July 2015, Ms Hu will receive an annual fixed remuneration of RMB 500,000 (A\$101,833). Ms Hu is not eligible to participate in the Company's ESOP or any short-term incentive plan adopted by the Board. Pursuant to Ms Hu's labour contract, Ms Hu may resign from her position by giving 6 months notice in writing. Ms Hu's employment may be terminated by her employer (a member of the Group) by giving 6 months notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Ms Hu's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Ms Hu's labour contract (whether by resignation or termination), Ms Hu will be subject to a restraint of trade period of up to 12 months. The restraint of trade period may be reduced or eliminated in its entirety at the discretion of the Company.

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

5.3.3 Executive Director and CEO remuneration – Mr Sanzheng Zhang

Mr Zhang is an employee and Executive Director of the TTC Group. From 1 July 2015, Mr Zhang will receive an annual fixed remuneration of RMB 400,000 (A\$81,466). Mr Zhang is eligible to participate in the Company's ESOP and any short-term incentive plan adopted by the Board. For further details about the ESOP, refer to Section 5.3.7. Mr Zhang may resign from his position by giving 6 months notice in writing. Mr Zhang's employment may also be terminated by his employer (a member of the Group) by giving 6 months notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Mr Zhang's employment may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Zhang's employment contract (whether by resignation or termination), Mr Zhang will be subject to a restraint of trade period of up to 12 months. The Company may elect to reduce the restraint of trade period, or eliminate the period in its entirety.

5.3.4 CFO remuneration – Mr Zhonghan (John) Wu

Mr Wu is employed as the Chief Financial Officer of the Group. Mr John Wu receives an annual fixed remuneration of A\$190,000 inclusive of superannuation. Mr Wu is eligible to participate in the Company's ESOP and any short-term incentive plan adopted by the Board. For further details about the ESOP, refer to Section 5.4.7. Mr Wu may terminate his employment contract by giving three months notice in writing. The Company may terminate Mr Wu's employment contract by giving three months notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate John's employment contract immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Wu's employment contract (whether by resignation or termination by the company), Mr Wu will be subject to a restraint of trade period of up to 12 months. The Company may elect to reduce the restraint of trade period, or eliminate the period in its entirety.

5.3.5 Deputy CEO remuneration – Mr Ping Jian

Mr Jian is the Deputy Chief Executive Officer of the TTC Group. From 1 July 2015, Mr Jian will receive annual fixed remuneration of RMB 300,000 (A\$61,100). Mr Jian is eligible to participate in the Company's ESOP and any short-term incentive plan adopted by the Board. For further details about the ESOP, refer to Section 5.3.7. Mr Jian may terminate his labour contract by giving three months notice in writing. Mr Jian's employer (a member of the Group) may terminate Mr Jian's employment contract by giving three months notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Mr Jian's employment may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Jian's employment contract (whether by resignation or termination by the company), Mr Jian will be subject to a restraint of trade period of up to 12 months. The Company may elect to reduce the restraint of trade period, or eliminate the period in its entirety.

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

5.3.6 Directors' and managements' interest in Shares and other securities

Directors and the Company Secretary's interests' at the date of this Replacement Prospectus are as follows.

NAME	ROLE	SHARES	OPTIONS ¹
Andrew Sneddon	Chairman	Nil ²	3,300,000
Zhirong Hu	Managing Director	136,974,296 ³	Nil
Sanzheng Zhang	CEO	9,443,214 ³	Nil
Jeff Fisher	NED	Nil ²	1,760,000
Glen Lees	NED	Nil ²	1,760,000
Lisa Dalton	Company Secretary	Nil ²	792,000

1. Offers to participants (or their eligible associate) to accept Options have been made at the date of this Replacement Prospectus. The issue of Options is conditional upon the Company being admitted to the Official List. If the Company is admitted to the Official List, Options will be granted on or around the date that the Company is accepted for admission to the Official List.
2. The Directors and Company Secretary, in their own right or through an associate, intend to apply for Shares under the Offer. Andrew Sneddon intends to apply for up to 400,000 Shares Jeff Fisher intends to apply for up to 300,000 Shares. Glen Lees intends to apply for up to 300,000 Shares. Lisa Dalton intends to apply for up to 30,000 Shares.
3. Zhirong Hu's and Sanzheng Zhang's Shares are indirectly owned through Hwazon Investment Limited, a company of which Zhirong Hu is a director and Zhirong Hu and Sanzheng Zhang are shareholders.

Senior management interests' at the date of this Replacement Prospectus are as follows:

NAME	ROLE	SHARES	PERFORMANCE RIGHTS ¹
John Zhonghan Wu	CFO	Nil	1,050,000
Ping Jian	Deputy CEO	8,870,898 ²	Nil

1. An offer to the CFO to accept Performance Rights has been made at the date of this Replacement Prospectus. The offer is conditional upon the Company being admitted to the Official List. If the Company is admitted to the Official List, Performance Rights will be granted to Mr Wu or his eligible associate on or around the date that the Company is accepted for admission to the Official List.
2. Ping Jian's Shares are indirectly owned through Hwazon Investment Limited, a company of which Ping Jian is a shareholder.

5.3.7 Employee Share Ownership Plan

Traditional Therapy Clinics has established an Employee Share Ownership Plan (**ESOP**). The ESOP is an employee equity plan developed to meet contemporary equity design standards and to provide the greatest possible flexibility in the design and offer choices available to the Company.

A summary of the general ESOP Rules is outlined below. A full copy of the ESOP Rules is available on the Company's website: www.ttc-ltd.com.

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Awards	<p>The ESOP provides flexibility to the Board to grant Awards to Employees or their Eligible Associate. An Award means, as applicable:</p> <ol style="list-style-type: none">an Option,a Performance Right,a Deferred Share Award,an Exempt Share Award,a Limited Recourse Loan Award <p>Offers of Options and Performance Rights have been made under the ESOP. The issue of Awards under those offers are conditional upon the Company being accepted for admission to the Official List.</p> <p>No offers or issues of Deferred Shares and Exempt Shares or Limited Recourse Loans are contemplated at this time. Any issues of Deferred Shares, Exempt Shares or Limited Recourse Loans in the future will be made from the Company's placement capacity under Listing Rule 7.1 unless shareholder approval is sought.</p>
Participants	<p>The Board has the discretion to determine which employees are eligible to participate in the ESOP. The definition of employee under the Plan Rules includes any full time or permanent part time employee or officer or Director of the Company or any related body corporate of the Company. Employees can nominate an Eligible Associate (as defined in s.318 <i>Income Tax Assessment Act 1936 (Cth)</i>) to own the Awards.</p>
Restricted Awards	<p>Awards are Restricted Awards unless the Board determines otherwise. A Participant must not sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Restricted Awards, or agree to do any of those things, during the Restriction Period.</p>
Expiry of Awards	<p>Expiry of Options</p> <ul style="list-style-type: none">Options that have vested will expire 5 years from the issue date.Unvested Options expire on the date the Director or Company Secretary resigns, is removed from office, dies or becomes permanently incapacitated (unless the Board determines otherwise). <p>Expiry of Performance Rights</p> <p>Performance Rights expire (unless the Board determines otherwise) on the earlier to occur of:</p> <ul style="list-style-type: none">6 months after vestingResignation or termination of employment for any reasonDeath or total and permanent incapacity; andCessation of a relationship between the Participant and an Eligible Associate.
Restrictions on making an Offer	<p>No Offer will be made to the extent that any such Offer would contravene the Company's Constitution, the Listing Rules, the Corporations Act or any other applicable law.</p>

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Vesting	<p>The Awards held by a Participant will vest in and become exercisable by that Participant upon the satisfaction of any Vesting Conditions specified in the Offer and in accordance with the ESOP Rules.</p> <p>Vesting Conditions may be waived at the absolute discretion of the Board (unless such waiver is excluded by the terms of the Award).</p>
Exercise of Awards	<p>A Participant is entitled to exercise an Award on or after the Vesting Date. Any exercise must be for a minimum number or multiple of Shares (if any) specified in the terms of the Offer.</p> <p>Awards may be exercised by the Participant delivering to the Company a notice stating the number of Awards to be exercised together with the Issue Price (if any) for the Shares to be issued.</p>
Rights attaching to Shares	<p>The Shares issued under the ESOP will upon allotment be:</p> <ol style="list-style-type: none"> credited as fully paid; rank equally for dividends and other entitlements where the record date is on or after the date of allotment, but will carry no right to receive any dividend or entitlement where the record date is before the date of allotment; and subject to any restrictions imposed will otherwise rank equally with the existing issued Shares at the time of allotment.
Quotation	<p>If the Company is listed, then as soon as practicable after the date of the allotment of Shares, the Company will, unless the Board otherwise resolves, apply for official quotation of such Shares on the ASX.</p>
New or Existing Shares	<p>The Company may, in its discretion, either issue new Shares or cause existing Shares to be acquired for transfer to the Participant, or a combination of both alternatives, to satisfy the Company's obligations under these Rules.</p> <p>If the Company determines to cause the transfer of Shares to a Participant, the Shares may be acquired in such manner, as the Company considers appropriate, including from any trustee appointed.</p>
Trustee	<p>The Company may appoint a trustee on terms and conditions which it considers appropriate to acquire and hold Shares, options, or other securities of the Company either on behalf of Participants or for the purposes of the ESOP.</p>
Takeover	<p>If a takeover bid is made to acquire all of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for Shares in the Company, then Participants are entitled to accept the takeover bid or participate in the other transaction in respect of all or part of their Awards other than Exempt Share Awards notwithstanding that the Restriction Period in respect of such Awards has not expired. The Board may, in its discretion, waive unsatisfied Vesting Conditions in relation to some or all Awards in the event of such a takeover or other transaction.</p>

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Adjustments	<p>The following provisions apply to Options, Performance Rights, and other Awards where the Participant may be entitled to acquire Shares in the future on exercise of the Award:</p> <ol style="list-style-type: none">A Participant is not entitled to participate in a new issue of Shares or other securities made by the Company to holders of its Shares without exercising the Awards before the record date for the relevant issue.If, prior to the exercise of an Award, the Company makes a pro-rata bonus issue to the holders of its Shares, and the Award is not exercised prior to the record date in respect of that bonus issue, the Award will, when exercised, entitle the holder to one Share plus the number of bonus shares which would have been issued to the holder if the Award had been exercised prior to the record date.If, prior to the exercise of an Award, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of the Awards of the Participant will be changed to the extent necessary to comply with the Listing Rules as they apply at the relevant time.Unless otherwise permitted by the Listing Rules, the number of Shares which the Participant is entitled to receive on exercise of an Award will only be adjusted in accordance with the ESOP Rules. The Company must give notice to Participants of any adjustment to the number of Shares which the Participant is entitled to receive on exercise of an Award in accordance with the Listing Rules.
Plan Administration	<p>The Plan will be administered by the Board, or a committee of the Board, which will have an absolute discretion to:</p> <ol style="list-style-type: none">determine appropriate procedures for administration of the ESOP;resolve conclusively all questions of fact or interpretation arising in connection with the ESOP;delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions under the ESOP;formulate special terms and conditions (subject to the Listing Rules), in addition to those set out in these Rules to apply to Participants employed and/or resident in and/or who are citizens of countries other than Australia. Each of these special terms and conditions will be restricted in their application to those Participants employed and/or resident in and/or who are citizens of other jurisdictions; andamend these ESOP Rules, provided that such amendments do not materially prejudice the rights of existing Participants. <p>While the Company is listed, the Board may only exercise its powers in accordance with the Listing Rules.</p>
Termination or Suspension of the Plan	<p>Subject to the passing of any necessary resolution approving the establishment of the Plan and the issue of the Awards, the Plan will take effect when the Board decides.</p> <p>The Plan may be suspended, terminated or amended at any time by the Board, subject to any resolution of the Company required by the Listing Rules.</p>

At the date of this Replacement Prospectus, the Awards, the subject of Offers under the ESOP are:

- Options to Non-executive Directors and the Company Secretary as part of their remuneration; and
- Performance Rights to the Chief Financial Officer as a Long Term Incentive.

The issue of the Options and Performance Rights are conditional upon the Company being accepted for admission to the Official List.

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

It is intended that Performance Rights will also be issued to Key Management Personnel (with the exception of Ms Hu, the Managing Director) and other employees based in China. These issues of Performance Rights will take place after the Completion and subject to the requirements of the Corporations Act and ASX Listing Rules.

• Option Terms and Conditions

The Non-executive Directors and the Company Secretary receive a proportion of their remuneration for the next three (3) years in the form of Options.

Upon advice from an independent remuneration consultant, PKF (NS) Pty Ltd, a benchmarking of Non-executive Director and Company Secretary remuneration was undertaken having regard to Non-executive fees paid at Australian companies of comparable size and complexity. They reflect the responsibilities and time commitment necessary for the role, the amount of travel required and the time and diligence required in ensuring communication between the Chinese operating entities and the Australian parent is open, transparent and timely.

The purpose and advantage of these Options is to provide a non-cash form of remuneration that further aligns the interests of Directors and Company Secretary with shareholders and also promotes an ownership culture by all participating Directors.

Set out below is a summary of the terms and conditions of the Options which will be issued subject to the Company being accepted for admission to the Official List.

Issue Date	On or around the date that the Company is admitted to the Official List	
Option holders	Non-executive Directors and the Company Secretary (or their Eligible Associates) will be granted Options subject to the Company being accepted for admission to the Official List.	
Number of Options to be issued	PARTICIPANT	
	NUMBER OF OPTIONS TO BE ISSUED	
	Andrew Sneddon	
	3,300,000	
	Jeff Fisher	
	1,760,000	
	Glen Lees	
	1,760,000	
	Lisa Dalton	
	792,000	
Quotation	Options issued will not be quoted on the ASX. The Company will make application to the ASX for official quotation of Shares issued on Options vesting and being exercised.	
Vesting Date	The Options vest and become capable of exercise in 7 equal tranches over a 3 year period as follows:	
	Tranche 1	On or around the date the Company is accepted for admission to Official List
	Tranche 2	28-Feb-16
	Tranche 3	28-Aug-16
	Tranche 4	28-Feb-17
	Tranche 5	28-Aug-17
	Tranche 6	28-Feb-18
	Tranche 7	28-Aug-18

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Issue price per Option	No amount is payable on issue of the Options
Exercise Price	A\$0.75 per Option
Expiry Date	<ul style="list-style-type: none"> Options that have vested expire at 5.00pm AEST, 5 years from the date that the Company is admitted to the Official List of the Australian Securities Exchange; and Unvested Options expire on the earlier to occur of resignation, removal from office, death or permanent disablement, unless the Board determines otherwise.
Exercise Period	Each Option that has vested may be exercised at any time from the Vesting Date to any time prior to the Expiry Date by delivery to the Company of a notice of exercise, accompanied by payment of the Exercise Price.
Vesting Conditions	Participants must have remained as a Non-executive Director or Company Secretary (as the case may be) up until and including the Vesting Date.
Restrictions	Option holders are not entitled to assign, transfer, sell, encumber, hedge or otherwise deal with Options, except in accordance with the ESOP Rules and the Securities Trading Policy.

• Long Term Incentive Plan (LTI Plan) – Performance Rights

The Performance Rights are subject to performance and service conditions over approximately, a three-year performance period. The purpose of this offer is to provide Mr Wu with a long-term service (retention) and performance incentive and to align personal, company and shareholder interests.

Set out below is a summary of the terms and conditions of the Performance Rights that will be issued to Mr Wu, subject to the Company being admitted to the Official List.

Grant Date	On or around the date Date that the Company is accepted for admission to the Official List
Participants	Zhonghan (John) Wu, Chief Financial Officer
Performance Rights Granted	Zhonghan (John) Wu will, subject to admission to the Official List, receive 1,050,000 Performance Rights that will vest in three tranches each of 350,000 Performance Rights.
Entitlements	Each Performance Right that vests entitles Mr Wu, to subscribe for one fully paid ordinary share in the capital of the Company.
Quotation	<p>Performance Rights granted under the LTI Plan will not be quoted on the ASX.</p> <p>The Company will make application to the ASX for official quotation of Shares issued on Performance Rights becoming vested and being exercised.</p>
Performance Right Restrictions	Mr Wu will not be entitled to assign, transfer, sell, encumber, hedge or otherwise deal with a Performance Right, except in accordance with the ESOP Rules and the Securities Trading Policy.
Issue price per Performance Right	No amount is payable by Mr Wu on issue of the Performance Rights

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Exercise Price	The Performance Rights have a zero Exercise Price	
Vesting Date	Tranche 1	350,000 Performance Rights vest on 28 August 2018 subject to Gates and Performance Conditions
	Tranche 2	350,000 Performance Rights vest on 28 August 2019 subject to Gates and Performance Conditions
	Tranche 3	350,000 Performance Rights vest on 29 August 2020 subject to Gates and Performance Conditions
Performance Period	Tranche 1	Date of Issue to 30 June 2018
	Tranche 2	Date of Issue to 30 June 2019
	Tranche 3	Date of Issue to 30 June 2020
Expiry Date	Performance Rights have an Expiry Date listed in the second column of the table below if the event listed in the first column occurs.	
	EVENT	EXPIRY DATE
	On these dates	Tranche 1: 28 February 2019 Tranche 2: 28 February 2020 Tranche 3: 28 February 2021
	Mr Wu's employment with the TTC Group is lawfully terminated for fraud or serious misconduct.	On the Termination Date.
	Mr Wu resigns from employment with the TTC Group.	On the last day of employment, unless the Company in its absolute discretion and subject to any conditions it sees fit decides that the Performance Right should not expire or sets a later Expiry Date.
	Mr Wu's employment with the TTC Group is lawfully terminated for reasons other than fraud or serious misconduct.	On the last day of employment, unless the Company in its absolute discretion and subject to any conditions it sees fit decides that the Performance Right should not expire or sets a later Expiry Date.
	Mr Wu dies or becomes totally and permanently disabled.	Immediately, unless the Company in its absolute discretion and subject to any conditions it sees fit decides that the Performance Right should not expire or sets a later Expiry Date.
	Mr Wu and the Employee Associate holding the Performance Rights cease to be Associates.	Immediately, unless the Company in its absolute discretion and subject to any conditions it sees fit decides that the Performance Right should not expire or sets a later Expiry Date.


05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Vesting Conditions	Mr Wu's Performance Rights are subject to the following Vesting Conditions:
	<ul style="list-style-type: none"> a. continual employment by the Company from the Grant Date to the Vesting Date; b. the volume-weighted average price (VWAP) of TTC shares over the Performance Period being greater than the Offer Price; and c. performance conditions established at the beginning, and in place by and assessed by the Board at the end, of the relevant Performance Period relating to timely communication and reporting between Chinese operating entities and the Company


5.4 CORPORATE GOVERNANCE

The Board of Traditional Therapy Clinics Limited is cognizant of the need for a well articulated and robust corporate governance framework and believes that good corporate governance is essential to the preservation and enhancement of shareholder value. The Board believes that the success of the business is strengthened by implementing clearly articulated policies to enhance accountability, efficiency and the reliable measurement of performance.

The Board has adopted a *Board Charter* (the Charter), which sets out the key corporate governance principles and procedures together with a *Delegation of Authority Policy* and *Subsidiary Governance Framework* that ensures consistency of governance principles throughout the TTC Group. The Charter and a summary of the Delegation of Authority Policy and Subsidiary Governance Framework are available on the Company's website at www.ttc-ltd.com. These key documents will be kept under review by the Board and amended from time to time.

The Charter and the other governance measures adopted reflect the Board's endorsement of the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations, 3rd edition, 2014, referred to as "the Principles". Those Principles marked with a  either have not been fully implemented or are to be addressed during the FY2015 reporting year. The commentary addresses the reasons for the departure from the requirements.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1	The Board has outlined in its charter, its roles and responsibilities and has established a clear distinction between its functions and those delegated to management through a Delegation of Authority Policy and Subsidiary Governance Framework.	✓
1.2	Appropriate checks including criminal record checks have been carried out on all Board members prior to their appointment. The Company will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings.	✓
1.3	All Directors and senior executives have a written agreement with the Company or a member of the TTC Group setting out the terms of their appointment.	✓
1.4	The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board and this is specifically outlined in the contract of employment and the position description for that role.	✓
1.5	The Board has adopted a Diversity Policy (a copy of which is on the Company's website). The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity. The Board has not yet set measurable objectives but intends to review the diversity statistics within the Company and use those measures to formulate measurable objectives.	
1.6	At least once per year the Board will, with the advice and assistance of the Nomination and Remuneration Committee, review and evaluate the performance of the Board, each Board committee and each individual Director against the relevant charters, corporate governance policies, and agreed goals and objectives.	✓

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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| 1.7 | Performance reviews for Executive Directors and Senior Management will take place at least annually. The NRC has accountability in its Charter to oversee these reviews and report to the Board on their outcomes. The Company intends to ensure the appropriate disclosures in the remuneration report are made in relation to each reporting period as to the performance evaluations that were undertaken and the process that was followed. | ✓ |
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PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

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| 2.1 | The Board has formed a Nomination and Remuneration Committee. The charter for the Nomination and Remuneration Committee is available on the Company's website. Membership of the Nomination and Remuneration Committee is: Jeff Fisher (Chairman, independent, Non-executive Director), Andrew Sneddon (Board Chairman, independent Non-executive Director) and Glen Lees (independent, Non-executive Director). | ✓ |
| 2.2 | In establishing the Board of TTC, regard was had to the skills and expertise required of the Directors relevant to TTC's business, its listing in Australia and operations in China and its franchising network. Directors with the desired skills and expertise were carefully selected for appointment to the Board. A copy of the Board skills matrix is available on the Company's website. | ✓ |
| 2.3 & 2.4 | The Board Charter sets out the criteria adopted by the Board for considering if a Director is independent. A majority of the Board consists of independent Directors. The Board is comprised of five members, three of whom are independent. The Company recognises the importance of having a majority of the Board as independent Directors and this was instrumental in determining the membership of the Board. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company. Andrew Sneddon, Jeff Fisher and Glen Lees are considered independent as none of them has a material shareholding in the Company or is an advisor or supplier to the Company or has any other material contractual relationship with the Company other than their position as a Director. | ✓ |
| 2.5 | The Chairman is an independent Director and facilitates the effective contribution of all Directors at Board meetings. The roles of Chair and Managing Director are exercised by different individuals. | ✓ |
| 2.6 | <p>All Non-executive Directors have had an extensive induction into the business of the Company prior to accepting their appointment and have received continuing information on the Company and its operations since being appointed. The induction process has included site visits in China and presentations by management.</p> <p>Directors are also given access to continuing education in relation to the Company extending to its business, the industry in which it operates, and other information required by them to discharge the responsibilities of their office.</p> | ✓ |

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

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| 3.1 | The Board has adopted a code of conduct applicable to all Directors, senior executives and employees, a copy of which is disclosed on the Company's website. | ✓ |
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05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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| 4.1 | The Board has established an audit and risk committee. The audit and risk committee is comprised only of Non-executive Directors. Its composition being Glen Lees (Chairman, Independent Non-executive Director), Andrew Sneddon (Board Chairman, Independent Non-executive Director) and Jeff Fisher (independent, Non-executive Director). The qualifications of the members of the audit and risk committee are set out in the Replacement Prospectus in Section 5.1 (Board of Directors). | ✓ |
| A copy of the audit and risk committee's charter is on the Company's website. | | |
| 4.2 | The board of TTC has not yet had to approve the entity's financial statements for a financial period and accordingly has not been required to receive relevant declarations from the MD and CFO in respect of the financial records of the TTC Group. It is the intention of the Board that these declarations will be required for both the half-year and full-year results and this fact has been communicated to both the MD and CFO. | ⊙ |
| 4.3 | TTC has not yet held an AGM but it is the intention of the Board to ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit. | ⊙ |

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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| 5.1 | The Board has established a written continuous disclosure policy to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability for compliance. Each Board meeting considers whether any continuous disclosure issues arose during the course of the meeting. The continuous disclosure policy is on the Company's website. | ✓ |
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PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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| 6.1 | TTC has established an English website which provides information about the TTC Group, Directors and executives, key governance policies and other information relevant to its investors. The website will be a key communication tool between the Company and the shareholders. | ✓ |
| 6.2 | TTC has not yet designed and implemented an investor relations program to facilitate effective two-way communication with investors, however, the Board recognises its importance and will put in place a tailored program post the Offer following the Completion. | ⊙ |
| 6.3 | The Board has adopted a shareholder communication policy and will provide shareholders with opportunities to have questions addressed at shareholder meetings, irrespective of whether the shareholder is able to attend. A copy of the shareholder communication policy is on the Company's website. | ✓ |
| 6.4 | All shareholders of TTC will be able to communicate with the Company and its share registry electronically and in fact this method of communication is encouraged. | ✓ |

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

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| 7.1 | The Board has established a combined audit and risk committee. The audit and risk committee is comprised only of Non-executive Directors. Its composition being Glen Lees (Chairman, Independent Non-executive Director), Andrew Sneddon (Board Chairman, Independent Non-executive Director) and Jeff Fisher (independent, Non-executive Director). The qualifications of the members of the audit and risk committee are set out in the Replacement Prospectus in section 5.1 (Board of Directors). | ✓ |
| A copy of the audit and risk committee's charter is on the Company's website. | | |
| 7.2 | The risk management framework for the TTC Group has not yet been formally reviewed by the Board but the Board has requested a report from management by 30 September 2015. The Board has appointed the ARC to assist it with discharging its oversight function in respect of material business risks and to determine if the system of risk management is sound. Outcomes of those reviews will be reported in the corporate governance statement annually. | ⊙ |
| 7.3 | The TTC Group has various quality assurance functions throughout the business but not a dedicated internal audit function. It is the Board's intention that the ARC reviews the need for an internal audit function, the scope of any function should one be required and whether it will be insourced or outsourced. The outcome of the review will be reported in the Company's annual report. | ⊙ |
| 7.4 | As mentioned under Principle 7.2, the Board expects a report on the risk management framework in September 2015 and has requested that management address economic, environmental and sustainability risks. The outcome of that review will be reported in the Company's annual report. | ⊙ |

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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| 8.1 | The Board has formed a combined Nomination and Remuneration Committee. Membership of the Nomination and Remuneration Committee is: Jeff Fisher (Chairman, independent, Non-executive Director), Andrew Sneddon (Board Chairman, independent Non-executive Director) and Glen Lees (independent, Non-executive Director). A copy of the charter for the NRC is provided on the company's website. The qualifications of the members of the nomination and remuneration committee are set out in the Replacement Prospectus in section 5.1, "Board of Directors". | ✓ |
| A copy of the charter for the NRC is provided on the Company's website. | | |
| 8.2 | The Board has adopted a remuneration policy for Non Executive Directors. A remuneration policy for Executive Directors and other Senior Executives will be developed post Completion. A copy of the Non-executive Director remuneration policy is provided on the Company's website. | ⊙ |
| 8.3 | The Company's Securities Trading Policy prohibits participants of the ESOP entering into transactions which limits the economic risk of a participant. | ✓ |

05. KEY INDIVIDUALS, INTERESTS AND BENEFITS

5.5 INTERESTS OF ADVISERS

The following entities have been engaged as professional advisers to various members of the TTC Group for the purposes of the Offer. The details of work provided and the fees payable are summarised below.

ADVISER	ROLE	FEE
Brenowen Cross Capital Pty Limited	Australian corporate adviser to the Company	A\$800,000 ¹
QA Capital Pty Ltd	Lead Manager to the Company	A\$900,000 ²
Lalent Felicity Inc	Chinese listing consultant to the Company	A\$1,045,404 ¹
AFS Capital Securities	Technical Lead Manager and Broker to the Offer	A\$30,000
Baker & McKenzie	Australian legal adviser to the Company in connection with the Offer and has performed work in relation to due diligence enquiries on Australian legal matters	A\$200,000
Trend Associates	Chinese legal adviser to the Company in connection with the Offer and has performed the work in relation to due diligence enquiries on Chinese legal matters	RMB 1,180,000 (A\$240,326)
Charles Chu & Kenneth Sit in association with Wang Jing & Co. Law Firm	Hong Kong legal adviser to the Company and has performed the work in relation to due diligence enquiries on Hong Kong legal matters	HK\$26,400 (A\$4,400) (at exchange rate AUD\$1 : HKD 6)
BDO Corporate Finance (WA) Pty Ltd	Investigating Accountant to the Company and has prepared the Investigating Accountant's Report in Section 7	A\$50,000
BDO Corporate Tax (WA) Pty Ltd	Australian tax advisers to the Company and has prepared the Taxation Report for the Company	A\$15,000
Hejun Consulting Co., Ltd.	Independent expert to the Group and has prepared the Independent Market Report in Section 3	RMB 200,000 (A\$40,733)

1. Amount is based on the assumption that the full amount of Subscription is raised under the Offer. In addition, Brenowen Cross Capital Pty Limited may receive a discretionary bonus and potential compensation for share subscriptions which do not receive allocations, not exceeding A\$60,000.

2. Amount includes fees payable to the Brokers under the Offer.

06. FINANCIAL INFORMATION



06. FINANCIAL INFORMATION

6.1 INTRODUCTION

This section sets out the following financial information ("Financial Information") prepared and adopted by TTC:

- The Historical Financial Information comprises the:
 - audited historical Statements of Financial Performance for the years ended 31 December 2012, 31 December 2013 and 31 December 2014;
 - audited historical Statements of Financial Position for the years ended 31 December 2012, 31 December 2013 and 31 December 2014; and
 - audited historical Statements of Cash Flow for the years ended 31 December 2012, 31 December 2013 and 31 December 2014(Together the "Historical Financial Information").
- The Pro Forma Historical Financial Information comprises the:
 - pro forma historical Statement of Financial Position as at 31 December 2014(Together the "Pro Forma Historical Financial Information").
- The Forecast Financial Information comprises the:
 - pro forma forecast Statements of Financial Performance for the year ending 31 December 2015
 - pro forma forecast Statements of Cash Flow for the year ending 31 December 2015(Together the "Forecast Financial Information").

The Historical Financial Information, Pro Forma Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section 6 are:

- the basis of preparation and presentation of the Financial Information (Section 6.2)
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (Section 6.7) and key sensitivities in respect of the Forecast Financial information (Section 6.8); and
- TTC's proposed dividend policy (Section 6.10).

All amounts disclosed in the tables in this Section are presented in Australian dollars. In addition to Australian dollars, TTC earns all of its revenue and incurs most of its expenses and holds assets and liabilities in RMB.

6.2 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

The Directors are responsible for the preparation, presentation and inclusion of the Financial Information in this Replacement Prospectus.

The Financial Information is presented in an abbreviated format and does not contain all of the disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The information in this Section 6 should be read in conjunction with the key risks set out in Section 8 and other information contained in this Replacement Prospectus.

6.2.1 Preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards

06. FINANCIAL INFORMATION

Board. The Historical Financial Information has been extracted from the financial report of TTC for the years ended 31 December 2012, 31 December 2013 and 31 December 2014, which was audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued unmodified audit opinions on each of the financial reports.

6.2.2 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the historical financial information of TTC, after adjusting for the effects of the pro forma adjustments described in Section 6.5. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 6.5, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by TTC to illustrate the impact of the events or transactions described in Section 6.5 on TTC's financial position as at 31 December 2014. As part of this process, the Company from its financial statements for the year ended 31 December 2014 has extracted information about TTC's financial position.

6.2.3 Preparation of Pro Forma Forecast Financial Information

The Pro Forma Forecast has been derived from TTC's Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Section 6.5 of the Replacement Prospectus. The stated basis of preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards, the entity's adopted accounting policies and the events or transactions to which the pro forma adjustments relate, as described in Section 6.5 of the Replacement Prospectus, as if those events or transactions had occurred as at 1 January 2015. Due to its nature, the Pro Forma Forecast Financial Information may differ from the company's actual prospective financial performance for the period ending 31 December 2015 as it is based on the assumptions detailed in Section 6.7 of the Replacement Prospectus.

The Forecast Financial Information has been prepared by the Directors in order to provide prospective investors with a guide to the potential financial performance of TTC for the year ended 31 December 2015.

The Directors have prepared the Forecast Financial Information based on the economic conditions existing as at the date of the Replacement Prospectus, including a number of best-estimate assumptions regarding future events. These events may not eventuate. Whilst the Directors believe that they have prepared the Forecast Financial Information with due care and attention, no guarantee or assurance is given that the forecast results will be achieved. The Forecast Financial Information must be read in conjunction with the balance of the information in this Replacement Prospectus, particularly this Section 6; Section 8, Risk Factors; and Section 7, Investigating Accountant's Report. Investors should be aware that the future cannot be predicted with certainty and, as a result, deviations from the Forecast Financial Information are to be expected. The deviations may be materially positive or negative. Investors should note that the best-estimate assumptions are subject to significant uncertainties and contingencies often outside the control of the Directors.

The Directors cannot give any assurance that the Forecast Financial Information will be achieved. This is because the Company's actual financial results will be affected by many factors that are beyond the Directors' control. A number of these factors are outlined in Section 8. The FY2015 forecast results and the Pro Forma Balance Sheet include the financial effect of the Offer transaction costs and the impact of the Offer, as well as the financial impact of additional public company costs from the assumed Listing Date. The Forecast Financial Information presented in this Section should be read in conjunction with the management discussion for FY2012, FY2013 and FY2014 in Section 6.6, The general assumptions as set out in Section 6.7.1, the specific assumptions as set out in Section 6.7.2, the sensitivities as set out in Section 6.8, the key risks as set out in Section 8 and other information in this Replacement Prospectus.

06. FINANCIAL INFORMATION

TTC has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Replacement Prospectus, except where required by law.

6.3 HISTORICAL AND FORECAST STATEMENTS OF FINANCIAL PERFORMANCE

Set out below is the audited Historical Statements of Financial Performance for FY2012, FY2013, FY2014 and the Forecast Statements of Financial Performance for FY2015. The historical Statements of Financial Performance show the historical financial performance of TTC and are to be read in conjunction with the notes to and forming part of the historical financial information set out in 6.11. Additional discussion on the Financial Information provided below is included in Section 6.6 and Section 6.7.

YEAR ENDING 31 DECEMBER A\$'000	FY2012 HISTORICAL	FY2013 HISTORICAL	FY2014 HISTORICAL	FY2015 FORECAST
Revenue	8,823	15,639	30,864	41,662
Cost of revenue	(2,843)	(4,380)	(10,438)	(15,038)
Gross profit	5,980	11,259	20,426	26,624
Selling and distribution expenses	(53)	(79)	(63)	(73)
General and administrative expenses	(1,214)	(1,942)	(1,941)	(4,959)
Other expenses	–	–	(3)	–
Finance costs	(3)	(5)	(10)	(12)
Finance income	70	94	56	113
Profit before income tax	4,780	9,327	18,465	21,694
Income tax expense	(1,486)	(2,980)	(5,448)	(5,841)
Profit after income tax	3,294	6,347	13,017	15,853
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	(19)	1,541	1,364	398
Total comprehensive income	3,275	7,888	14,381	16,251

- (1) The above Statement of Financial Performance for the 12 months ending 31 December 2012 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 6.53
- (2) The above Statement of Financial Performance for the 12 months ending 31 December 2013 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 5.99
- (3) The above Statement of Financial Performance for the 12 months ending 31 December 2014 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 5.547.
- (4) The above Forecast Statement of Financial Performance for the 12 months ending 31 December 2015 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 4.91. The specific assumption on exchange rates is set out in Section 6.7.2

06. FINANCIAL INFORMATION

6.4 HISTORICAL AND FORECAST STATEMENTS OF CASH FLOW

The table below set out the audited Historical Statements of Cash Flow and the Forecast Statements of Cash Flow for FY2015. The Historical Statements of Cash Flow are to be read in conjunction with the notes to and forming part of the historical financial information set out in Section 6.11.

YEAR ENDING 31 DECEMBER A\$'000	FY2012 HISTORICAL	FY2013 HISTORICAL	FY2014 HISTORICAL	FY2015 FORECAST
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	12,718	25,163	27,746	34,692
Payments to suppliers and employees	(3,757)	(5,352)	(10,666)	(18,343)
Interest received	70	94	56	113
Income tax paid	(1,219)	(2,578)	(4,971)	(5,841)
CASH PROVIDED BY OPERATING ACTIVITIES	7,812	17,327	12,165	10,621
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of clinics, net of cash acquired	-	-	(1,674)	-
Purchase of property, plant and equipment	(234)	(17,543)	(8,680)	(11,813)
Loans to shareholders	(2,692)	-	-	-
Loan repayments made by shareholders	153	1,920	916	-
CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(2,773)	(15,623)	(9,438)	(11,813)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution	-	3,847	-	12,988
Advances from shareholders	-	-	117	-
Loan repayments made to shareholders	(666)	(634)	(729)	-
Borrowing from third parties	1,766	-	-	-
Repayment to third parties	-	(3,899)	-	-
Contributed by non-controlling interests	-	202	-	-
Dividends paid	(2,541)	(4,551)	(6,644)	(7,926)
CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(1,441)	(5,035)	(7,256)	5,062
NET INCREASE/(DECREASE) IN CASH	3,598	(3,331)	(4,529)	3,871
CASH AT BEGINNING OF YEAR	15,260	18,709	18,813	15,158
Effect of exchange rate changes on cash and cash equivalents	(149)	3,435	874	318
CASH AT YEAR END	18,709	18,813	15,158	19,347

06. FINANCIAL INFORMATION

- (1) The above Statement of Cash Flow for the 12 months ending 31 December 2012 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 6.53. Cash and cash equivalents at the beginning and the end of the financial year has been translated at the closing rate at the end of the reporting period AUD\$1:RMB 6.46 and AUD\$1:RMB 6.53 respectively.
- (2) The above Statement of Cash Flow for the 12 months ending 31 December 2013 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 5.99. Cash and cash equivalents at the beginning and the end of the financial year has been translated at the closing rate at the end of the reporting period AUD\$1:RMB 6.53 and AUD\$1:RMB 5.42 respectively.
- (3) The above Statement of Cash Flow for the 12 months ending 31 December 2014 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 5.547. Cash and cash equivalents at the beginning and the end of the financial year has been translated at the closing rate at the end of the reporting period AUD\$1:RMB 5.42 and AUD\$1:RMB 5.013 respectively.
- (4) The above Forecast Statement of Cash Flow for the 12 months ending 31 December 2015 has been translated from RMB to AUD\$ at average exchange rate AUD\$1:RMB 4.91. Cash and cash equivalents at the beginning and the end of the financial year has been translated at the closing rate at the end of the reporting period AUD\$1:RMB 5.013 and AUD\$1:RMB 4.91 respectively. The specific assumption on exchange rates is set out in Section 6.7.2

Refer to Section 6.6.4 for more information on historical cash flow analysis. Refer to Section 6.7.2 for more information on forecast cash flow assumptions.

06. FINANCIAL INFORMATION

6.5 HISTORICAL STATEMENTS OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

Set out below is the audited Historical Statements of Financial Position for FY2012 and FY2013. The Historical Statements of Financial Position are to be read in conjunction with the notes to and forming part of the historical financial information set out in Section 6.11.

	FY2012 HISTORICAL A\$'000	FY2013 HISTORICAL A\$'000
CURRENT ASSETS		
Cash and cash equivalents	18,709	18,813
Prepayments	351	289
TOTAL CURRENT ASSETS	19,060	19,102
NON CURRENT ASSETS		
Other receivables	2,539	937
Property, plant and equipment	1,516	5,967
Prepayments	–	14,760
Deferred tax	46	227
TOTAL NON CURRENT ASSETS	4,101	21,891
TOTAL ASSETS	23,161	40,993
CURRENT LIABILITIES		
Borrowings	4,891	701
Current tax liabilities	581	1,315
Other payables	130	626
Other liabilities	48	131
Deferred revenue	3,847	7,968
TOTAL CURRENT LIABILITIES	9,497	10,741
NON CURRENT LIABILITIES		
Deferred revenue	9,812	19,014
TOTAL NON CURRENT LIABILITIES	9,812	19,014
TOTAL LIABILITIES	19,309	29,755
NET ASSETS	3,852	11,238
EQUITY		
Contributed equity	374	4,221
Reserves	168	2,372
Retained earnings	3,202	4,837
Non-controlling interest	108	(192)
TOTAL EQUITY	3,852	11,238

(1) The above Statement of Financial Position for the 12 months ending 31 December 2012 has been translated from RMB to AUD\$ at the closing rate at the end of the reporting period AUD\$1:RMB 6.53.

(2) The above Statement of Financial Position for the 12 months ending 31 December 2013 has been translated from RMB to AUD\$ at the closing rate at the end of the reporting period AUD\$1:RMB 5.42.

(3) FY2013 Prepayment A\$14.76 million refers to the first instalment (50% deposit 80 million RMB) paid for the new corporate office and training facilities.

06. FINANCIAL INFORMATION

Set out below is the audited Historical Statements of Financial Position with the pro forma adjustments to reflect the impact of the Offer and associated costs that will be in place immediately following Completion of the Offer as if it had occurred or were in place as at 31 December 2014.

	NOTES	AUDITED AS AT 31-DEC-14 A\$'000	PRO FORMA ADJUST- MENTS A\$'000	PRO FORMA AFTER OFFER A\$'000
CURRENT ASSETS				
Cash and cash equivalents	2	15,158	12,988	27,726
Other receivables		3	–	3
Prepayments		463	–	463
TOTAL CURRENT ASSETS		15,624	12,988	28,612
NON CURRENT ASSETS				
Property, plant and equipment		32,001	–	32,001
Intangible assets		570	–	570
Deferred tax		359	–	359
TOTAL NON CURRENT ASSETS		32,930	–	32,930
TOTAL ASSETS		48,554	12,988	61,542
CURRENT LIABILITIES				
Borrowings		80	–	80
Current tax liabilities		2,064	–	2,064
Other payables		909	–	909
Other liabilities		192	–	192
Deferred revenue		9,510	–	9,510
TOTAL CURRENT LIABILITIES		12,755	–	12,755
NON CURRENT LIABILITIES				
Deferred revenue		16,824	–	16,824
TOTAL NON CURRENT LIABILITIES		16,824	–	16,824
TOTAL LIABILITIES		29,579	–	29,579
NET ASSETS		18,975	12,988	31,963
EQUITY				
Contributed equity	3	4,276	12,988	17,264
Reserves		4,821	–	4,821
Retained earnings		8,857	–	8,857
Non-controlling interest		1,021	–	1,021
TOTAL EQUITY		18,975	12,988	31,963

(1) The above Statement of Financial Position for the 12 months ending 31 December 2014 has been translated from RMB to AUD\$ at the closing rate at the end of the reporting period AUD\$1:RMB 5.013.

(2) Please refer to Section 6.11 Note 2

(3) Please refer to Section 6.11 Note 3

(4) FY2014 Property, plant and equipment A\$32 million includes the first instalment (50% deposit 80 million RMB) paid in FY2013 and the second instalment (30% deposit 48 million RMB) paid in FY2014 for the new corporate office and training facilities.

06. FINANCIAL INFORMATION

6.6 MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL INFORMATION

Below is a discussion of the main factors which affected TTC's operations and relative financial performance from FY2012 to FY2015 and which TTC expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected TTC's historical operating and financial performance, nor everything that may affect TTC's operations and financial performance in the future.

6.6.1 General Factors affecting the operating results of Historical Financial Information

The massage therapy industry in China is large and fragmented TTC's offerings are targeted at the growing middle class of China, which combined with growing brand awareness are envisaged to provide continuing demand for the services offered by TTC's owned and franchised clinics.

TTC's revenue has grown both as a function of the increased number of franchises and consequential impact on fees earned, together with the expansion of owned clinics which has added greater direct services revenue, particularly in FY2013 and FY2014 year. The Use of Funds from the Offer assumes the acquisition of clinics in 2015; however the financial impact of these acquisitions is excluded from the forecast Statement of Financial Performance and Statement of Cash Flow for the year ending 31 December 2015.

(A) GROWTH IN FRANCHISING

A key driver to growth is the roll out of new franchise clinics. As at 31 December 2014, there were a total of 286 franchise clinics in the Total Network. The Company is in continuous discussions with potential franchisees. As at the date of this Replacement Prospectus the pipeline of candidate franchisees exceeded 100. Total Network franchise clinic numbers are forecast to increase by 35, to be 321 by 31 December 2015. There were no non-renewals of franchise agreements in the period from 2012 to 2014. At the date of this Replacement Prospectus no franchisees had failed to renew during the current financial year.

A summary of TTC franchise clinics growth is contained in the follow table:

	ACTUAL			FORECAST
Year ended/ending 31 December	FY2012	FY2013	FY2014	FY2015
Number of Franchise Clinics	147	224	286	321
Revenue from Franchise Clinics A\$'000	5,960	9,702	14,883	18,971

The franchise and training fees are initially recognised as deferred revenue. The franchise deferred revenue is recognised as revenue over the period of advance payment on a straight-line method. On 1 January 2014 the franchise fees changed from being paid 5 years in advance to being paid annually in advance. The term of the franchise has not changed and has always been 5 years. Training fees are paid 5 years in advance and are bought to account on a straight-line method over the 5 years. Management fees are recognised as revenue when it is received each month, being when the service is provided.

(B) GROWTH IN OWNED CLINICS

TTC has established a track record for expanding its clinic network through acquisitions and new clinic openings in suitable locations. TTC considers that its 11 owned clinics have met or exceeded the necessary hurdles to provide sufficient certainty around the "owned clinic" business model, with a high probability that the planned further rollout of owned clinics will be successful. In addition, the rollout will have the additional benefit of assisting with projection of the Company brand and standards setting for the network. The table below provides a summary of TTC clinic acquisitions and new clinic openings from FY2012 to FY2015.

06. FINANCIAL INFORMATION

ACTUAL AND FORECAST NUMBER OF OWNED CLINICS, AND REVENUE FROM OWNED CLINICS

	ACTUAL			FORECAST ¹
Year ended/ending 31 December	FY2012	FY2013	FY2014	FY2015
Number of owned clinics	2	9	11	11
Revenue from owned clinics A\$'000	2,863	5,938	15,980	22,690

1. The proposed acquisition of clinics in the FY2015 has not been included in the forecast revenue.

(C) GROSS MARGINS

Gross margins achieved on respective services have remained relatively consistent throughout the historical period. TTC's operations team is focused on maintaining gross profit margins through a deep understanding of the market price and tight cost control. The fees per treatment of both franchise clinics and owned clinics are reviewed regularly and typically move in line with changes in TTC's suggested prices. The cost of therapists is the largest contributor to the cost of revenue of TTC. For therapists, the salaries are paid on commission per treatment only and therefore vary by direct reference to the number of treatments provided by therapists.

(D) COSTS OF DOING BUSINESS

TTC has relatively fixed cost base that provides it with operating leverage and the ability to grow earnings faster than revenue. Key costs of doing business are head office and training centre employee costs, depreciation, and other general expenses.

TTC has developed a strong, capable but small team in China. The team is passionate and dedicated to the goals of TTC business and drives the strong growth of TTC efficiently. Historical numbers show that as a percentage of revenue, head office and training centre employee costs were 7.9% in 2012 and reduced to 3% in 2014.

Head office & training centre depreciation and other general expenses for the business have reduced as a percentage of revenue from 5.7% in 2012 to 3.3% in 2014.

(E) OWNED CLINICS COSTS

The costs of the Owned clinics operations are essentially a function of the number of staff within each clinic. Clinic oversight is conducted by a quality control department run by the senior management team as part of head office costs. The annual growth in costs attributed to owned clinics is affected by the timing of purchase in the financial year.

6.6.2 General factors affecting cash flow

There are two key contributors to TTC's cash flow.

The Company has a strong cash position due to upfront payments from franchisees. The first year's Franchise fee of RMB 110,000 is paid upfront upon signing and prior to commencement of fit-out of the new facility, and as a condition of the granting of the franchise and commencement of operations. At the commencement of each subsequent year, an additional franchise fee of RMB 110,000 is payable. The Training Fee of RMB 500,000 is payable up-front for the full five year term of the franchise. A management fee of RMB 120,000 annually is payable in equal instalments monthly in advance.

Cash generated from Company owned clinics are a significantly growing component of the business, with more owned clinics and an increased number of treatments. Customers typically make payment in the clinic after receiving the services. This results in minimal trade receivables.

Other general factors affecting cash flow include payments to therapists, employees and other suppliers.

06. FINANCIAL INFORMATION

6.6.3 Historical Results and key performance indicators: 2013 compared to 2014

The table below sets out the summary of Historical Results and selected key performance indicators for FY2013 and FY2014.

YEAR ENDING 31 DECEMBER A\$'000	FY2013 HISTORICAL	FY2014 HISTORICAL	CHANGE
Revenue			
Revenue from Franchise Clinics	9,702	14,883	53%
Revenue from owned clinics	5,938	15,980	169%
Total Revenue	15,639	30,864	97%
Cost of revenue	4,380	10,438	138%
Gross profit	11,259	20,426	81%
Selling and distribution expenses	79	63	-21%
General and administrative expenses	1,942	1,941	0%
Other expense	0	3	
Finance costs	5	10	113%
Finance income	94	56	-40%
Profit before income tax	9,327	18,465	98%
EBITDA	9,705	19,281	99%
<i>EBITDA Margin</i>	<i>62%</i>	<i>62%</i>	
EBIT	9,238	18,419	99%
<i>EBIT Margin</i>	<i>59%</i>	<i>60%</i>	

(A) REVENUE

FY2014 was also a period of strong growth, which saw revenue increase from A\$15.6 million in FY2013 to A\$30.9 million in FY2014, and 97% increase. This strong growth was driven by a number of factors which are summarised below.

Revenue from Franchise Clinics increased by A\$5.2 million to A\$14.9 million in FY2014 compared to FY2013. The increase in revenue was primarily affected by net 62 new Franchise Clinics opening in FY2014.

An increase in owned clinics revenue from A\$5.9 million in FY2013 to A\$15.98 million in FY2014 (an increase of 169%) resulted from the following factors:

- The full year impact of 7 new owned clinics acquired in the last quarter of FY2013. This impact contributed an additional A\$8.3 million in revenue during FY2014.
- The acquisition of 2 new owned clinics in the last quarter of FY2014. This acquisition contributed an additional A\$1.2 million in revenue during FY2014
- The organic growth of 2 existing owned clinics. This impact contributed an additional A\$0.6 million in revenue during FY2014
- RMB: A\$ exchange rate dropped from 5.99 in FY2013 to 5.547 in FY2014

(B) GROSS PROFIT

Gross profit increased by A\$9.2 million in FY2014 mainly as a result of increased revenue reflecting the matters discussed above.

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(C) COSTS OF DOING BUSINESS

Costs of Doing Business including Selling and Distribution Expenses, General and Administrative Expenses and Other Expenses in FY2014 were largely in line with FY2013. TTC has relatively fixed cost base that provides it with operating leverage and the ability to grow earnings faster than revenue.

(D) EBITDA

EBITDA increased from A\$9.7 million in FY2013 to A\$19.3 million in FY2014 primarily as a result of strong growth of Revenue, increased Gross Profit and stable costs of doing business, reflecting the matters discussed above.

6.6.4 Historical Cash Flow: 2013 compared to 2014

The following comments are made in relation to historical cash flow statements of FY2013 and FY2014.

An increase in Receipts from Customers from A\$25.2 million in FY2013 to A\$27.7 million in FY2014 (an increase of A\$2.5 million), resulting from several factors including:

- The full year impact of 7 new owned clinics acquired in the last quarter of FY2013. This impact contributed an additional A\$8.3 million in cash during FY2014.
- The acquisition of 2 new owned clinics in the last quarter of FY2014. This acquisition contributed an additional A\$1.2 million in cash during FY2014
- The organic growth of 2 existing owned clinics. This impact contributed an additional A\$0.6 million in cash during FY2014
- The above increases were partially offset by a reduction in cash derived by Franchise Clinics, decreasing from A\$19.22 million in FY2013 to A\$11.77 million (representing a decrease of A\$7.5 million). This reduction was predominantly due to the change of franchise fee upfront payment terms. Prior to FY2014, the franchise fees were paid up front, five years in advance. From FY2014, the first year's franchise fee of RMB 110,000 is paid upfront. At the commencement of each subsequent year, an additional franchise fee of RMB 110,000 is payable. In addition, the net number of new Franchise Clinics was increased by 77 in FY2013 and 62 in FY2014.
- RMB: AUD exchange rate dropped from 5.99 in FY2013 to 5.547 in FY2014

Payments to suppliers and employees increased by A\$5.3 million in FY2014 mainly as a result of the full year impact of 7 new owned clinics acquired in the last quarter of FY2013 and the acquisition of 2 new owned clinics in the last quarter of FY2014 as mentioned above.

Income tax paid increased by A\$2.4 million in FY2014 mainly due to the full year impact of 7 new owned clinics acquired in the last quarter of FY2013 and the acquisition of 2 new owned clinics in the last quarter of FY2014 as mentioned above.

Purchase of property, plant and equipment in FY2013 and FY2014 includes the purchase of new corporate office and training facilities due to be delivered at the end of 2015. The payment schedule is as follows:

- 160 million RMB Total (principally paid from historical cash flow surplus)
- 50% deposit 80 million RMB paid in FY2013
- 30% deposit 48 million RMB paid in FY2014

6.7 FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared based on the principal accounting policies adopted by TTC, which are in accordance with Australian Accounting Standards and are disclosed in Section 6.11. It is assumed that there will be no changes to Accounting Standards, the Corporate Act or other financial reporting requirements that may have a material effect on TTC accounting policies during the Forecast Period.

06. FINANCIAL INFORMATION

The Forecast Financial Information is based upon various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, TTC has undertaken an analysis of the historical performance and applied assumptions in order to forecast future performance for FY2015. TTC believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Replacement Prospectus, including each of the general assumptions set out in Section 6.7.1.

However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of TTC and its Directors, and are not reliably predictable.

Accordingly, none of TTC, its Directors, or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Replacement Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 6.8, the key risks set out in Section 8 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 6.

6.7.1 General assumptions

In Preparing the Forecast Financial Information, the following general assumptions in relation to the forecast period have been adopted:

- No material change in the competitive operating environments in which TTC operates;
- No significant deviation from current market expectations of global or Chinese economic and business conditions including levels of inflation, employment and interest rates relevant to the foot massage industry for the period;
- No material change in foreign exchange rate affecting TTC;
- No material changes in Central or territory government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy in the foreign jurisdictions in which TTC has sales and operations that will have a material impact in the financial performance of cash flows, financial position, accounting policies, financial reporting or disclosure of TTC during the Forecast Period;
- No material changes in key personnel, including key management personnel. It is also assumed that TTC maintains its ability to recruit and retain the personnel required to support future growth;
- No material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on TTC's financial performance, financial position, accounting policies, financial reporting or disclosure;
- No material cash flow or income statement or balance sheet impact in relation to litigation (existing or otherwise);
- No material changes to TTC corporate and funding structure other than set out in, or contemplated by this Replacement Prospectus;
- No material disruptions to the continuity of operations of TTC or other material changes in its business;
- No material amendment to any material agreement or arrangement relating to TTC's business other than set out in, or contemplated by this Replacement Prospectus;
- No material industry strikes or other disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of TTC;
- None of the risks set out in Section 8 has a material adverse impact on the operations of TTC;
- The offer proceeds are received in accordance with the timetable set out in the key Offer information section of this Replacement Prospectus.

06. FINANCIAL INFORMATION

6.7.2 Specific assumptions

A summary of specific assumptions, including key revenue, margin and expense assumptions, applied when preparing the Forecast Financial Information for TTC, is as follows:

- Total Network franchise clinic numbers are forecast to increase by 35, to be 321 by 31 December 2015;
- There were no non-renewals of franchise agreements in the period from 2012 to 2014. At the date of this Replacement Prospectus no franchisees had failed to renew in the current financial year;
- There are no changes in franchise fee, training fee and management fee revenue recognition and cash flow schedule;
- Forecast 3% organic growth in existing owned clinics revenue and cost of revenue in FY2015;
- Forecast China head office salaries expense includes an expected average salary increase of 3% for existing staff from 1 July 2015 to 31 December 2015, increased salaries for 3 executives and 7 full time employee equivalents to support growth;
- Forecast training centre salaries expense includes an expected average salary increase of 3% for existing staff from 1 July 2015 to 31 December 2015 and 7 full time employee equivalents to support growth;
- Forecast corporate overhead cost increases in FY2015 also include the new Australia head office cost A\$0.85 million and one off costs associated with the IPO of A\$1.26 million. Operating cash flow decreased by A\$1.54 million in FY2015 mainly as a result of these one off costs and the new Australia head office cost;
- Proceeds of the Offer – an increase in issued capital reflecting new capital raised of A\$15 million under the Offer, less capitalised Offer transaction costs of A\$2.01 million;
- Offer transaction costs – total transaction costs of the Offer incurred by TTC are estimated at A\$3.6 million, of which A\$0.33 million was expensed in the FY2014, A\$2.01 million will be offset directly against proceeds raised in the Offer and A\$1.26 million which was expensed in the FY2015 Forecast Statement of Financial Performance.
- The purchase of new corporate office and training facilities due to be delivered at the end of 2015. The payment schedule is as follows:
 - 160 million RMB Total (principally paid from historical cash flow surplus)
 - 50% deposit 80 million RMB paid in FY2013
 - 30% deposit 48 million RMB paid in FY2014
 - 20% final payment 32 million RMB and 16 million RMB Fit-out budget to be paid in FY2015;
- Estimated costs of new CRM system and IT upgrades will be 10 million RMB at the end of FY2015;
- Depreciation and amortisation are forecast based on existing depreciation and amortisation rates and expected capital expenditure for the forecast period;
- The FY2015 forecast exchange rate A\$1: RMB 4.91 is based on the average forward rate of 55 major banks in the world; and
- Future dividends will be paid in accordance with the dividend policy described in this Replacement Prospectus.

6.8 SENSITIVITY ANALYSIS OF FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on a number of key assumptions which have been outlined and which are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in Section 8. The Directors have given all due care and attention to the forecasts before their adoption, but by their very nature are subject to uncertainty and unexpected events many of which are beyond the control of the Directors. Accordingly, the Directors' assessment of the forecasts may vary materially from the actual results and there can be no guarantee or assurance that the forecasts will be achieved. Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Replacement Prospectus are to be expected. To assist investors

06. FINANCIAL INFORMATION

in assessing the impact of these assumptions on the Forecast Financial Information, the sensitivity of the NPAT for FY2015 to changes in certain assumptions is set out below. The sensitivity is provided as a guide only and variations in actual performance could exceed the ranges shown.

SENSITIVITY ANALYSIS ON FORECAST NPAT FY2015 (A\$'000)			
Parameter	Change in Assumption	Impact on NPAT Forecast for FY2015	Note
Number of new Franchise Clinics	+/- 1	+/- 25.2	1
Organic Growth of existing owned clinics Revenue	+/- 1%	+/- 220.3	
Change in A\$ to RMB	+/- 1c	+/- 37	

Note 1: Assume new franchised clinics opening time equally spread from January 2015 to December 2015. On average, the revenue recognised from each new franchised clinic is 6 months period.

6.9 INDEBTEDNESS

Following Completion of the Offer, TTC expects to have a net cash position of approximately A\$28,146,000. The table below sets out the net cash position of TTC at 31 December 2014, before and after Completion of the Offer.

	AUDITED 31-DEC-14 A\$'000	PRO FORMA AFTER OFFER A\$'000
NOTE 2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	15,158	28,146
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance at 31 December 2014		15,158
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued pursuant to the Offer		15,000
Costs of the Offer		(2,012)
		12,988
Pro-forma Balance		28,146

6.10 DIVIDEND POLICY

Subject to the forecast financial targets of the Company being achieved, the ongoing dividend policy of TTC is currently intended to make yearly, interim and final dividend payments to Shareholders, subject to available profits, the level of borrowings and the required level of working capital.

The payment of dividends by the TTC will be at the complete discretion of the Directors. The Directors or TTC can give no guarantee about the payment of dividends, the level of franking of such dividends or the extent of the payout ratios for FY2015, or for any future period. These matters will depend upon the future profits of TTC, its financial and taxation position as well as general business and financial conditions and any other factors the Directors may consider relevant.

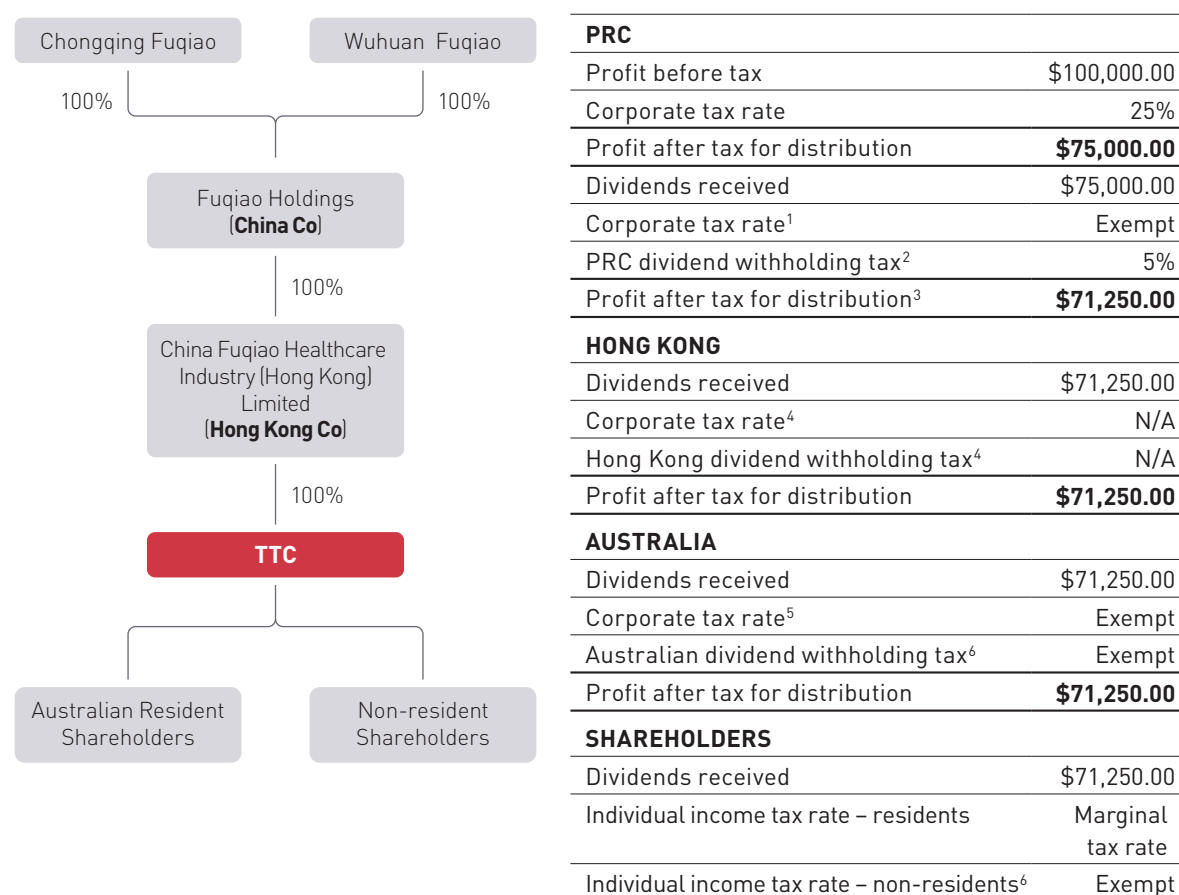
The TTC Group generates the majority of its profit through the business operations of Fuqiao Holdings, the Group's operating entity in China. Fuqiao Holdings is a wholly foreign-owned enterprise (WFOE) under Chinese law. Under the PRC Company Law (1993) as amended in 2013, and the Wholly Foreign-Owned Enterprise Law (1986) as amended in 2000, a WFOE may remit profits generated in China to overseas only

06. FINANCIAL INFORMATION

if the relevant restrictions are complied with. This includes the rule requiring a WFOE to set aside 10% of its annual post-tax profits to a statutory common reserve fund each year before the distribution of any profit, until the aggregate balance of the statutory common reserve fund reaches 50% of the WFOE's registered capital. As a result, the TTC Group will need to set aside part of its annum after-tax profit to the statutory common reserve fund every year in the short run. This will reduce the pool of funds that is available to be distributed as dividends to investors in their first few years of investing in TTC. This will result in lower dividend payments by TTC when compared to other listed companies that do not generate their profit in China.

An example of the dividend flow from a profit of A\$100,000 is illustrated below.

REPATRIATION OF PROFITS FROM CHINA BY DIVIDEND TO AUSTRALIA



- 1 The Enterprise Income Tax Law in PRC provides that dividend income between qualified resident enterprises is exempt from PRC income tax.
- 2 The dividends paid by China Co to Hong Kong Co, to the extent such dividends are derived from sources in China, will generally be subject to a reduced 5% PRC dividend withholding tax under the China-Hong Kong tax arrangement if Hong Kong Co is considered as an active trading company (in comparison to withholding tax rate of 10% on holding companies).
- 3 The distribution is subject to the requirement under China laws that a WFOE must set aside 10% of its annual post-tax profits to a statutory common reserve fund each year before the distribution of any profit, until the aggregate balance of the statutory common reserve fund reaches 50% of the WFOE's registered capital.
- 4 Hong Kong tax system is territorial in nature, under which only Hong Kong sourced income is subject to tax and accordingly dividend income from China Co will not be assessable in Hong Kong. Further, Hong Kong does not levy withholding tax on payments of dividends and accordingly dividends paid by Hong Kong to TTC will not be liable to any dividend withholding tax.
- 5 The dividends paid by Hong Kong Co to TTC is treated as non-assessable non-exempt income for Australian tax purposes and therefore is exempt from Australian income tax.
- 6 Distribution of dividends by TTC, where profits being distributed are ultimately derived from subsidiaries in China, is not subject to Australian withholding tax, and is not assessable income to non-resident shareholders, to that TTC can declare the dividends to be conduit foreign income in its distribution statement.

06. FINANCIAL INFORMATION

Subject to these considerations, the dividend policy of TTC will be to distribute between 50% – 67% of reported NPAT in the form of dividends. The level of payout ratio is expected to vary between periods depending on factors the Directors may consider, including the general business environment, the operating results and financial condition of TTC, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by TTC and any other factors the Directors may consider relevant. An interim dividend, if any, is expected to be paid each year in the month of October. A final dividend, if any, is expected to be paid each year in the month of April.

The table below sets out the forecast dividend yield of FY2015

	MINIMUM PAYOUT RATIO	DIVIDEND YIELD %
Forecast full year dividend for FY2015	50%	7.2%

	MAXIMUM PAYOUT RATIO	DIVIDEND YIELD %
Forecast full year dividend for FY2015	67%	9.6%

Note 1: The assumption of dividend payout ratio for FY2015 Forecast Financial Information is 50%

Note 2: Based on Offer Price

Note 3: Based on NPAT for FY2015

6.11 ACCOUNTING POLICIES AND NOTES

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

Basis of preparation of historical financial information

The Financial Information has been prepared in accordance with Australian Accounting Standard and Interpretation. The Financial Information also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Financial information has been prepared on accruals basis and is based on historical costs and does not take into account changing money values.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

A) GOING CONCERN

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

B) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

06. FINANCIAL INFORMATION

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or joint venture, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

C) FOREIGN CURRENCY TRANSLATION

The functional currency of TTC is Chinese Yuan (Renminbi). The presentation currency is Australian dollars (A\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period.

Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

At the end of the reporting period, the assets and liabilities of the Group are translated into the presentation currency at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the period. All resulting exchange difference is recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

06. FINANCIAL INFORMATION

D) REVENUE RECOGNITION

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

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services

Revenue from rendering healthcare services is recognised at the time the service is rendered.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Franchise and training fees

The franchise and training fees are initially recognised as deferred revenue and brought to account using the straight line method over the period of advance payment. For franchise fees they are paid annually in advance and training fees are paid five years in advance.

Management fee

Management fee is recognised as revenue when it is received at the end of each month, being when the service is provided.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

E) INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

F) IMPAIRMENT OF ASSETS

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of 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 the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

06. FINANCIAL INFORMATION

G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Term deposits with maturity over three months include bank deposits with fixed terms over three months period.

H) FINANCIAL INSTRUMENTS

Financial assets

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, revalues this designation at each financial year-end.

Financial assets of the Group are classified in two categories as following:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

I) FAIR VALUE

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

06. FINANCIAL INFORMATION

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

The depreciable amounts of all property, plant and equipment including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the assets are held ready for use.

Assets are depreciated over their useful lives as follows:

Buildings	22 years
Vehicles	4-10 years
Furniture, fittings and equipment	3-10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

K) INTANGIBLE ASSETS

Goodwill

Goodwill on acquisitions of subsidiaries is included in goodwill as intangible assets and on acquisitions of associates is included in the investment in associate. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

L) OPERATING LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

M) BORROWINGS

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

06. FINANCIAL INFORMATION

N) EMPLOYEE BENEFIT PROVISIONS

The permanent Chinese employees of the Group participate in employee social security plans, including pension, medical insurance, unemployment insurance, maternity insurance and work related injury insurance, organized and administered by the governmental authorities. The Group has no other substantial commitments to employees.

Liabilities for wages and salaries and welfare expected to be settled wholly within 12 months after the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and measured at amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries are included as part of other payables and liabilities for welfare are included as part of other liabilities.

Contributions are made by the Group to an employee welfare funds and are charged as expenses when incurred.

The Group recognises an expense and a liability for bonuses when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

O) CONTRIBUTED EQUITY

Contributions by shareholders are classified as equity. Costs directly attributable to capital raising are shown as a deduction from the equity proceeds, net of any income tax benefit.

P) DIVIDENDS

Provision is made for dividends declared and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Q) BUSINESS TAX

The Group's revenue from rendering services is subject to Business Tax. The applicable tax rate is 5%.

R) ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of tangible and other non-current assets

The Group considers annually whether any impairment indicators exist which suggest tangible and other non-current assets have suffered an impairment.

No impairment of tangible or other non-current assets was necessary during the year based on management's assessment. Any unfavourable variances in actual results may require an impairment write-down of tangible and other non-current assets in future periods.

06. FINANCIAL INFORMATION

NOTE 2: CASH AND CASH EQUIVALENTS

	AUDITED 31-DEC-14 A\$'000	PRO FORMA AFTER OFFER A\$'000
Cash and cash equivalents	15,158	28,146
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance at 31 December 2014		15,158
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued pursuant to the Offer		15,000
Costs of the Offer		(2,012)
		12,988
Pro-forma Balance		28,146

NOTE 3: CONTRIBUTED EQUITY

	AUDITED 31-DEC-14 A\$'000	PRO FORMA AFTER OFFER A\$'000
Contributed equity	4,276	17,264
	Number of shares	A\$
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance at 31 December 2014	190,772,000	4,276
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued pursuant to the Offer	30,000,000	15,000
Costs of the Offer	–	(2,012)
	30,000,000	12,988
Pro-forma Balance	220,772,000	17,264

NOTE 4: RELATED PARTY DISCLOSURES

Transactions with Related Parties are disclosed in section 9.4 of the Replacement Prospectus. Directors Interests are disclosed in Section 5.3 of the Replacement Prospectus.

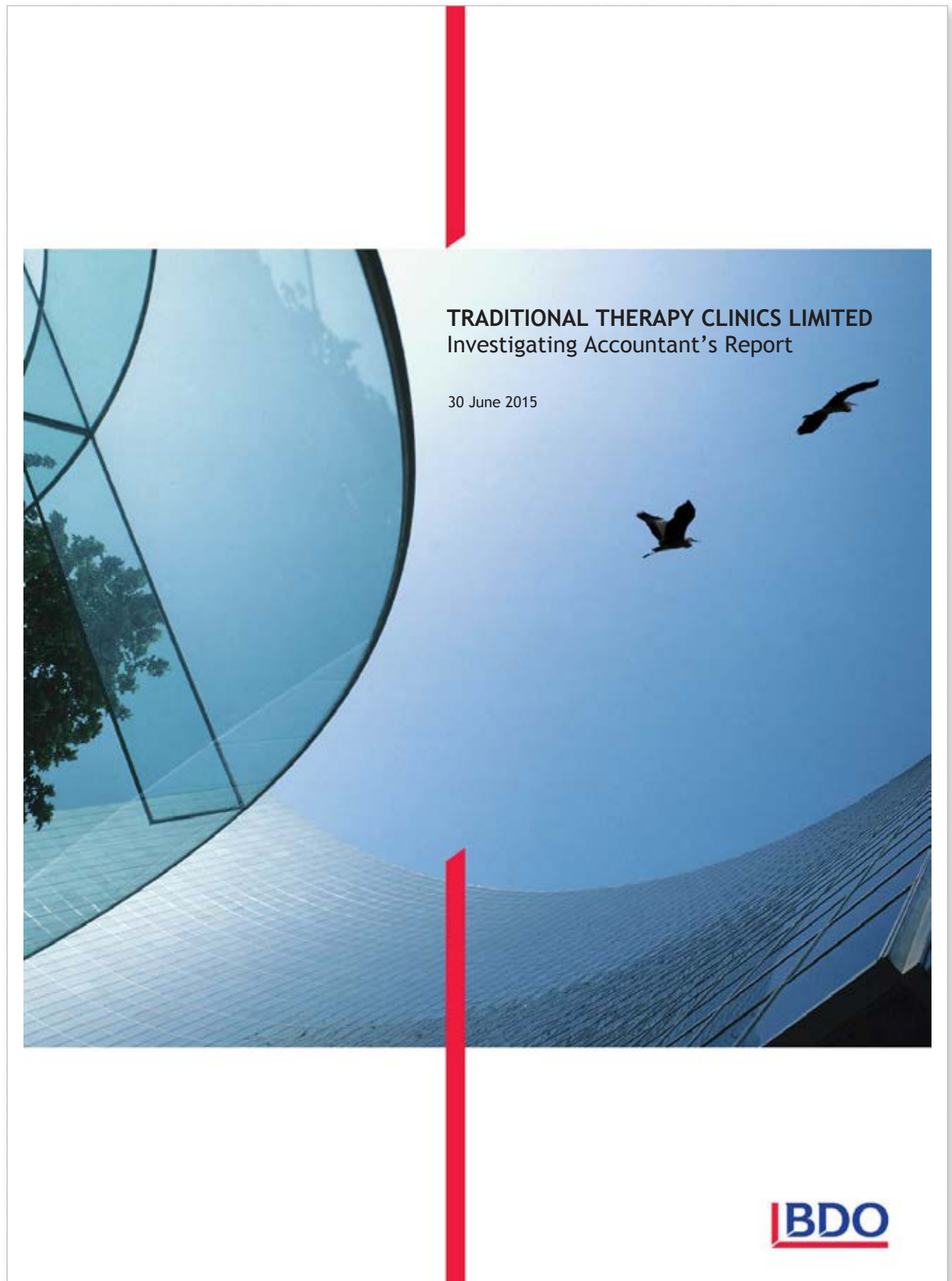
NOTE 5: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Replacement Prospectus.

07. INVESTIGATING ACCOUNTANT'S REPORT



07. INVESTIGATING ACCOUNTANT'S REPORT



07. INVESTIGATING ACCOUNTANT'S REPORT



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30 June 2015

The Directors
Traditional Therapy Clinics Limited
Flat 2, 19/F Henan BLDG 90-92
Jaffe RD Wanchai
Hong Kong

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Traditional Therapy Clinics Limited ('TTC' or the 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to certain financial information of TTC for inclusion in the Replacement Prospectus. Broadly, the Replacement Prospectus will offer 30 million Shares at an issue price of \$0.50 each to raise \$15 million before costs ('the Offer'). This is the minimum subscription for the Offer.

Expressions defined in the Replacement Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Replacement Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Replacement Prospectus.

The historical and pro forma historical financial information is presented in the Replacement Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

07. INVESTIGATING ACCOUNTANT'S REPORT

Historical Financial Information

You have requested BDO to review the following historical financial information (together the 'Historical Financial Information') of TTC included in the Replacement Prospectus:

- the audited historical Statements of Financial Performance for the years ended 31 December 2012, 31 December 2013 and 31 December 2014; and
- the audited historical Statement of Financial Position as at 31 December 2012, 31 December 2013 and 31 December 2014.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of TTC for the years ended 31 December 2012, 31 December 2013 and 31 December 2014, which was audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued unmodified audit opinions on each of the financial reports.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (together the 'Pro Forma Historical Financial Information') of TTC included in the Replacement Prospectus:

- the pro forma historical Statement of Financial Position as at 31 December 2014.

The Pro Forma Historical Financial Information has been derived from the historical financial information of TTC, after adjusting for the effects of the pro forma adjustments described in section 6.11 of the Replacement Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 6.11 of the Replacement Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by TTC to illustrate the impact of the events or transactions described in section 6.11 of the Replacement Prospectus on TTC's financial position as at 31 December 2014. As part of this process, information about TTC's financial position has been extracted by the Company from its financial statements for the year ended 31 December 2014.

Forecast Financial Information

You have requested BDO to review the following forecast financial information (the 'Forecast Financial Information') of TTC included in the Replacement Prospectus:

- the pro forma forecast Statement of Financial Performance of TTC for the year ended 31 December 2015.

The Forecast Financial Information has been derived from TTC's Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in section 6.11 of the Replacement Prospectus. The stated basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards, the entity's adopted accounting policies and the events or transactions to which the pro forma adjustments relate, as described in section 6.11 of the Replacement Prospectus, as if

those events or transactions had occurred as at 1 January 2015. Due to its nature, the Forecast Financial Information may differ from the company's actual prospective financial performance for the period ending 31 December 2015 as it is based on the assumptions detailed in section 6.7 of the Replacement Prospectus.

3. Director's responsibility

The directors of TTC are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. The directors of TTC are also responsible for the preparation and presentation of the Forecast Financial Information, including the best-estimate assumptions underlying the Forecast Financial Information, also the selection and determination of the pro forma adjustments made to the Forecast Financial Information and included in the Forecast Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information, Pro Forma Historical Financial Information and Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information, Pro Forma Historical Financial Information and Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information, based on our limited assurance engagement. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the Statement of Financial Performance of TTC for the years ended 31 December 2012, 31 December 2013 and 31 December 2014; and
- the Statement of Financial Position of TTC as at 31 December 2014.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 2 of this Report.

07. INVESTIGATING ACCOUNTANT'S REPORT

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of TTC as at 31 December 2014.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 2 of this Report.

Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast Statement of Financial Performance of TTC for the year ended 31 December 2015 does not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions, as described in section 6.7 of the Replacement Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies, and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
 - the pro forma forecast itself is unreasonable.

Forecast Financial Information

The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of TTC for the year ended 31 December 2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of TTC. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in TTC, which are detailed in the Replacement Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 6.8 of the Replacement Prospectus. The sensitivity analysis described in section 6.8 of the Replacement Prospectus demonstrates the impact on the Forecast Financial Information of changes in key

07. INVESTIGATING ACCOUNTANT'S REPORT

best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

The Forecast Financial Information has been prepared by the directors for the purpose of the Replacement Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of TTC, that all material information concerning the prospects and proposed operations of TTC has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed Initial Public Offering other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO is the auditor of TTC and from time to time, BDO provides TTC with certain other professional services for which normal professional fees are received.

7. Disclosures

This Report has been prepared, and included in the Replacement Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Replacement Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Replacement Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Replacement Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Replacement Prospectus.

8. Financial Services Guide

Our Financial Services Guide follows this Report at Appendix 1. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Adam Myers

Director

APPENDIX 1 FINANCIAL SERVICES GUIDE

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Traditional Therapy Clinics Limited ('TTC') to provide an Investigating Accountant's Report for inclusion in the Replacement Prospectus.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our Report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our Report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this Report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$50,000.

07. INVESTIGATING ACCOUNTANT'S REPORT

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Other Assignments

BDO Audit (WA) Pty Ltd is the appointed Auditor of TTC. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all partners, directors and managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Proteomics for our professional services in providing this Report. That fee is not linked in any way with our opinion as expressed in this Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700, West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 2 of our Report.

08. RISK FACTORS



08. RISK FACTORS

8.1 INTRODUCTION

There are a number of risks, both specific to the Company, and of a general nature, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of TTC and the value of Shares. Many of these risks are partially or completely outside the control of TTC, its Directors and senior management team. There can be no guarantee that TTC will deliver on its business strategy, or that the Forecast Financial Information or any forward looking statement contained in this Replacement Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

This Section describes the areas that the Company believes to be the key risks associated with an investment in the Shares. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on information as at the date of this Replacement Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

These risks have been separated into risks specific to an investment in the Company (described in Section 8.2) and general investment risks (described in Section 8.3).

Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in TTC and should be considered in conjunction with other information disclosed in this Replacement Prospectus. Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. Prospective investors should consider seeking professional guidance from their accountant, stockbroker or other independent professional adviser before deciding whether to invest.

8.2 RISKS SPECIFIC TO THE COMPANY

8.2.1 Training and provision of staff

The services that the Group provides are labour-intensive. Therefore, the Group's success is largely dependent on the Group's ability to recruit, retain and train skilled staff.

Currently, the main modes of recruitment of skilled staff are:

- a) employment of graduates from the traditional therapy training courses at Chongqing Fuqiao Vocational Training School and Chongqing Jiulongpo Fuqiao Subhealthy Healthcare Research Institute, both of which are established by Wuhuan Fuqiao, one of the Chinese operating entities of the Group; and
- b) public hiring and headhunting from other traditional therapy service providers.

The occurrence of any unforeseeable circumstance that affects the ability of the Group to recruit highly skilled staff members, or causes the Group to lose staff members, may limit the Group's ability to provide services, especially as the Group endeavours to expand its business.

8.2.2 Reputation and trademarks

The Company believes that reputation and brand recognition are vital to its business and effective protection of intellectual property rights is critical to its interests. The brand of the Group, "Fuqiao", has been registered as a trademark with the World Intellectual Property Organisation and it is protected internationally including in Mainland China, Japan, Korea, Macau, Norway, Taiwan, United Kingdom, United States, Germany and Singapore. All of the business activities of the Chinese operating entities of the Group, including Fuqiao Holdings and its subsidiaries are marketed under the registered "Fuqiao" brand.

The Company cannot ensure that there will not be any unauthorised usage or misuse of the Group's brand; and any such infringement of the Group's intellectual property rights in respect of its trademarks may be detrimental to the Group's reputation, lead to litigation or adversely affect financial performance.

08. RISK FACTORS

8.2.3 Reliance on key personnel

TTC's business is reliant upon the provision of high quality marketing and operational services by its senior personnel. It is also dependent on its skilled training staff and technical personnel for the successful and ongoing provision of its business activities. Any change in the quality or quantity of these services, or an inability to attract qualified and motivated personnel to provide these services, could affect TTC's business activities and financial performance. TTC's original founders also retain substantial operations roles with the Company and have substantial influence over the day to day affairs and strategic direction of the company. Without these founders acting in conjunction with other management personnel, the Group may not be able to continue its business activities successfully or deliver its long-term strategic objectives.

8.2.4 The Property (new head office in Chongqing) purchased by Wuhuan Fuqiao

The new office facilities (7 floors in a 32-level building, excluding any land-use right) (**Property**) purchased by Wuhuan Fuqiao from Chongqing Jialaijin Real Estate Co. Ltd (**Vendor**) (please refer to Section 9.3.1) is in the process of being transacted. Wuhuan Fuqiao and the Vendor did not register the purchase agreement at the local real estate and land administration departments within the time limit stipulated under local regulations. While this failure to register the agreement on time does not constitute any breach of Chinese laws, Wuhuan Fuqiao has incurred the following risks:

- it may not be able to acquire the Property title if the Vendor sells the Property to a bona fide third party who subsequently makes the ownership registration;
- it may not be able to obtain clean title for the Property if the Vendor establishes security interests over the Property; and
- in the event that the Vendor suffers from bankruptcy, insolvency, or is the subject of other legal proceedings for debt repayment, Wuhuan Fuqiao may not acquire the ownership of the Property.

In order to mitigate the specific risks with respect to the Property sale, Ms Zhirong Hu executed a deed of guarantee and indemnity with Wuhuan Fuqiao on 1 June 2015 (**Deed of Guarantee and Indemnity**) guaranteeing the performance and liability of the Vendor under the Property purchase agreement. This means that Ms. Hu will pay Wuhuan Fuqiao the sum of money amounting to Wuhuan Fuqiao's loss arising from the Vendor's breach of the Property Purchase Agreement. In addition, the existing shareholder, Hwazon Investment Limited, also executed and registered a share charge with respect to its shares in TTC on 14 June 2015 (**Share Security Deed**) to secure Ms Zhirong Hu's performance and liabilities under the Deed of Guarantee and Indemnity. This means that in the event that Ms. Hu is unable to perform her obligations under the Deed of Guarantee, part of the shares in TTC held by Hwazon Investment Limited, which is controlled by Ms. Hu, will be cancelled to reflect the loss of assets if Wuhuan Fuqiao is unable to obtain title as a result of the Vendor's breach. Please refer to Section 9.3.1 for further details.

8.2.5 Land-use rights in China

According to relevant PRC Law, most lands in the PRC are State-owned. Individuals, businesses and other organisations can possess land by being granted land-use rights from the local government for limited time periods. According to the Urban Real Estate Administration Law of the People's Republic of China, after the expiration of the term of the land-use right, the land user that has maintained continuous use of the land has the right to apply to the land administration department for an extension of the term at least one year before the expiration of the term. The application shall be approved, subject to considerations of public interest.

When the term of the land-use right expires, and if the land user has not applied for an extension, the right to use the land is returned to the State. Under special circumstances, the State may also reclaim the land prior to the expiry of the granted land-use right in consideration of public interest. However, the State is required to give compensation to the related land user determined by the remaining effective term of the land-use right, and the conditions of development of the reclaimed land.

08. RISK FACTORS

The land-use right with respect to the new head office of TTC (refer to “New head office” in Section 4.5.1) will expire on 16 January 2060. Whilst TTC will not own such land-use right and TTC is not aware of any intention by the local governments to reclaim land-use rights related to any other property held or to be held by TTC, if the local government exercises its power to revoke land-use right, reclaim such land or refuse the extension of the land-use tenure, the normal business operations of TTC may be significantly disturbed.

8.2.6 Cross-border enforcement of Shareholders and/or Directors’ obligations

It should be noted that the Executive Directors and major shareholder of TTC (Hwazon Investment Limited) currently reside in the PRC. While the Australian legal obligations on Directors and shareholders are applicable and enforceable even to those who are resident outside Australia, it is harder for TTC to constantly ensure that those obligations are being complied with. In the event of any breach of obligation by the Directors or shareholders, the Company’s financial position may be adversely affected.

In order to mitigate the risk, the Board holds Board Meetings in the PRC at least 3 times per year in order to maintain communication with the Directors and major shareholder representatives who reside in China.

8.2.7 Communication barrier between the Directors, and between the Company and investors

The Executive Directors of TTC, Zhirong Hu and Sanzheng Zhang, normally reside in the PRC and can only communicate in Chinese. On the other hand, the Non-executive Directors of TTC, Andrew Sneddon, Jeff Fisher and Glen Lees, normally reside in Australia and cannot communicate in Chinese. As a result, communication between Directors is predominantly made via teleconference or email, and through the use of an interpreter or a translator. As a result, there is the possibility that communication between Directors is delayed or interpreted or translated incorrectly. This may undermine the effectiveness of the Board.

Additionally, as Chinese is the language predominantly used in the course of the TTC Group’s business operations, information about the Group’s financial performance and business developments needs to be translated before they can be disclosed to investors who do not understand Chinese. This may similarly cause delay and/or incorrect translation.

In order to mitigate the risk concerning the difference in language, the Group has employed personnel who are fluent in both Chinese and English to facilitate communication between the Directors, and between the Company and investors. In particular, Zhonghan (John) Wu, CFO of TTC, is both familiar with the financial situation of the Company, and capable of presenting such information bilingually.

8.2.8 Cultural differences between the Group and Australian investors

TTC’s current business operations are exclusively in China. As Chinese culture is vastly different to Australian culture, Australian investors who have no exposure to Chinese culture may not fully comprehend the underlying reasons for the Group’s business model, or the selection of the range of services that the Group’s clinics provide.

8.2.9 Competitive environment

The traditional healthcare market in China is highly fragmented and competitive with low barriers to entry. Despite the fact that TTC is one of the largest chains operating in China, some existing competitors (e.g., China Liangtse Group and K-Lotus Massage) and new entrants regularly develop and provide new services to customers that are potential substitutes to the services provided by the Group. TTC’s competitors may also have other strategies available to increase their market share to the detriment of TTC, including offering new services in central and prominent areas in big cities like Beijing and Shanghai or even overseas outside of China, offering discounts or free trials for new accounts, offering lower priced services, and offering the skilled staff with higher compensation to poach them from TTC. If TTC is unable or unwilling to adapt to or respond to such strategies, TTC may experience a decline in customer numbers and its financial performance. Similar outcomes are possible if TTC is unable to continually offer competitive services desired by its customer base.

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8.2.10 Potential merger and acquisition activity

The Group is actively exploring acquisition opportunities to enhance its future growth opportunities. Any strategic transactions may lead to adverse consequences for the Group including unforeseen expenditures and integration risks and difficulties in relation to its operational, financial, control and management information systems. In addition, TTC may take on new liabilities, dilute its existing shareholders, and/or be exposed to increased regulatory requirements or scrutiny and litigation.

8.2.11 Significant control by Existing Shareholders

Immediately after the Offer, the Existing Shareholders will beneficially own approximately 86.41% of the Company's issued capital assuming 30,000,000 New Shares are issued under the Offer. As a result, these Existing Shareholders, if they act together, will be able to pass any shareholder resolution (including a special resolution) without any new Shareholders. In particular, Hwazon Investment Limited, a related party entity controlled by Ms. Zhirong Hu (refer to "Existing Shareholder interests" in Section 9.5), will hold 70.34% of shares in the Company. As a result, Ms. Hu, or Ms. Hu acting together with the other Existing Shareholders, would be able to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholder approval.

8.2.12 Operating and foreign exchange risks in China

The Group's profitability will be generated in China. Economic or political instability in China (which may be caused by a number of unforeseeable events) may have an adverse effect on TTC.

China's exchange rate has historically fluctuated in relatively short periods of time. Adverse movements in China's exchange rate could result in a decreased reported contribution from the Chinese operations, and this may have a material adverse effect on TTC. In addition, fluctuations in exchange rates between China and the countries of origin of TTC's suppliers may impact the cost of TTC's supplies.

8.2.13 Liquidity

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when 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 its reputation. The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

Following the Completion of the Offer, all Existing Shareholders will hold approximately 86.41% of the Shares (refer to "Existing Shareholder interests" in Section 9.5). Each of the Existing Shareholders has entered into a voluntary escrow agreement in relation to all of the Shares it holds from the date of the admission of the Company to the Official List on ASX for a period of 24 months therefrom (refer to "Escrow arrangements" in Section 9.6). The absence of sale of Shares by the Existing Shareholders during the two-year escrow period may cause, or at least contribute to, limited liquidity in the market for the Shares. This may also affect the prevailing market price at which Shareholders are able to sell their Shares.

8.2.14 Chinese regulatory environment

The PRC's legal system is largely based on legislation and prior case law has limited precedential value. However, the PRC is still in the process of developing a comprehensive statutory framework. Its legal system is still considered to be underdeveloped in comparison with the legal systems in some western countries.

Since 1979, the PRC's legislative bodies have passed laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. The legislative tendency since that time has been to grant increased protection to foreign investors. In this way, significant progress has been made in the legal system of the PRC.

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Despite significant improvement in developing its legal system, there remain uncertainties and/or inconsistencies in the enforcement of existing laws and regulations. Most current PRC legislation has been passed relatively recently. As a result, there is a lack of established practice regarding the implementation, interpretation and enforcement of these laws. For this reason, the interpretation of these laws and regulations may be more volatile and less predictable. These uncertainties in the legal system may cause delays in any potential litigation, and limit the legal protection that is offered to potential litigants. Any litigation in the PRC may be protracted and result in substantial legal costs and/or significant diversions of resources and management attention. The occurrence of one or several of these risks could have material and adverse effects on the Group's business, net assets, financial condition and operational results.

8.2.15 Lack of insurance coverage

In the PRC it is not customary for businesses to take out extensive insurance protection. Aside from the public liability insurance and the vehicle insurance bought by Chongqing Fuqiao, and the comprehensive property insurance and vehicle insurance bought by Wuhuan Fuqiao, Fuqiao Holdings and its subsidiaries have not taken out any other insurance policies covering risks to its business premises. Thus, Fuqiao Holdings and its subsidiaries do not have insurance protection against either business disruption or fire damage, and may not be able to recover compensation in such circumstances.

Any uninsured loss or damage, litigation or business disruption may result in substantial cost to TTC and its subsidiaries, which could have a material and adverse effect on TTC or its subsidiaries' business, net assets, financial condition, and operational results.

8.2.16 Approvals, permits and licences

The Chinese operating companies of TTC, Fuqiao Holdings and its subsidiaries require certain licences and approvals to conduct their business. These licenses are granted at the discretion of the relevant PRC authorities, and the criteria for eligibility may change. The business activities of Fuqiao Holdings and its subsidiaries are subject to the supervision of these authorities which have the power to revoke previously granted licences or approvals or reject applications for new or extended licences or approvals.

If any activity carried out by the Group fails to meet the requirements of applicable rules or regulations, the Group may incur legal liabilities. In particular, if any entity in the Group fails to obtain the grant or renewal of any required licenses or approvals, the business activities of the affected entity and the Group as a whole may be interrupted, or, if the affected entity continues to operate without the necessary licences and approvals, it may be liable to penalties. Any interruption to the Group's business activities or potential penalties may have material and adverse effects on Fuqiao Holdings and its subsidiaries' business, net assets, financial condition and operational results.

8.2.17 Repatriation of dividends

In each financial year, TTC intends to make interim and final dividend payments to Shareholders, subject the forecast financial targets of the Company being achieved, available profits, the level of borrowings and the required level of working capital. For more details please refer to Section 6.10 ("Dividend policy").

The TTC Group generates the majority of its profit through the business operations of Fuqiao Holdings, the Group's operating entity in China. Fuqiao Holdings is a wholly foreign-owned enterprise (**WFOE**) under Chinese law. Under the PRC Company Law (1993) as amended in 2013, and the Wholly Foreign-Owned Enterprise Law (1986) as amended in 2000, a WFOE may remit profits generated in China to overseas only if the relevant restrictions are complied with. This includes the rule requiring a WFOE to set aside 10% of its annual post-tax profits to a statutory common reserve fund each year before the distribution of any profit, until the aggregate balance of the statutory common reserve fund reaches 50% of the WFOE's registered capital. As a result, the TTC Group will need to set aside part of its annum after-tax profit to the statutory common reserve fund every year in the short run. This will reduce the pool of funds that is available to be distributed as dividends to investors in their first few years of investing in TTC. This will result in lower dividend payments by TTC when compared to other listed companies that do not generate their profit in China.

08. RISK FACTORS

Apart from the requirements above regarding the repatriation of dividends, the Chinese government also imposes additional restrictions on the repatriation of funds overseas in general. The transfer of funds from China to overseas is subject to approval requirements by the State Administration of Foreign Exchange (SAFE). While currently there are many circumstances under which SAFE will approve the repatriation of funds overseas, and TTC has historically not faced much difficulty with seeking approval, there is no guarantee that the Chinese government will not tighten their foreign exchange control policy. In such event, TTC's ability to transfer funds from China to overseas may be limited, which may restrict the repatriation of dividends from China.

8.2.18 Rapid expansion of TTC's scale of business

Prior to 2012, TTC's main business focus was to operate as a franchisor business for clinics, which allows the Company to outsource some of the resource requirements associated with the recruitment of staff and management of clinics. However, in recent years, the Company has recognised the greater profitability that can be achieved by operating owned clinics as compared to granting franchise rights to franchisees to operate clinics. As a result, the Company has started to acquire clinics from franchisees and third parties (refer to Section 4.4.2 "Owned clinics").

Thus, at this stage, the Company's ability to increase revenue is dependent upon the Company being able to negotiate competitive prices for the acquisition of clinics, recruit suitable management and operational staff, and manage the owned clinics. If TTC is unable to properly manage its expansion plans, the profitability of its business operations may be adversely affected.

8.2.19 Renewal of franchise agreements

The contractual term for TTC's standard franchise agreement is 5 years from the date of the agreement, which is the maximum period as limited by the Chinese government. Therefore, TTC needs to renegotiate franchise agreements for each franchise every five years. Whilst TTC, being the franchisor, considers itself to have relatively strong bargaining power over franchisees, and considering the historically low rate of non-renewal of franchise agreements (refer to Section 4.4.1, "Franchised clinics"), there exists the possibility that TTC is unable to renew franchise agreements with certain franchisees, or will renew a franchise agreement on less agreeable terms to TTC.

8.2.20 Corporate structure of the TTC Group

The main business operations of the TTC Group are conducted by the PRC entities in its corporate structure. TTC is the parent holding company of the TTC Group, which holds the PRC entities through a Hong Kong entity. Therefore, Shareholders of TTC may not have as direct control of the day-to-day affairs of the TTC Group's business as shareholders of companies with actual business operations may have.

8.2.21 Housing provident fund in China

Pursuant to the Regulation on the Administration of Housing provident funds and its related laws and regulations in China, a housing provident fund is established for each employed person. The employees' employer and the employees themselves are required to make regular contributions to the fund. In the event that the employer fails in making a deposit registration with the relevant authorities, or establish a housing provident fund with a bank, the relevant authorities can demand the employer to do so within a required period. If the employer remains non-compliant after the designated period, the relevant authorities may impose a fine of no less than RMB 10,000 (approximately A\$2,037) and no more than RMB 50,000 (approximately A\$10,183). Additionally, in the event that the employer fails to make the required contribution in full, the relevant authority has the power to issue an order for the employer to make the required contribution within a time limit, which can be enforced by a court of law upon expiration of the time limit.

As at the date of this Replacement Prospectus, none of the Chinese entities of the TTC Group has made the required housing provident fund contributions for any employee. In the event that the relevant authorities enforce the regulations on the administration of housing provident funds, TTC may be subjected to fines and orders to comply with the regulations within a time limit. This may interrupt the normal cash flow of TTC's business operations.

08. RISK FACTORS

In order to mitigate this risk, Ms Zhirong Hu, Executive Director of TTC, has signed a personal guarantee on 23 May 2015 to compensate all Chinese entities of TTC Group for all fines, losses and costs incurred as a result of their prior and future non-compliance with the regulations of housing provident funds.

8.3 GENERAL INVESTMENT RISKS

8.3.1 Potential fluctuations in prices of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade below the Offer Price. There is no assurance that the price for the Shares will increase following quotation on the ASX, even if the Company's earnings increase.

The market price and demand for shares quoted on ASX could be volatile or fluctuate due to numerous factors including fluctuations in the domestic and international market for listed stocks; general economic conditions, including interest rates, inflation rates, exchange rates, commodity prices and oil prices; changes to government fiscal, monetary or regulatory policies; legislation or regulation; inclusion in or removal from market indices; the nature of the markets in which the Company operates and general operational and business risks.

8.3.2 Liquidity of Shares

There is currently no public market through which the Shares of the Company may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares they acquire under the Offer. It may also affect the prevailing market price at which the Shareholders are able to sell their Shares. This may result in Shareholders who acquire Shares under the Offer receiving a market price for their Shares that is less or more than the Offer Price.

Following completion of the Offer, the Existing Shareholders will hold approximately 86.41% of the Shares, which may also impact on liquidity. The Existing Shareholders have entered into voluntary escrow arrangements in relation to all of the Shares they hold immediately following Completion of the Offer for a period of two years. A summary of the escrow arrangements is set out in Section 9.6. The absence of any sale of Shares by the Existing Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on the ASX. A significant sale of shares by an Existing Shareholder, or the perception that such sale has occurred or might occur, could adversely affect the price of Shares.

8.3.3 Exposure to general economic conditions

The operating and financial performance of TTC is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the Company. Prolonged deterioration in general economic conditions may impact the demand for the Company's services and may have a material adverse impact on the financial performance, financial position, cash flows, dividends, growth prospects and share price of the Company.

8.3.4 Shareholder dilution

In the future, the Company may elect to issue shares to engage in fundraisings and also to fund, or raise proceeds, for acquisitions the Company may decide to make. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of shares and fundraisings.

08. RISK FACTORS

8.3.5 Accounting standards

Any changes in accounting standards or how they are applied and interpreted may have an adverse impact on TTC's financial performance and position.

8.3.6 Taxation reform

Any changes to the current rate of company income tax in Australia or abroad, China, may impact Shareholder returns. Any changes to such tax laws, the way they are interpreted and applied, or the current rate of taxes could have an adverse effect on TTC's financial performance or results. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend imputation or franking and Shareholder returns.

8.3.7 Litigation and regulatory inquiries

TTC may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on TTC's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on TTC's reputation.

8.3.8 Dividends will not be fully franked

Currently, the TTC Group generates its revenue solely in China. As a result, all dividend payments are paid out from profits generated by Fuqiao Holdings, the Chinese operating entity of the TTC Group. Under current Australian tax law, TTC does not pay any tax for receipt of dividend paid by Fuqiao Holdings through China Fuqiao Healthcare Industry (Hong Kong) Limited. Therefore, TTC does not expect any Australian tax liability. As a result, dividends paid out to TTC shareholders will be unfranked.

In the event that TTC becomes liable for any Australian tax, shareholders may receive franking credits for the amount of tax paid. However, there is still no guarantee that TTC will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished.

The value and availability of franking credits to a Shareholder will also differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each Shareholder.

8.3.9 Force majeure events

Events may occur within or outside Australia that could impact upon the world economy, the operations of the Company and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and severe weather conditions.

09. ADDITIONAL INFORMATION



09. ADDITIONAL INFORMATION

9.1 INCORPORATION, SHARE CAPITAL AND COMPANY TAX STATUS

The Company was incorporated in Queensland as a public company limited by shares on 24 February 2015. On completion of the Offer, the Company will have 220,772,000 Shares on issue including 30,000,000 Shares issued under this Replacement Prospectus.

TTC is and will be subject to tax at the Australian corporate tax rate.

9.2 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE COMPANY'S CONSTITUTION

9.2.1 General

The rights and liabilities attaching to ownership of the Shares are:

- detailed in the Constitution of the Company which may be viewed on the Company's website: ttc-ltd.com, or inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders. This summary assumes TTC is admitted to the official list of ASX.

9.2.2 Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each fully paid Share held. On a poll, partly paid Shares confer a fraction of a vote pro-rata to the amount paid up on the Share.

9.2.3 Dividends

Subject to any special terms and conditions of issue, the amount which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the amounts paid up on the Shares held by them.

9.2.4 Issue of Shares

Subject to the Constitution, the Listing Rules and the ASX Settlement Operating Rules, the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions and the issue price they think fit. Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital or otherwise, as the Directors think fit.

9.2.5 Variation of class rights

Subject to the Corporations Act and the Listing Rules, the rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

09. ADDITIONAL INFORMATION

9.2.6 Transfer of Shares

Subject to the Constitution, the Corporations Act, the Listing Rules and to the rights or restrictions attached to any shares or class of shares, holders of Shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules or an instrument in writing in any usual form or in any other form that the Directors approve.

The Directors may decline to register a transfer of Shares for reasons including where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the Listing Rules or the ASX Settlement Operating Rules. If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

9.2.7 Small holdings

The Directors may sell the Shares of a Shareholder if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than A\$500.

9.2.8 General meetings and notices

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under the Constitution or the Corporations Act.

9.2.9 Winding up

Subject to any special or preferential rights attaching to any class or classes of shares, the Constitution, the Corporations Act and the Listing Rules, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them, less any amounts which remain unpaid on these shares at the time of distribution.

9.2.10 Directors – appointment and removal

The minimum number of Directors is three and the maximum is to be fixed by the Directors but may not be more than 10 unless the Company passes a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any Managing Director) retires at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board in addition to the Directors who will then hold office until the next annual general meeting of the Company.

9.2.11 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chair has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

9.2.12 Directors' remuneration

The Directors, other than the Executive Directors, are entitled to be paid by such Directors' fees for their services as the Directors decide, provided that the total fees do not exceed the maximum aggregate sum as may be approved from time to time by Shareholders in general meeting. The Constitution also makes provision for the Company to pay all expenses of Directors in attending meetings and carrying out their duties and for the payment of additional fees for extra services or special exertions. Any change to that maximum aggregate sum needs to be approved by Shareholders.

09. ADDITIONAL INFORMATION

9.2.13 Alteration of share capital

Subject to the Listing Rules, the Constitution and the Corporations Act, the Company may alter its share capital.

9.2.14 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution.

9.2.15 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

9.2.16 Share buy-backs

The Company may buy back shares in accordance with the provisions of the Corporations Act.

9.2.17 Dividend plan

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan.

9.3 MATERIAL CONTRACTS

9.3.1 Contracts related to the new office building

• Property purchase contract

Wuhuan Fuqiao and Chongqing Jialaijin Real Estate Co. Ltd. (**Vendor**) have entered into a property purchase agreement dated 22 November 2013 (**Property Purchase Agreement**) pursuant to which the Vendor agrees to sell 7 floors (8,750 sqm) out of 32 floors in a building located at 1 Jiazhou Road, Longxi Street, Yubei District, Chongqing City, PRC to Wuhuan Fuqiao (**Property**).

PURCHASE PRICE

The total purchase price of the Property is RMB 160 million (A\$32.59 million). The payment schedule of the purchase price is agreed as follows:

- the first instalment which is 50% of the purchase price (i.e. RMB 80 million (A\$16.29 million)) should be paid to the Vendor within 20 days after the execution of the Property Purchase Agreement.
- the second instalment which is 30% of the purchase price (i.e. RMB 48 million (A\$9.78 million)) should be paid to the Vendor on 19 June 2014; and
- the third instalment which is the rest 20% of the purchase price (i.e. RMB 32 million (A\$6.52 million)) should be paid to the Vendor at the completion and transfer of the title of the Property on 31 December 2015.

COMPLETION

The completion date of the Property should be no later than 31 December 2015. At the completion, the Property must pass the criteria of completion acceptance and the Vendor must obtain the *Certificate for Acceptance of Chongqing Construction Project Completion* in relation to the Property.

BREACH OF CONTRACT BY VENDOR

If the Vendor cannot satisfy the requirement for completion on 31 December 2015 and deliver the Property on that date, the Vendor is in breach of the Property Purchase Agreement.

- If the completion is less than 90 days' (including 90 days) overdue, the Vendor must pay 0.05% of the actual payment by Wuhuan Fuqiao as the default fine each day to Wuhuan Fuqiao after 31 December 2015 until the actual completion.

09. ADDITIONAL INFORMATION

- If the completion is more than 90 days' overdue, Wuhuan Fuqiao is entitled to terminate the Property Purchase Agreement. If Wuhuan Fuqiao exercises the right to terminate, the Vendor must return all payment paid by Wuhuan Fuqiao with interest to Wuhuan Fuqiao within 30 days after the termination notice, and the Vendor must also pay 20% of the actual payment as the default fine to Wuhuan Fuqiao. If Wuhuan Fuqiao doesn't exercise the right to terminate, the Vendor must pay 0.01% of the actual payment by Wuhuan Fuqiao as the default fine each day to Wuhuan Fuqiao after 31 December 2015 until the actual completion.

BREACH OF CONTRACT BY WUHUAN FUQIAO

If Wuhuan Fuqiao cannot make any payment on time as agreed, Wuhuan Fuqiao is in breach of the Property Purchase Agreement.

- If the payment is less than 90 days' (including 90 days) overdue, Wuhuan Fuqiao must pay 0.05% of the amount payable as the default fine each day to the Vendor after the agreed payment date until the actual payment date.
- If the payment is more than 90 days' overdue, the Vendor is entitled to terminate the Property Purchase Agreement. If the Vendor exercises the right to terminate, Wuhuan must pay 20% of the amount payable as the default fine to the Vendor. If the Vendor doesn't exercise the right to terminate, Wuhuan Fuqiao must pay 0.05% of the amount payable as the default fine each day to the Vendor after the agreed payment date until the actual payment date.

- **Deeds of guarantee and indemnity**

Ms Zhirong Hu and Wuhuan Fuqiao have executed a deed of guarantee and indemnity dated 1 June 2015 (**Deed of Guarantee and Indemnity**) pursuant to which Ms. Hu agrees to guarantee the performance by the Vendor of the Property Purchase Agreement of its obligations under the Property Purchase Agreement.

GUARANTEE

Under the Deed of Guarantee and Indemnity, Ms. Hu assumes the obligations and responsibilities of the Vendor under the Property Purchase Agreement, in the event that the Vendor defaults in their performance, and to remedy any breach by the Vendor.

INDEMNITY

Ms. Hu unconditionally and irrevocably indemnifies Wuhuan Fuqiao against all actions, suits, claims, demands, proceedings, liabilities, losses, damages, costs and expenses suffered or incurred or payable by the Purchaser arising directly or indirectly as a result of:

- the failure of Ms. Hu to comply with any of her obligations under the Deed of Guarantee and Indemnity or the failure of the Vendor to comply with any of the obligations or purported obligations expressed to be assumed by it under the Property Purchase Agreement.
- any representation or warranty made by the Vendor under or in connection with the Property Purchase Agreement being or becoming untrue or misleading; or
- the exercise or attempted exercise by Wuhuan Fuqiao of a right or power under the Deed of Guarantee and Indemnity.

- **Share security deed**

Hwazon Investment Limited and Wuhuan Fuqiao have executed a share security deed dated 14 June 2015 (**Share Security Deed**) pursuant to which Hwazon Investment Limited grants to Wuhuan Fuqiao a security interest over 50,777,560 ordinary shares in the capital of TTC held by Hwazon Investment Limited (**Secured Property**) to ensure that all of Ms. Hu's obligations under the Deed of Guarantee and Indemnity are performed.

PRIORITY

The security interests granted under the Share Security Deed rank ahead of all other security interests over the Secured Property, unless preferred otherwise by law, or Wuhuan Fuqiao agrees to any other priority arrangement.

09. ADDITIONAL INFORMATION

9.3.2 Agreements associated with franchise

• Franchise Agreement

As at 30 April 2015, Wuhuan Fuqiao has entered into standard form franchise agreements with 299 franchisees. The key terms of the standard form franchise agreement are summarised in the table below.

TERMS	SUMMARY
Term of the Agreement	The term of the agreement is five years
Use of intellectual property	Wuhuan Fuqiao authorizes the franchisee to use of the trademark 'Fuqiao', as well as Fuqiao's other service marks, business model, proprietary technology relating to health care, decorative design of clinics, and the relevant products during the term of the agreement.
Provision of support for franchisees	Wuhuan Fuqiao promises to provide technical support, business management support and training support for the franchisee.
Franchise fee and management fee	<p>Franchise fee: the annual franchise fee payable to Wuhuan Fuqiao is RMB 110,000 (A\$22,403). The first annual payment must be paid within 15 days of execution of the agreement. The franchise fee is not refundable.</p> <p>Management fee: a monthly management of RMB 10,000 (A\$2,307) is payable to Wuhuan Fuqiao at the end of each month. The franchisee is exempt from paying the management fee in the first month of execution of the agreement.</p>
Management decisions for the franchise clinic	Wuhuan Fuqiao is entitled to make any decisions relating to human resources on behalf of the franchisee, and to supervise and/or give instructions relating to the operational activities of the franchisee.
Permits and Licences	Wuhuan must provide all legal documents required for the franchisee to obtain all permits and licences required for the operation of the franchise clinic. All costs and fees associated with obtaining the permits and licences are borne by the franchisee.
Distance between franchise clinics	Wuhuan Fuqiao must not enter into another franchise agreement that entitles another franchisee to establish a clinic within 3 km of the address of the clinic contemplated in the agreement.
Store design and operational standards	The franchise clinic's fit-out, advertisements, staff uniform, equipment and products used must comply with the standards provided by Wuhuan Fuqiao. The franchise must comply with the operational policies provided by Wuhuan Fuqiao.
Encumbrances over the fixed assets and management rights in the franchise clinic	The franchisee must not create any charge or encumbrance over the fixed assets in the franchise clinic or any rights relating to the operation of the franchise clinic stipulated in this contract.
Breaches of law	The franchisee is wholly liable for any breaches of law that occurs in the franchise clinic.

09. ADDITIONAL INFORMATION

TERMS	SUMMARY
Breach of agreement	<p>Serious breach of agreement or law by the franchisee: if the franchisee is in serious breach of this agreement, including failure to pay the contracts franchise fee or management fee, or if any serious breaches of law occurs in the franchise clinic, Wuhuan Fuqiao is entitled to terminate the agreement unilaterally.</p> <p>Breach of agreement by Wuhuan Fuqiao: if Wuhuan Fuqiao is in breach of this agreement, and the breach affects the normal operation of the franchise clinic, the franchisee is entitled to delay payment of the contracted management fee until such time Wuhuan Fuqiao rectifies such breach.</p> <p>Misuse of Wuhuan Fuqiao's intellectual property: in the event that the franchisee uses Wuhuan Fuqiao's intellectual property to conduct activities beyond the scope of operating a franchise clinic, or sub-licenses the usage of Wuhuan Fuqiao's intellectual property to a third party without Wuhuan Fuqiao's consent, Wuhuan Fuqiao is entitled to unilaterally terminate the agreement, and the franchisee must pay Wuhuan Fuqiao a penalty of RMB 550,000 (A\$122,016) and compensate for any economic loss caused.</p>
Renewal of agreement	The term of the agreement can be extended by a period as agreed by both parties. On expiry of the term of the agreement, the franchisee must remove all trademarks and signs relating to Fuqiao from the franchise clinic and all related fixtures and advertising material, and register a change of entity name to remove any references to Fuqiao, within fifteen days of expiry of the agreement.
Confidentiality	Both parties must not disclose the terms of the agreement, and content of any discussion of the TTC Group's business plan, financial information and technical know-how between both parties to any third party without the other party's consent. The party in breach of confidentiality shall pay the other party compensation of RMB 200,000 (A\$40,733).

• Training Agreement


As at 30 April 2015, Wuhuan Fuqiao has entered into standard form training contract with 299 franchisees. The key terms of the standard form training agreement are summarised in the table below.

TERMS	SUMMARY
Term of employment	All staff of the franchise clinic must be employed for a term of five years.
Training fee	RMB 500,000 (A\$101,833) payable in full within five days of the execution of the agreement.
Training provided	Wuhuan Fuqiao must provide training for staff employed by the franchisee.
Employment conditions	The franchisee must provide remuneration and staff benefits according to the employment policy set by Wuhuan Fuqiao.
Breach of agreement	A party in breach must pay a penalty of 20% of the training fee to the other party.

09. ADDITIONAL INFORMATION

• Trademark License Agreement

As at 30 April 2015, Wuhuan Fuqiao authorised 299 franchisees to utilise the “Fuqiao” registered trademark by entering into standard form trademark license agreements. The key terms of the standard form trademark license agreement are summarised in the table below.

TERMS	SUMMARY
Licensed trademark	<p>Wuhuan Fuqiao authorizes the licensee to use the registered trademark (Trademark) as follows. The Trademark is registered to be used for massage services.</p> <p>Trademark identification:</p>  <p>Trademark registration number: 1967348</p> <p>Class of goods and services: 42</p> <p>Approved services: massage, therapeutic massage, health care services, public baths, physical therapy, nursing homes, beauty salons, saunas.</p>
Term of the agreement	The term of the agreement is five years, which can be extended by a period of time as agreed by both parties.
Location	The Trademark must only be used within the premises of the franchise clinic set up by the licensee.
Supervision of the use of the Trademark	<p>Wuhuan Fuqiao is entitled to take all necessary measures to supervise the operation of the franchise clinic to ensure the following is complied with:</p> <ul style="list-style-type: none"> (a) the licensee must not be in breach of any national or local laws and regulations in relation to the operation of the franchise clinic; (b) the franchise clinic operated by the licensee must not provide services beyond the range of services approved by Wuhuan Fuqiao; (c) the licensee shall bear all losses arising from the operation of the franchise clinic, and all liability arising from any breach of law occurring in the franchise clinic; (d) the licensee must ensure that the franchise clinic complies with the operational policies set by Wuhuan Fuqiao; (e) the licensee shall bear all costs related to any compensation claims by individuals who have suffered damage in the franchise clinic; (f) the licensee must not use the Trademark anywhere outside the premises of the franchise clinic without the consent of Wuhuan Fuqiao.
Alteration of the Trademark	The licensee must not make any alterations to the Trademark, or use the Trademark in combination of any other Trademark.

09. ADDITIONAL INFORMATION

TERMS	SUMMARY
No transfer of rights	The licensee must not license, transfer or lease the licensed usage of the Trademark to any third party without consent by Wuhuan Fuqiao.
Franchise Fee	RMB 550,000 (A\$112,016)
Breach of agreement or law	If the licensee is in serious breach of the agreement or of the law in relation to the operation of the franchise clinic, Wuhuan Fuqiao is entitled to unilaterally terminate the agreement, and shall have the right to revoke the usage rights of the Trademark, and can require the licensee to remove all signs and references that uses the Trademark. The licensee must pay a penalty of RMB 550,000 (A\$112,016).

9.3.3 Deeds of access, insurance and indemnity for Directors

- **Access**

The Company has entered into deeds of access, insurance and indemnity with each Director, the Chief Financial Officer and Company Secretary which contains rights of access to certain books and records of TTC.

- **Indemnification**

Under the Constitution, TTC is required to indemnify all Directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, TTC indemnifies parties against all liabilities to another person that may arise from their position as an officer of TTC or its subsidiaries to the extent permitted by law. The deed stipulates that TTC will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

- **Insurance**

Under the Constitution, TTC may arrange and maintain Directors' and officers' insurance for its Directors to the extent permitted by law and under the deed of access, insurance and indemnity, TTC must maintain insurance cover for each Director for the duration of the access period.

9.4 RELATED PARTY CONTRACTS

At the date of this Replacement Prospectus, no material transactions with related parties and Directors interests exist that the Directors are aware of, other than those disclosed in the Replacement Prospectus. Specifically:

- Section 9.3.1 ("Contracts related to the new office building")
 - Deed of Guarantee and Indemnity signed between Ms. Zhirong Hu and Wuhuan Fuqiao. TTC considers Ms. Hu, being the controller of Hwazon Investment Limited, a major shareholder of TTC, and a Director of TTC, to be a related party of TTC.
 - Share Security Deed over shares in TTC signed between Hwazon Investment Limited and Wuhuan Fuqiao. TTC considers Hwazon, a major shareholder of TTC, to be a related party of TTC.
- Section 9.3.3 ("Deeds of access, insurance and indemnity for Directors")

The Deeds of access, insurance and indemnity signed by the Company and the Directors. TTC considers each of the Directors of the Company to be related parties.

09. ADDITIONAL INFORMATION

9.5 EXISTING SHAREHOLDER INTERESTS

The table below sets out the interests of Shareholders as at the date of this Replacement Prospectus and immediately following the Offer:

SHAREHOLDERS	PRE OFFER		POST OFFER ASSUMING SUBSCRIPTION	
	Number of Shares	%	Number of Shares	%
Hwazon Investment Limited ¹	155,288,408	81.4	155,288,408	70.34
Talent Felicity Ltd ²	4,578,528	2.4	4,578,528	2.07
Asia Glory Technology Limited	3,433,896	1.8	3,433,896	1.56
Best Scenery Investments Limited	8,966,284	4.7	8,966,284	4.06
Virtue Link Holdings Limited	9,157,056	4.8	9,157,056	4.15
Xiaobei Huang	9,347,828	4.9	9,347,828	4.23
Total Existing Shareholders³	190,772,000	100.00	190,772,000	86.41
Shares held by new Shareholders	Nil	0.00	Nil	13.59
Total	190,772,000	100.00	190,772,000	100.00

1 Ms. Zhirong Hu holds 7,180 ordinary shares (88.2%), Mr. Sanzheng Zhang holds 495 ordinary shares (6.08%) and Mr. Ping Jian holds 465 ordinary shares (5.71%) in Hwazon Investment Limited. As Ms. Hu and Mr. Zhang are Directors of TTC, and Mr. Jian is the Deputy CEO of TTC, Hwazon Investment Limited is considered a related party of TTC.

2 Talent Felicity Ltd holds the Shares for the benefit of an unrelated third party (Ms Yuanlan Ye).

3 All Shares held by Existing Shareholders are subject to escrow arrangements. Please refer to "Escrow arrangements" in Section 9.6.

9.6 ESCROW ARRANGEMENTS

All Existing Shareholders (please refer to "Existing Shareholder interests" in Section 9.5) agree to enter into voluntary escrow arrangements with the Company under which they will be restricted from dealing in 100% of the Shares held (but excluding any new Shares subscribed for under the Offer) from the date of the admission of the Company to the Official List on ASX for a period of 24 months therefrom.

The voluntary escrow arrangements do not preclude participation in a takeover where:

- (a) the takeover bid is for all of the securities;
- (b) holders of at least half of the securities that are not subject to restriction (including those Shares that are subject to the voluntary escrow arrangements) to which the takeover bid relates have accepted; and
- (c) if the takeover bid is conditional, the Shareholder agrees in writing that a holding lock will be re-applied to each Share that is subject to the voluntary escrow arrangements that is not unconditionally bought by the bidder under the takeover bid.

Additionally, the holder's restricted securities may be transferred or cancelled in accordance with a merger if the shareholder agrees in writing that a holding lock will be re-applied if the merger does not take effect.

Furthermore, an escrowed Shareholder will not be precluded from transferring their securities where consent of the Company is sought and provided the transferee agrees to be subject to the escrow restrictions.

Finally, all Shareholders who are employees, contractors, officers or Directors of TTC will be restricted from dealing in Shares in accordance with the Company's Securities Trading Policy.

9.7 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Replacement Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Replacement Prospectus with its consent as specified below.

Written consents to the issue of this Replacement Prospectus have been given and, at the time of lodgement of this Replacement Prospectus with ASIC, had not been withdrawn by the following parties:

- Brenowen Cross Capital Pty Limited has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as the Corporate adviser to the Company in the form and context in which it is named;
- QA Capital Pty Ltd has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named this Replacement Prospectus as the Lead Manager in relation to the Offer in the form and context in which it is named;
- Lalent Felicity Inc has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named this Replacement Prospectus as the Chinese listing consultant in relation to the Offer in the form and context in which it is named
- AFS Capital Securities has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named this Replacement Prospectus as the Technical Leach Manager and Broker in relation to the Offer in the form and context in which it is named;
- Baker & McKenzie has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- Trend Associates has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as Chinese legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- Charles Chu & Kenneth Sit in association with Wang Jing & Co. Law Firm has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as the Company's which has performed the work in relation to due diligence enquiries on Hong Kong legal matters Hong Kong legal adviser in the form and context it is so named;
- BDO Corporate Finance (WA) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on Financial Information in Section 6 in the form and context in which it appears in this Replacement Prospectus;
- BDO Corporate Tax (WA) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as tax adviser to the Company;
- Computershare Investor Services Pty Ltd has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as the Registry in the form and context it is so named;
- Hejun Consulting Co.,Ltd. has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named as independent expert to the Company in relation to the Independent Market Report in the form and context in which it is named and to the inclusion of its Independent Market Report in Section 3 in the form and context in which it appears in this Replacement Prospectus;

09. ADDITIONAL INFORMATION

- PKF (NS) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as an independent remuneration consultant in the form and context in which it is named in the Replacement Prospectus; and
- Chongqing Tongcheng Real Estate and Land Asset Valuation Co., Ltd. has given, and has not withdrawn prior to the lodgement of this Replacement Prospectus with ASIC, its written consent to be named in this Replacement Prospectus as a valuer of the new building purchased by TTC in the form and context in which it is named in the Replacement Prospectus.

No entity or person referred to in this Section 9.7 has made any statement that is included in this Replacement Prospectus or any statement on which a statement made in this Replacement Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.7 has not authorised or caused the issue of this Replacement Prospectus and does not make any offer of Shares.

9.8 COSTS OF THE OFFER

If the Offer proceeds, the estimated costs of the Offer, by type of cost, are shown in the table below:

ESTIMATED EXPENSES (EXCLUSIVE OF GST, WHERE APPLICABLE)	TOTAL ESTIMATED EXPENSES	EXPENSES TO BE PAID OUT OF PROCEEDS OF THE OFFER
Capital raising costs	930,000 ¹	930,000 ¹
Corporate advisory	1,886,137 ¹	295,404 ¹
Legal fees	444,726	444,726
ASX fees	150,000	150,000
ASIC fees	2,300	2,300
Investigating accountant and taxation fees	65,000	65,000
Marketing and advertising costs	50,000	50,000
Printing and other costs	74,525	74,525
Total estimated expenses	3,602,688	2,011,955

¹ Amount is based on the assumption that the full amount of Subscription is raised under the Offer.

9.9 WORKING CAPITAL STATEMENT

The Directors believe that, on Completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Replacement Prospectus.

9.10 GOVERNING LAW

This Replacement Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Replacement Prospectus are governed by the laws applicable in New South Wales and each Applicant under this Replacement Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

9.11 LEGAL PROCEEDINGS

So far as the Company is aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material in which the Group is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Group.

09. ADDITIONAL INFORMATION

9.12 TAX CONSIDERATIONS

Set out below is a general overview of the Australian taxation implications for investors who acquire the New Shares on capital account. This Section 9.12 is based on legislation applicable at the time of its preparation. Given the complexity of taxation laws, it does not cover all possible implications for particular investors.

As the tax position of each investor may vary depending on their individual circumstances, this Section 9.12 should not be considered advice specific to any particular investor. Before lodging an Application, each investor should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances.

9.12.1 Taxation of dividends

The treatment of the dividends which are paid to investors will vary depending on whether or not the investor is an Australian resident or foreign resident. The taxation treatment will also vary depending on the extent to which any dividends carry a franking credit.

DIVIDENDS RECEIVED BY AUSTRALIAN RESIDENT SHAREHOLDERS

For Australian resident individuals, dividends on the New Shares will be taxable income of the Shareholder in the tax year in which they are paid (or deemed to be paid) to the Shareholder. If the dividend carries a franking credit (for imputed Australian corporate tax paid by TTC) then the dividend paid (or deemed to be paid) plus the franking credit will be included in the Shareholder's taxable income and subject to tax at the Shareholder's marginal tax rate. The Shareholder will be entitled to offset the franking credit against tax payable by the Shareholder if the Shareholder is a qualifying person. A qualifying person is a Shareholder who satisfies the holding period rule (by holding shares on which the dividend is "at risk" for at least 45 days) and the related payments rule.

Individuals and complying superannuation funds are entitled to a refund of any part of the franking credits that exceed their tax payable.

Australian resident companies can convert excess franking credits to tax losses that can potentially be deductible against income in future years.

Unfranked dividends received by Australian resident Shareholders will be taxable at the Shareholder's marginal tax rate. For individuals, this tax rate may be up to 49% (including Medicare levy and temporary Budget Repair levy). For companies and complying superannuation funds, rates of tax are generally 30% and 15% respectively.

DIVIDENDS RECEIVED BY NON-RESIDENT SHAREHOLDERS

Dividend withholding tax is not imposed on fully franked dividends paid to foreign Shareholders.

It may be necessary for TTC to withhold tax from unfranked dividends paid to foreign Shareholders and remit the tax to the Australian Taxation Office.

Where unfranked dividends are paid to non-resident Shareholders, and the unfranked dividend is not "conduit foreign income", dividend withholding taxes must be deducted from the gross dividends paid. If the Shareholder is a resident of a country that does not have a Double Tax Agreement (DTA) with Australia then a 30% withholding tax rate will be applied to dividends paid to the non-resident Shareholder. If the Shareholder is a resident of a country that does have a DTA with Australia then the DTA will determine the maximum amount of withholding tax that can be imposed. DTA dividend withholding tax rates generally range from 0% to 15%.

9.12.2 Disposal of Shares

As noted above, the following overview of Australian tax implications associated with disposal of New Shares is confined to investors who hold their shares on capital account. Australian income tax laws impose tax on capital gains (**CGT**).

09. ADDITIONAL INFORMATION

Persons who acquire New Shares on revenue account or for a share trading purpose should seek independent professional advice as the issues are complex and the tax implications depend heavily on individual circumstances.

DISPOSAL OF SHARES BY AUSTRALIAN RESIDENT SHAREHOLDERS

Disposal of some or all of the New Shares held on capital account by Australian resident investors will give rise to a CGT event and investors may become liable to pay CGT if they make a capital gain on disposal, or another CGT event occurs in respect of the New Shares.

An investor will be taken to have acquired New Shares when these are issued or transferred to the investor and to have disposed of the New Shares when the investor transfers (or agree to transfer) the New Shares to another person. Taxation law also deems a disposal to have occurred in some other circumstances as well.

To calculate the amount of gain that is subject to tax initially requires the cost base of shares to be subtracted from the consideration (money or property) received from their disposal. If the calculation results in a negative number then a capital loss has been made.

Market value of shares at the time of their disposal may be substituted as consideration if the disposal is for nil or not undertaken on an arm's length dealing basis. In the case of New Shares acquired pursuant to the Replacement Prospectus, the cost base for CGT purposes will generally be the amount paid for the New Shares (A\$1.00 per share), plus incidental transaction costs (such as brokerage fees) incurred in selling the shares.

If the Shareholder has also derived capital losses in the income year, or has accumulated capital losses that are deductible, then those losses may be offset against the capital gain derived from the disposal of the shares. A capital loss cannot be offset against ordinary taxable income but may be carried forward and offset against future capital gains. However, utilisation of carried forward capital losses is subject to various loss integrity tests. Consideration of these loss provisions is beyond the scope of this Section.

For those investors that are companies, a net capital gain made on the disposal of New Shares (after any capital losses are offset) must be included in the company's taxable income and subject to tax at the prevailing general corporate tax rate (30%).

Investors who are either individuals or complying superannuation funds (or another similar form of qualifying entity), and dispose of New Shares held for at least 12 months, may be entitled to a CGT discount of 50% and 33 1/3% respectively. Companies are not entitled to any discount and special rules apply for trusts.

The net capital gain remaining after permitted offsets and discounts, is added to the investor's other taxable income, and the total amount is then subject to tax at the investor's marginal tax rate.

Where shares are held by a trust (and the trust is not taxed as a company for Australian tax purposes) then a CGT discount of 50% is generally available. When the capital gain is distributed to the beneficiary by the trustee of the trust, the capital gain needs to be grossed up and the relevant beneficiary(s) will need to determine for themselves whether or not they are able to access the CGT discount provisions.

DISPOSAL OF SHARES BY NON-AUSTRALIAN RESIDENT SHAREHOLDERS

Foreign residents are only subject to CGT on the disposal of taxable Australian property. For tax purposes, New Shares will generally only be considered taxable Australian property where the following conditions are satisfied:

- the investor owns an interest of 10% or more in TTC; and
- more than 50% of the value of TTC relates to assets that are taxable Australian real property such as land and buildings or interests in land and buildings. For example, leasehold rights over land situated in Australia are considered to be taxable Australian real property.

Based on information contained in the Replacement Prospectus regarding the planned operation of the business, TTC shares are unlikely to be taxable Australian property. As such, foreign residents that dispose of their shares are unlikely to be subject to CGT on any gains made in Australia. However, the circumstances of the company should be reviewed by investors as at the time they dispose of some or all New Shares.

09. ADDITIONAL INFORMATION

9.12.3 Tax File Numbers quotation

It is not compulsory for Australian resident Shareholders to provide TTC with details of their Tax File Number (**TFN**), or Australian Business Number (**ABN**). However, a failure to quote a TFN or ABN to TTC will result in TTC being required to withhold and remit tax of 49% (47% for years ended following 30 June 2017 based on current legislation) from unfranked dividends paid to the relevant Shareholder.

9.12.4 GST and transfer duty

No GST is applicable to the issue or transfer of the New Shares given that, under current law, shares in a company are a financial supply for GST purposes.

Transfer duty will not be payable on New Shares issued pursuant to the Replacement Prospectus.

9.13 STATEMENT OF DIRECTORS

Each Director has authorised the issue of this Replacement Prospectus and has consented to the lodgement of this Replacement Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Replacement Prospectus is signed by a Director of TTC in accordance with section 351 of the Corporations Act.



Chairman

Andrew Sneddon

10. GLOSSARY



10. GLOSSARY

TERM	DESCRIPTION
A\$ or AUD or AUD\$	Australian dollars, the lawful currency of the Commonwealth of Australia
ABN	Australian Business Number
ACN	Australian Company Number
AEST	Australian Eastern Standard Time
AFS Capital Securities	AFS Capital Securities Ltd (ABN 36 143 006 151, AFSL 36 39 25)
AFSL	Australian Financial Services Licence
Applicant	a person who has applied to subscribe for Shares under the Offer
Application	a valid application for Shares made under this Replacement Prospectus
Application Form	a form accompanying or attached to this Replacement Prospectus by which an Applicant may apply for Shares
Application Monies, Money or Application Amount	monies submitted by Applicants in respect of their Applications
ASIC	Australian Securities and Investment Commission
ASX or Australian Securities Exchange	ASX Limited (ABN 98 008 624 691), or the securities market it operates, as the context requires
ASX Bookbuild or ASX Bookbuild Facility	means the automated on-market bookbuild facility operated by the ASX
ASX Listing Rules or Listing Rules	the official listing rules of the ASX
ASX Recommendations	the corporate governance principles and recommendations of ASX, as amended from time to time
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the settlement rules of the settlement facility provided by ASX Settlement
Board	the Board of Directors of the Company
BPAY®	BPAY Pty Ltd (ABN 69 079 137 518)

10. GLOSSARY

TERM	DESCRIPTION
Broker	any ASX participating organization selected by TTC and the Lead Manager to act as a Broker to the Offer including AFS Capital Securities
Broker Firm Offer	the offer of Shares under this Replacement Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker
Broker Firm Offer Application Form	the broker firm offer application form accompanying or attached to this Replacement Prospectus by which an Applicant may apply for Shares under the Broker Firm Offer
CEO or Chief Executive Officer	chief executive officer of the Company
CFO or Chief Financial Officer	chief financial officer of the Company
CHESS	Clearing House Electronic Sub-register system
China or PRC	the People's Republic of China
Chinese Well-Known Trademark	has the meaning given in part 5 of the Independent Market Report in Section 3
Closing Date	5.00pm (AEST) on 20 August 2015 or such other date as the Board may decide, and is the date on which the Offer closes
Company or TTC	Traditional Therapy Clinic Limited, the Group's holding company, incorporated in Queensland under the ACN 603 792 712
Completion	the issue of the Shares to Successful Applicants
Corporate Adviser	Brenowen Cross Capital Pty Limited
Corporations Act	Corporations Act 2001 (Cth)
CRM	customer relationship management
Directors	the directors of the Company, and Director means any one of them
ESOP or Employee Share Ownership Plan	the employee share ownership plan of the Company
Executive Director	a Director appointed as an executive director of the Company
Existing Shareholders	those persons or entities who are holders of Shares of the Company as at the date of this Replacement Prospectus
Exposure Period	has the meaning given in "Important Information" Section

10. GLOSSARY

TERM	DESCRIPTION
Financial Information	has the meaning given in Section 6
Forecast Financial Information	has the meaning given in Section 6
Fuqiao Holdings	Fuqiao (Chongqing) Holdings Co., Ltd, incorporated in China, and the main holding and operating company of the Group
FY	financial year, ending on 31 December of any year, and the two digits following FY indicate which year (for example FY2014 means the financial year ending 31 December 2014)
General Public Offer Application Form	the general public offer application form accompanying or attached to this Replacement Prospectus by which an Applicant may apply for Shares under the General Public Offer
General Public Offer	the invitation to Retail Investors resident in Australia under this Replacement Prospectus which does not include the Broker Firm Offer or the Institutional Offer as set out in section 2
Group	the consolidated group comprising the Company and its subsidiaries
GST	the meaning given in section 195–1 of the A New Tax System (Goods and Services) Tax Act 1999 (Cth)
Historical Financial Information	has the meaning given in Section 6
HK\$ or HKD	Hong Kong dollars, the lawful currency of Hong Kong
HKFRS	the Hong Kong Financial Reporting Standards, a set of financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants in Hong Kong. These standards are consistent with International Financial Reporting Standards
Holding Statement	a holding statement of Shares
Hong Kong or HK	the Hong Kong Special Administrative Region of China
Hong Kong Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
IFRS	International Financial Reporting Standards
Independent Market Report	the independent market report on the traditional therapy market in China prepared by Hejun Consulting Co., Ltd. and set out in Section 3

10. GLOSSARY

TERM	DESCRIPTION
Institutional Investors	<p>investors who are:</p> <ul style="list-style-type: none"> persons in Australia who are “wholesale clients” under section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; institutional investors in certain other jurisdictions, as agreed by TTC and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which TTC is willing in its discretion to comply); and provided that in each case such investors are not in the United States.
Institutional Offer	the invitation to Institutional Investors under this Replacement Prospectus to acquire Shares as described in Section 2
Investigating Accountant	BDO Corporate Finance (WA) Pty Ltd
IPO	initial public offering of Shares under the Offer
IT	information technology
Listing Date	the date that the Company is admitted to the Official List of ASX
Lead Manager	QA Capital Pty Ltd (ACN 149 077 322; AFSL 448754)
Managing Director	a Director appointed as a managing director of the Company
New Shares or New Share	Share(s) to be issued under the Offer
New Shareholder	an investor who subscribes for New Share(s)
Non-executive Director	a Director appointed as a non-executive director of the Company
NPAT	net profit after tax
Offer	the invitation in this Replacement Prospectus to subscribe for Shares under the General Public Offer and the Broker Firm Offer
Offer Information Line	<p>the Offer Information Line for questions about the Offer being:</p> <ul style="list-style-type: none"> 1300 384 520 within Australia; and +61 3 9415 4380 (outside Australia)
Offer Price	A\$0.50 per Share
Official List	the official list of entities that ASX has admitted and not removed
Official Quotation	the quotation of the Shares on ASX

TERM	DESCRIPTION
Opening Date	8.30am (AEST) on 30 June 2015
Original Prospectus	the prospectus relating to an initial public offering of Shares in TTC dated 16 June 2015, lodged with ASIC on 16 June 2015 and lodged with ASX on 19 June 2015
p.a.	per annum
Pro Forma Balance Sheet	the pro forma consolidated adjusted statement of financial position as at 31 December 2014 as presented in Section 6
Prospectus	the Original Prospectus and any supplementary or replacement prospectus in relation to the Original Prospectus
Registry	Computershare Investor Services Pty Ltd
Replacement Prospectus	this replacement prospectus
Retail Investor	an investor who is not an Institutional Investor
RMB or Renminbi	Chinese Renminbi, the lawful currency of the PRC
Section	a section of this Replacement Prospectus
SFO	the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong, as amended from time to time
Shares or Share	ordinary fully paid share(s) in the Company
Shareholder	a holder of Share(s)
Subscription	the Subscription amount under the Offer, being A\$15,000,000
Successful Applicant	an Applicant who is issued Shares under the Offer
sqm or m ²	square meter
Technical Lead Manager	AFS Capital Securities
TFN	tax file number
US or United States	United States of America
US Securities Act	US Securities Act of 1933, as amended
US\$ or USD	US dollars, the lawful currency of the United States of America
WFOE	a wholly foreign owned enterprise incorporated in China
Wuhuan Fuqiao	Chongqing Wuhuan Fuqiao Healthcare Co., Ltd., incorporated in China, and one of the operating companies of the Group

How to complete this form

A Shares Applied For
Enter the number of Shares you wish to apply for. Applications for Shares must be for a minimum of \$2,000 and thereafter in multiples of \$200 and payment must be made in full at the issue price of \$0.50 per Share.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.50 per Share. The minimum amount of Application monies is \$2,000 and thereafter in multiples of \$200. Applications for less than the minimum amount may be rejected.

C Applicant Name(s)
Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

F CHES
The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque, money order or bank draft payable to **"Traditional Therapy Clinics Limited IPO A/C"** in Australian currency and cross it **'Not Negotiable'**. Your cheque, money order or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**
Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected.
Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. No receipt for payment will be forwarded to Applicants.

Before completing the Application Form the Applicant(s) should read the Replacement Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Traditional Therapy Clinics Limited is upon and subject to the terms of the Replacement Prospectus and the Constitution of Traditional Therapy Clinics Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Replacement Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Traditional Therapy Clinics Limited by no later than 5:00pm AEST on 20 August 2015. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 52, Melbourne, Victoria 3001

Neither Computershare Investor Services Pty Limited (CIS) nor Traditional Therapy Clinics Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your application, please contact the company's share registry on 1300 384 520 (within Australia) or +61 3 9415 4380 (outside Australia).

Privacy Statement

Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, Traditional Therapy Clinics Limited may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by Traditional Therapy Clinics Limited where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



Broker Code

Adviser Code

Traditional Therapy Clinics Limited

ACN 603 792 712

BROKER FIRM OFFER APPLICATION FORM

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Replacement Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Replacement Prospectus.

A I/We apply for

Number of Shares at \$0.50 per Share.

Applications must be for a minimum of \$2,000 and thereafter in multiples of \$200

B I/We lodge full Application Money

A\$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours

F CHESS Participant

Holder Identification Number (HIN)

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

By submitting this Application Form:

- I/we declare that this application is complete and lodged according to the Replacement Prospectus, and any relevant supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of Traditional Therapy Clinics Limited

See overleaf for completion guidelines →

How to complete this form

A Shares Applied For
Enter the number of Shares you wish to apply for. Applications for Shares must be for a minimum of \$2,000 and thereafter in multiples of \$200 and payment must be made in full at the issue price of \$0.50 per Share.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.50 per Share. The minimum amount of Application monies is \$2,000 and thereafter in multiples of \$200. Applications for less than the minimum amount may be rejected.

C Applicant Name(s)
Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

F CHES
The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment
Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Replacement Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Traditional Therapy Clinics Limited is upon and subject to the terms of the Replacement Prospectus and the Constitution of Traditional Therapy Clinics Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Replacement Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Broker Firm Offer Application Form

1. You must return your application so it is received by your Broker prior to the deadline set out in their offer to you.
2. If you are applying for Shares using ASX BookBuild, contact your broker, or the Technical Lead Manager, AFS Capital Securities, who will submit your bid into the ASX BookBuild Facility using the ASX code TTCXB prior to the close of the ASX BookBuild offer period.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

TRADITIONAL THERAPY CLINICS LIMITED

REGISTERED OFFICE

C/- Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

PROPOSED ASX CODE: TTC

LEAD MANAGER

QA Capital Pty Ltd
Level 15, 9 Castlereagh Street
Sydney NSW 2000

CORPORATE ADVISER

Brenowen Cross Capital Pty Limited
Level 8, 6-10 O'Connell Street
Sydney NSW 2000

BROKER AND TECHNICAL LEAD MANAGER

AFS Capital Securities Ltd
Level 12, 20 Bridge Street
Sydney NSW 2000

AUSTRALIAN LEGAL ADVISER

Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

CHINESE LEGAL ADVISER

Trend Associates
Level 28, Zhongshan Tower
154 Hudong Road
Fuzhou, China 350003

HONG KONG LEGAL ADVISER

Charles Chu & Kenneth Sit in association
with Wang Jing & Co. Law Firm
Room 1303, Level 13, Nan Fung Tower
173 Des Voeux Road
Central, Hong Kong

TRADITIONAL THERAPY CLINICS LIMITED SHARE OFFER INFORMATION LINE

Within Australia: (toll free): 1300 384 520

Outside Australia: +61 3 9415 4380

Open 8.30am to 5.00pm AEST Monday to Friday

OFFER WEBSITE

www.ttc-ltd-shareoffer.com

COMPANY WEBSITE

www.ttc-ltd.com

INVESTIGATING ACCOUNTANT

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

TAX ADVISER

BDO Corporate Tax (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067

INDEPENDENT EXPERT

Hejun Consulting Co.,Ltd
Building 213, Block E
Beiyuanlu Road, Chaoyang District
Beijing 100101
China

CHINESE LISTING CONSULTANT

Latent Felicity Inc
Level 7, No 288 Hu Dong Road,
Gu Lou District
Fuzhou, Fujian, China

