



## Results for Announcement to the Market

# Traditional Therapy Clinics Limited ("Company")

ABN 68 603 792 712

## APPENDIX 4E PRELIMINARY FINAL REPORT *for the year ended 31 December 2015*

## 1 Details of the reporting period

**Current Period:** 1 January - 31 December 2015

**Previous Corresponding Period (pcp)\*:** 1 January - 31 December 2014

*\*TTC was incorporated on 24 February 2015. Comparisons to the pcp are comparisons to the historical financial information extracted from the financial report of the Fuqiao group of companies (now wholly owned subsidiaries of TTC) for the year ended 31 December 2014 which were audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Accounting Standards. BDO Audit (WA) Pty Ltd issued an unmodified audit opinion for the 2014 financial year.*

## 2 Results for announcement to the market

Comparison to previous corresponding period	Increase/Decrease	Change %	To A\$'000
2.1 Revenue from continuing operations	Increase	45.1%	44,799
2.2 Profit from ordinary activities after income tax*	Increase	31.6%	17,127
2.3 Net profit attributable to members*	Increase	36.8%	16,874

*The Group's total net profit after income tax in FY2015 was A\$17,127,000, which includes A\$16,874,000 of net profit after income tax attributable to members and A\$253,000 of net profit after income tax attributable to non-controlling interest.*

### 2.4 Final dividend

Final Dividend	Amount Per Security	Franked Amount per Security	Foreign sourced income amount per security
Final Dividend	2.5 cents per share	Nil	2.5 cents per share
Prior corresponding period	N/A	N/A	N/A

**Record date**

The record date for determining the final dividend entitlement is 30 March 2016. The final dividend will be paid on 20 April 2016.

### 2.5 Explanation of Results

➤ **Revenue**

FY2015 recorded a 45.1% increase in revenue from A\$30.86 million in FY2014 to A\$44.8 million in FY2015. This strong growth was driven by:

- Revenue from franchise clinics increased by A\$5.55 million primarily due to the granting of 36 new franchise agreements in FY2015 and the full period impact of 62 new franchise clinics in FY2014; and
- An increase in owned clinics revenue from A\$15.98 million in FY2014 to A\$24.36 million in FY2015 primarily due to the following factors:
  - The full period impact of 2 new owned clinics acquired in the last quarter of FY2014. This contributed an additional A\$3.1 million in revenue during FY2015;
  - The acquisition of 4 new owned clinics in the last quarter of FY2015. This acquisition contributed an additional A\$1.4 million in revenue during FY2015;
  - The organic growth of 11 existing owned clinics. This contributed an additional A\$1.1 million in revenue during FY2015;
  - Average RMB: A\$ exchange rate dropped from 5.55 in FY2014 to 4.68 in FY2015. This contributed an additional A\$2.8 million in revenue during FY2015; and
  - Acquisition of 4 new owned clinics in December 2015 bringing the total newly acquired clinics to 8 for the 2015 year. There was no material revenue from the 4 clinics acquired in late December 2015.

➤ **Profit and Operating Costs**

**(A) Gross Profit**

Gross profit increased by A\$9.6 million in FY2015 (an increase of 47.1%) mainly as a result of increased revenue due to the growth in franchised and owned clinics as outlined above.

**(B) Operating Costs**

In FY2015, one off costs associated with the IPO of A\$1 million were charged to operating costs. Excluding the impact of this amount, operating costs including Selling and Distribution Expenses, General and Administrative Expenses and Other Expenses in FY2015 increased by A\$3 million mainly due to the new Australia head office cost of A\$0.83 million, IPO related travel costs of A\$0.2 million, extra owned clinics' promotional costs of A\$0.32 million, non-executive director's & CFO consulting fees of A\$0.12 million, and the expense of options and performance rights issued upon the company being admitted to ASX of A\$0.67 million. In addition, the RMB: A\$ exchange rate dropped from 5.55 in FY2014 to 4.68 in FY2015, which increased the expense by A\$0.6 million.

**(C) Net Profit After Tax**

Including the impact of one off costs associated with the IPO of A\$1 million, Net Profit After Tax increased by 31.6% from A\$13.02 million in FY2014 to A\$17.1 million in FY2015 primarily as a result of the addition of 36 franchised clinics and the acquisition of 8 new owned clinics from existing franchisees. If IPO costs were excluded, the Net Profit After Tax would have been A\$18.1 million, an increase of 39.1%.

➤ **Comparison of FY2015 Results to Prospectus Forecast**

Year Ending 31 December A\$'000	FY2015 Actual	FY2015 Prospectus Forecast	Change	Notes
<b>Revenue</b>	44,799	41,662	8%	<b>A</b>
<b>Gross profit</b>	30,042	26,624	13%	<b>A</b>
<b>Gross margin</b>	67.1%	63.9%	3%	<b>A</b>
<b>Profit before income tax</b>	24,780	21,694	14%	<b>A</b>
<b>Profit after income tax</b>	17,127	15,853	8%	<b>A</b>
<b>New franchised clinics</b>	36	35	1	
<b>Number of franchised clinics</b>	314	321	(7)	<b>B</b>
<b>Number of owned clinics</b>	19	11	8	<b>B</b>
<b>Total number of clinics</b>	333	332	1	

- A. The improved results above prospectus forecast have largely resulted from the acquisition of owned clinics and the favourable exchange rates outlined above.
- B. The reduction in the number of franchised clinics is due to the buyback of franchises and the corresponding increase of owned clinics.

### 3 Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the Year Ended 31 December 2015 *(This statement is based on accounts, which are in the process of being audited)*

	<b>Consolidated</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	44,799	30,864
Cost of revenue	(14,757)	(10,438)
Gross profit	<b>30,042</b>	<b>20,426</b>
Selling and distribution expenses	(497)	(63)
General and administrative expenses	(4,864)	(1,941)
Other expenses	(673)	(3)
Finance costs	(64)	(10)
Finance income	117	56
Other income	719	-
<b>Profit before income tax</b>	<b>24,780</b>	<b>18,465</b>
Income tax expense	(7,653)	(5,448)
<b>Profit after income tax expense</b>	<b>17,127</b>	<b>13,017</b>
<b>Other comprehensive income</b>		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Foreign currency translation	114	1,364
<b>Total comprehensive income</b>	<b>17,241</b>	<b>14,381</b>
<b>Profit for the year is attributable to:</b>		
Non-controlling interest	253	683
Owners of Traditional Therapy Clinics Limited	16,874	12,334
	<b>17,127</b>	<b>13,017</b>
<b>Total comprehensive income for the year is attributable to:</b>		
Non-controlling interest	350	689
Owners of Traditional Therapy Clinics Limited	16,891	13,692
	<b>17,241</b>	<b>14,381</b>
<b>Earnings per share:</b>		
Basic earnings per share (cents)	<b>15<sup>1</sup></b>	<b>N/A</b>
Diluted earnings per share (cents)	<b>15</b>	<b>N/A</b>

<sup>1</sup> Earnings per share calculation is based on the weighted average number of shares (220,772,000) issued to shareholders of Traditional Therapy Clinics Limited.

#### 4 Consolidated Statement of Financial Position

As at 31 December 2015 *(This statement is based on accounts, which are in the process of being audited)*

	Consolidated	
	31.12.2015 \$'000	31.12.2014 \$'000
Cash and cash equivalents	30,741	15,158
Other receivable	13	3
Prepayments	444	463
Other assets	221	-
<b>Current assets</b>	<b>31,419</b>	<b>15,624</b>
Property, plant and equipment	35,452	32,001
Intangible assets	10,385	570
Deferred tax	861	359
<b>Non-current assets</b>	<b>46,698</b>	<b>32,930</b>
<b>Total assets</b>	<b>78,117</b>	<b>48,554</b>
Borrowings	85	80
Current tax liabilities	2,485	2,064
Other payables	5,454	909
Other liabilities	305	192
Deferred revenue	10,878	9,510
<b>Current liabilities</b>	<b>19,207</b>	<b>12,755</b>
Deferred revenue	12,382	16,824
<b>Non-current Liabilities</b>	<b>12,382</b>	<b>16,824</b>
<b>Total liabilities</b>	<b>31,589</b>	<b>29,579</b>
<b>Net assets</b>	<b>46,528</b>	<b>18,975</b>
Contributed equity	17,888	4,276
Reserves	6,905	4,821
Retained earnings	21,735	8,857
<b>Equity attributable to the owners of Traditional Therapy Clinics Limited</b>	<b>46,528</b>	<b>17,954</b>
Non-controlling interests	-	1,021
<b>Total equity</b>	<b>46,528</b>	<b>18,975</b>

**5 Consolidated Statement of Changes in Equity**

**For the Year Ended 31 December 2015** *(This statement is based on accounts, which are in the process of being audited)*

	Contributed equity	Surplus reserves	Foreign currency translation reserve	Option reserves	Retained earnings	Non- controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2014</b>							
<b>Balance at 31 December 2013</b>	4,221	784	1,588	-	4,837	(192)	11,238
Profit for the year	-	-	-	-	12,334	683	13,017
Other comprehensive income for the year, net of tax	-	-	1,358	-	-	6	1,364
<b>Total comprehensive income for the year</b>	-	-	1,358	-	12,334	689	14,381
<b>Transaction with owners in their capacity as owners:</b>							
Acquisition of Non-controlling interest	55	249	(72)	-	(2,174)	1,942	-
Appropriation to surplus reserve	-	914	-	-	(914)	-	-
Dividends paid	-	-	-	-	(5,226)	(1,418)	(6,644)
<b>Balance at 31 December 2014</b>	4,276	1,947	2,874	-	8,857	1,021	18,975

**Consolidated Statement of Changes in Equity (continued)**

**For the Year Ended 31 December 2015** *(This statement is based on accounts, which are in the process of being audited)*

	Contributed equity	Surplus reserves	Foreign currency translation reserve	Option reserves	Retained earnings	Non- controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2015</b>							
<b>Balance at 31 December 2014</b>	4,276	1,947	2,874	-	8,857	1,021	18,975
Profit for the year	-	-	-	-	16,874	253	17,127
Other comprehensive income for the year, net of tax	-	-	17	-	-	97	114
<b>Total comprehensive income for the year</b>	-	-	17	-	16,874	350	17,241
<b>Transaction with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction cost	13,392	-	-	-	-	-	13,392
Acquisition of Non-controlling interest	220	133	138	-	880	(1,371)	-
Appropriation to surplus reserve	-	1,123	-	-	(1,123)	-	-
Share based payments	-	-	-	673	-	-	673
Dividends paid	-	-	-	-	(3,753)	-	(3,753)
<b>Balance at 31 December 2015</b>	17,888	3,203	3,029	673	21,735	-	46,528

**6 Consolidated Statement of Cash Flows**

**For the Year Ended 31 December 2015** *(This statement is based on accounts, which are in the process of being audited)*

	<b>Consolidated</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	39,962	27,746
Payments to suppliers and employees	(18,530)	(10,666)
Interest received	116	56
Income tax paid	(7,233)	(4,971)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>14,315</b>	<b>12,165</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of clinics, net of cash acquired	(8,756)	-
Purchase of property, plant and equipment	-	(1,674)
Loans to shareholders	-	(8,680)
Loan repayments made by shareholders	-	916
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,756)</b>	<b>(9,438)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	15,000	-
Share issue transaction costs	(2,242)	-
Advances from shareholders	-	117
Loan repayments made to shareholders	-	(729)
Dividends paid to non-controlling interests in subsidiaries	-	(1,418)
Dividends paid to company's owners	(3,753)	(5,226)
<b>CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>9,005</b>	<b>(7,256)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>14,564</b>	<b>(4,529)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>15,158</b>	<b>18,813</b>
Effect of exchange rate changes on cash and cash equivalents	1,019	874
<b>CASH AT YEAR END</b>	<b>30,741</b>	<b>15,158</b>

## 7 Dividend Payment Information

	Type	Paid/ Declared	Total dividend	Dividend amount per security	Franked amount per security	Foreign sourced income amount per security
20 April 2016	Final	Declared	\$5,519,300	2.50 cents	0 cents	2.50 cents
30 October 2015	Interim	Paid	\$3,753,124	1.70 cents	0 cents	1.70 cents

## 8 Dividend/distribution reinvestment plan

The Board has adopted a Dividend Re-investment Plan (DRP) and determined that the DRP will apply to the final dividend to be paid on 20 April 2016. Eligible shareholders who wish to participate in the DRP must elect to do so by 1 April 2016. Directors have determined that the price at which shares will be issued under the DRP will be the arithmetic average of each of the daily volume weighted average sale prices of TTC shares sold on ASX for each 5 days commencing on the second trading day after the Record Date of 30 March 2016, less a discount of 5%.

## 9 Net tangible assets per ordinary share

	31.12.2015	31.12.2014
	Cents	Cents
Net tangible assets per ordinary share	31	N/A

## 10 Details of entities over which control has been gained or lost during the period

The Company was incorporated on 24 February 2015. In May 2015, the Company acquired 100% of the shares of China Fuqiao Healthcare Industry (Hong Kong) Limited, together with its wholly owned subsidiary Fuqiao (Chongqing) Holding Co., Ltd, which is the main operating and holding company of the business in China.

The Company only acts as a holding company of the TTC group. The operating business companies are Fuqiao (Chongqing) Holding Co., Ltd and its wholly owned subsidiaries.

## 11 Details of associates and joint venture entities

N/A

## 12 Other significant information

With the exception of the dividend referred to in note 7 above, there are no other significant events or information not otherwise disclosed in these reports needed by an investor to make an informed assessment of the entity's financial performance and financial position.

## 13 Accountings standards

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4E.

## 14 Review of operations

The principal activity of the TTC group during the financial year was the provision of health services through its Fuqiao brand of franchised and owned health and wellness clinics throughout China.

In addition to the Explanation of Results set out in section 2.5 above, the Company provides the following information:

- On 3 September 2015, the Company completed an initial public offering (IPO) and was listed on the Australian Securities Exchange Limited (ASX), successfully raising gross proceeds of A\$15,000,000, through the issue of 30,000,000 shares at an issue price of A\$0.50 per share;
- During the 2015 financial year the Company continued its focus on growing the number of franchised clinics, opening an additional 36 clinics (2015 target: 35 clinics);
- The Company also continued to focus on its core strategy of growing the number of owned clinics and acquired a further 8 clinics from its existing franchise base. The 8 clinics were acquired at a multiple of between 2 and 2.5 x EBITDA, using funds raised from the IPO in September 2015;
- Also in line with its business plan the Company trained an additional 4,215 therapists exceeding its target by 365 therapists, to support future growth; and
- The Company also continued to explore additional therapy techniques and embark on ongoing improvements in all aspects of its core services so as to further enhance its overall customer experience.

#### **15 Auditing Status**

This report is based on accounts, which are in the process of being audited.

#### **16 Audit disputes or qualifications**

This report is based on accounts, which are in the process of being audited.