



# Traditional Therapy Clinics Limited

ABN 68 603 792 712

## APPENDIX 4D AND INTERIM FINANCIAL REPORT *for the half-year ended 30 June 2016*

[www.ttc-ltd.com](http://www.ttc-ltd.com)

Traditional Therapy Clinics Limited  
c/- Baker & McKenzie  
Level 27, AMP Centre  
50 Bridge Street, Sydney NSW Australia 2000  
ABN 68 603 792 712

Geoff Ross (Chairman)  
Phone: +61 407 780 683  
Email: [geoff.ross@bridgechinaadvisor.com](mailto:geoff.ross@bridgechinaadvisor.com)

Nicholas Ong (Co Sec):  
Phone: +61 424 598 561  
Email: [nicholas.ong@minervacorporate.com.au](mailto:nicholas.ong@minervacorporate.com.au)

**Traditional Therapy Clinics Limited**  
**ANB 68 603 792 712**  
**Appendix 4D**

**1. Details of the reporting period**

Current Period: 1 January 2016– 30 June 2016  
 Previous Corresponding Period: 1 January 2015– 30 June 2015

**2. Results for announcement to the market**

Comparison to previous period	Increase/Decrease	Change %	To \$'000
2.1 Revenue from continuing operations	Increase	42.7%	28,902
2.2 Profit from ordinary activities after income tax attributable to members	Increase	28.1%	9,472
2.3 Net profit attributable to members	Increase	28.1%	9,472

2.4 Dividend	Amount Per Security	Franked Amount per Security	Foreign sourced income amount per security
Interim dividend declared for the half year ended 30 June 2016	1.7 cents per share	n/a	1.7 cents per share
Financial dividend for the year ended 31 December 2015	2.5 cents per share	nil	2.5 cents per share

**2.5 Record date**

The record date for determining the interim dividend entitlement is 30 September 2016. The dividend will be paid on 30 October 2016.

**2.6 Explanation of Results**

The explanation of the results is included in the Directors' Report.

**3. Net tangible assets per ordinary share**

	30.06.2016 Cents	31.12.2015 Cents
Net tangible assets per ordinary share	18	31

**4. Details of entities over which control has been gained or lost during the period**

N/A

**5. Dividend Payment Information**

Subsequent to the end of the financial period, the directors have recommended the payment of an unfranked interim dividend of \$3,938,410 (1.7 cents per fully paid share) to be paid on 30 October 2016, with 100% being classified as conduit foreign income, sourced from subsidiaries of the Company.

On 29 February 2015, the Company declared a final dividend for the year ended 31 December 2015 of \$5,519,300 (2.50 cents per fully paid share). The foreign sourced income amount per share was 2.50 cents.

Of the total dividend declared, \$1,301,944 was paid on 20 April 2016, and \$335,146 was reinvested in the Company through the Dividend Reinvestment Plan on 20 April 2016. The remaining balance of \$3,882,210 was unpaid at the date of this report.

**6. Dividend/distribution reinvestment plan**

N/A

**7. Audit Disputes or Qualifications**

There are no audit disputes or qualifications.

**8. Accounting Standards**

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

# **Traditional Therapy Clinics Limited and Its Subsidiaries**

**ANB 68 603 792 712**

**Consolidated Financial Statements  
For the Half Year Ended 30 June 2016**

## CONTENTS

	Page
Directors' Report.....	4
Auditor's Independence Declaration .....	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	8
Consolidated Statement of Financial Position.....	9
Consolidated Statement of Changes in Equity.....	10
Consolidated Statement of Cash Flows .....	11
Notes to the Financial Statements .....	12
Directors' Declaration .....	19
Independent Auditor's Report.....	20

## Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Traditional Therapy Clinics Limited (the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2016 ('reporting period').

### Directors

The Directors at any time during the reporting period and up to the date of this report are:

<b>Geoff Ross</b> (appointed 6 July 2016)	Chairman Independent, Non-executive Director
<b>Andrew Sneddon</b> (resigned 4 August 2016)	Chairman Independent, Non-executive Director
<b>Zhirong Hu</b>	Managing Director
<b>Sanzheng Zhang</b>	Executive Director
<b>Christian Drysdale</b> (appointed 6 July 2016)	Independent, Non-executive Director
<b>Jeffrey Fisher</b> (resigned 6 July 2016)	Independent, Non-executive Director
<b>Glen Lees</b> (resigned 6 July 2016)	Independent, Non-executive Director

### Principal activities

During the financial period the principal continuing activities of the consolidated entity consisted of providing healthcare services in People's Republic of China.

## Review of operations

The table below sets out the selected key performance indicators for the half year's ending 30 June 2016 ("HY2016") and 30 June 2015 ("HY2015"):

A\$'000	HY2016	HY2015	Change
<b>Revenue</b>			
Revenue from Franchise Clinics	10,145	9,420	8%
Revenue from Owned Clinics	18,757	10,832	73%
<b>Total Revenue</b>	<b>28,902</b>	<b>20,252</b>	<b>43%</b>
Cost of revenue	10,992	6,653	65%
<b>Gross profit</b>	<b>17,910</b>	<b>13,599</b>	<b>32%</b>
Selling and distribution expenses	200	298	-33%
General and administrative expenses	2,363	1,498	58%
IPO Cost	-	834	
Other expense	589	87	577%
Finance costs	80	26	208%
Finance income	60	31	94%
<b>Profit before income tax</b>	<b>14,738</b>	<b>10,887</b>	<b>35%</b>
Depreciation & amortisation	842	524	61%
Finance costs	80	26	208%
Finance income	60	31	94%
<b>EBITDA</b>	<b>15,600</b>	<b>11,406</b>	<b>37%</b>
IPO costs	-	834	
<b>EBITDA (before IPO costs)</b>	<b>15,600</b>	<b>12,240</b>	<b>27%</b>

### (A) Revenue

HY2016 recorded a 43% increase in revenue from \$20.3 million in HY2015 to \$28.9 million in HY2016. This strong growth was driven by:

- Revenue from Franchise Clinics increased by \$0.7 million primarily due to the granting of 21 new Franchise Agreements in HY2016 and the full period impact of 36 new Franchise Clinics in FY2015.
- An increase in Owned Clinics revenue from \$10.8 million in HY2015 to \$18.8 million in HY2016 primarily due to the following factors:
  - The full period impact of 8 new Owned Clinics acquired in the last quarter of FY2015. This contributed an additional \$7.6 million in revenue during HY2016; and
  - The organic growth of 8 existing Owned Clinics. This contributed an additional \$0.4 million in revenue during HY2016.

### (B) Gross Profit

Gross profit increased by \$4.3 million in HY2016 (an increase of 32%) mainly as a result of increased revenue reflecting the matters discussed above.

### (C) Operating Costs

In HY2015, IPO costs of A\$0.83 million were incurred. Excluding the impact of this amount, Operating Costs including Selling and Distribution Expenses, General and Administrative Expenses and Other Expenses in HY2016 increased by \$1.3 million mainly due to the increase in Australia head office cost by \$0.6 million, and the increase in expense of options and performance rights by \$0.1 million. In addition, foreign exchange loss of \$0.4 million was incurred in HY2016.

## (D) EBITDA

Excluding the impact of one off costs associated with the IPO of \$0.8 million, EBITDA (before IPO costs) increased from \$12.24 million in HY2015 to \$15.6 million in HY2016 primarily as a result of strong growth of Revenue and increased Gross Profit, reflecting the matters discussed above.

### Significant changes in the state of affairs

Contributed equity increased by \$5,312,099 (from \$17,888,254 to \$ 23,200,353) as the result of the issue of shares under the Dividend Reinvestment Plan (DRP) and DRP Shortfall Placement.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

### Rounding of amounts

The company is of a kind referred to in ASIC Corporations Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) (a) of the Corporations Act 2001.

On behalf of the directors



---

Zhirong Hu  
Managing Director

31 August 2016  
People's Republic of China



---

Geoff Ross  
Chairman

31 August 2016  
Australia

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF TRADITIONAL THERAPY CLINICS LIMITED**

As lead auditor for the review of Traditional Therapy Clinics Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Traditional Therapy Clinics Limited and the entities it controlled during the period.



**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 31 August 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30.06.2016 \$'000	30.06.2015 \$'000
Revenue		28,902	20,252
Cost of revenue		(10,992)	(6,653)
Gross profit		17,910	13,599
Selling and distribution expenses		(200)	(298)
General and administrative expenses	4	(2,363)	(1,498)
Other expenses	4	(589)	(87)
IPO costs		-	(834)
Finance costs		(80)	(26)
Finance income		60	31
<b>Profit before income tax</b>		<b>14,738</b>	<b>10,887</b>
Income tax expense		(5,266)	(3,242)
<b>Profit after income tax expense</b>		<b>9,472</b>	<b>7,645</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,792)	1,559
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,792)</b>	<b>1,559</b>
<b>Total comprehensive income</b>		<b>7,680</b>	<b>9,204</b>
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		-	253
Owners of Traditional Therapy Clinics Limited		9,472	7,392
		<b>9,472</b>	<b>7,645</b>
<b>Total comprehensive income for the period is attributable to:</b>			
Non-controlling interest		-	350
Owners of Traditional Therapy Clinics Limited		7,680	8,854
		<b>7,680</b>	<b>9,204</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit for the period</b>			
Basic earnings per share	9	4.21	36.7
Diluted earnings per share	9	4.21	36.7

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2016 \$'000	31.12.2015 \$'000
Cash and cash equivalents		45,610	30,741
Other receivable	5	18,177	13
Prepayments		480	444
Other assets		50	221
<b>Current assets</b>		<u>64,317</u>	<u>31,419</u>
Property, plant and equipment	6	8,087	35,452
Intangible assets		12,962	10,385
Deferred tax		1,136	861
<b>Non-current assets</b>		<u>22,185</u>	<u>46,698</u>
<b>Total assets</b>		<u><b>86,502</b></u>	<u><b>78,117</b></u>
Borrowings		-	85
Current tax liabilities		3,585	2,485
Other payables		3,153	5,454
Dividend payables	8	3,882	-
Other liabilities		401	305
Deferred revenue		9,419	10,878
<b>Current liabilities</b>		<u>20,440</u>	<u>19,207</u>
Deferred revenue		11,866	12,382
<b>Non-current Liabilities</b>		<u>11,866</u>	<u>12,382</u>
<b>Total liabilities</b>		<u><b>32,306</b></u>	<u><b>31,589</b></u>
<b>Net assets</b>		<u><b>54,196</b></u>	<u><b>46,528</b></u>
Contributed equity	9	23,200	17,888
Reserves		5,308	6,905
Retained earnings		25,688	21,735
<b>Total equity</b>		<u><b>54,196</b></u>	<u><b>46,528</b></u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	-	-	-	-	7,392	253	7,645
Other comprehensive income for the year, net of tax	-	-	1,462	-	-	97	1,559
<b>Total comprehensive income for the year</b>	-	-	1,462	-	7,392	350	9,204
<b>Transaction with owners in their capacity as owners:</b>							
Appropriation to surplus reserve	-	526	-	-	526	-	-
Acquisition of Non-controlling interest	220	133	138	-	880	(1,371)	-
Share-based payments expense	-	-	-	87	-	-	87
<b>Balance at 30 June 2015</b>	4,496	2,606	4,474	87	16,603	-	28,266
<b>Consolidated 2016</b>							
<b>Balance at 31 December 2015</b>	17,888	3,203	3,029	673	21,735	-	46,528
Profit for the period	-	-	-	-	9,472	-	9,472
Other comprehensive income for the year, net of tax	-	-	(1,792)	-	-	-	(1,792)
<b>Total comprehensive income for the year</b>	-	-	(1,792)	-	9,472	-	7,680
<b>Transaction with owners in their capacity as owners:</b>							
Appropriation to surplus reserve	-	-	-	-	-	-	-
Contributions of equity, net of transaction costs	5,312	-	-	-	-	-	5,312
Dividends (Note 8 )	-	-	-	-	(5,519)	-	(5,519)
Share-based payments expense	-	-	-	195	-	-	195
<b>Balance at 30 June 2016</b>	23,200	3,203	1,237	868	25,688	-	54,196

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	30.06.2016 \$'000	30.06.2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		27,822	18,631
Payments to suppliers and employees		(12,570)	(8,353)
Interest received		60	31
Income tax paid		(4,150)	(3,470)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		<u>11,162</u>	<u>6,839</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of clinics, net of cash acquired	10	(6,090)	-
Purchase of property, plant and equipment		(5)	-
Refund received in relation to purchase of property		7,756	-
Loans to shareholders		-	(5,320)
<b>CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		<u>1,661</u>	<u>(5,320)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		5,183	-
Share issue transaction costs		(295)	-
Advances from shareholders		-	-
Loan repayments made to shareholders	7	(84)	-
Dividends paid to company's owners		(1,302)	-
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		<u>3,502</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>		16,325	1,519
<b>CASH AT BEGINNING OF PERIOD</b>		30,741	15,158
Effect of exchange rate changes on cash and cash equivalents		(1,456)	1,126
<b>CASH AT PERIOD END</b>		<u><u>45,610</u></u>	<u><u>17,803</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to Financial Statements

### Note 1. Corporate information

The financial statements cover Traditional Therapy Clinics Limited as a consolidated entity consisting of Traditional Therapy Clinics Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2016. The financial statements are presented in Australian dollars, which is Traditional Therapy Clinics Limited's presentation currency.

Traditional Therapy Clinics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 27 AMP Centre 50 Bridge Street Sydney NSW 2000	Block A 4F, Da Gong Guan Wuhuan Building Jiulongpo District Chongqing People's Republic of China

The principal activities of the Group are providing healthcare services in People's Republic of China.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2016.

### Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

#### New, revised or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

## Notes to Financial Statements

### Note 3. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of the nature of the business activities. Operating segments are therefore determined on the same basis.

The following operating segments have been noted:

- Franchise Clinics: 332 Franchise Clinics located in 28 administrative divisions in China as at 30 June 2016
- Owned Clinics: 22 Owned Clinics located in Chongqing, Zhejiang, Sichuan, Jiangsu, Yunnan, Fujian, Guangxi, Guangdong and Hainan as at 30 June 2016

### Segment information

Segment information provided to the board of directors for the half year ended 30 June is as follows:

30 June 2016	Owned Clinics	Franchise Clinics	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
<b>Treatment service revenue</b>	18,757	-	-	18,757
<b>Franchise revenue</b>				
Franchise fee	-	3,644	-	3,644
Training fee	-	2,555	-	2,555
Management fee	-	3,947	-	3,947
<b>Revenue</b>	<b>18,757</b>	<b>10,145</b>	<b>-</b>	<b>28,902</b>
<b>Adjusted EBITDA (before IPO costs)</b>	<b>8,233</b>	<b>9,738</b>	<b>(2,371)</b>	<b>15,600</b>
30 June 2015	Owned Clinics	Franchise Clinics	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
<b>Treatment service revenue</b>	10,832	-	-	10,832
<b>Franchise revenue</b>				
Franchise fee	-	3,348	-	3,348
Training fee	-	2,406	-	2,406
Management fee	-	3,666	-	3,666
<b>Revenue</b>	<b>10,832</b>	<b>9,420</b>	<b>-</b>	<b>20,252</b>
<b>Adjusted EBITDA (before IPO costs)</b>	<b>4,704</b>	<b>8,887</b>	<b>(1,351)</b>	<b>12,240</b>

### Other segment information

The executive management committee monitors segment performance based on adjusted EBITDA. This measure excludes non-recurring expenditure such as restructuring costs, impairments and share-based payments as well as interest revenue and interest expense and unrealised gains/losses on financial instruments, which are considered part of the treasury function.

## Notes to Financial Statements

### Note 3: Segment Reporting (continued)

Adjusted EBITDA reconciles to net profit before income tax as follows:

	30.06.2016	30.06.2015
	\$'000	\$'000
<b>Adjusted EBITDA</b>	15,600	12,240
Depreciation & amortisation	(842)	(524)
Finance costs	(80)	(26)
IPO costs	-	(834)
Finance income	60	31
<b>Profit before income tax</b>	<b>14,738</b>	<b>10,887</b>

### Note 4: Expenses

Profit before income tax is derived at after taking the following into account:

	30.06.2016	30.06.2015
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<b>Depreciation</b>	736	524
<b>Amortisation</b>		
Re-acquired rights	106	-
<b>Employee benefits expenses</b>		
Wages and salaries	6,063	3,829
Social security plans	1,234	626
Welfare expenses	291	206
Total employee benefits expenses	7,588	4,661
<b>Rental expenses relating to operating leases</b>		
Minimum lease payments	1,268	558
<b>IPO costs</b>		
One off costs associated with the IPO	-	834
<b>Other expenses</b>		
Share-based payment expense	195	87
Foreign currency exchange loss	394	-

## Notes to Financial Statements

### Note 5. Other receivable

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivables	18,177	13

In the first half year of 2016, the Group decided not to go forward with the purchase of the new office building in Chongqing China and had successfully negotiated a mutual termination of the property purchase agreement. The developer has agreed to refund the Group, in full, the purchase money paid in the prior years (RMB 128 million) in four installments by 31 December 2016.

The Group received two installments in April 2016 and in June 2016. At 30 June 2016, the unpaid balance was \$18.121 million (RMB 89.6 million), which was included in other receivables above.

### Note 6. Property, plant and equipment

During the current period, \$25.887 million of property, plant and equipment was transferred to other receivables due to the cancellation of the purchase of the property. At 30 June 16 the receivables balance is \$18.121 million. Refer to note 5 above.

### Note 7. Related party transactions

#### *Payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with KMP:

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>\$</b>	<b>\$</b>
<b>Loans from KMP</b>		
Opening – Ms Zhirong Hu	85,134	80,469
Advances from KMP – Mr Zhonghan Wu	-	220,900
Repayment to KMP – Mr Zhonghan Wu	-	(220,900)
Repayment to KMP – Ms Zhirong Hu	(84,104)	-
Effect of movements in foreign exchange	(1,030)	4,665
Balance at year end – Ms Zhirong Hu	-	85,134

The balance of payable to KMP is interest free and has no fixed repayment terms.

### Note 8. Dividends

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for year ended 31 December 2015 of 2.50 cents per fully paid share declared on 29 February 2016*	5,519	-
	5,519	-

\*\* An unfranked final dividend for 2.50 cents per fully paid shares was declared on 29 February 2016, amounting to \$5,519,300. On 20 April 2016, \$1,301,944 was paid to the shareholders and \$335,146 was reinvested in the Company through the Dividend Re-investment Plan (DRP). At 30 June 2016, the unpaid dividend was \$3,882,210.

## Notes to Financial Statements

### Note 8. Dividends (continued)

Subsequent to the end of the financial period, the directors have recommended the payment of an unfranked interim dividend of \$3,938,410 (1.7 cents per fully paid share).

This proposed dividend is expected to be paid on 30 October 2016 and has not been recognised as a liability at the end of the reporting period.

### Note 9: Contributed equity

#### (a) Share capital

	30 June 2016		31 December 2015	
	Shares	\$'000	Shares	\$'000
Ordinary shares fully paid	231,671,190	23,200	220,772,000	17,888

#### (b) Movements in share capital

Details	Date	Number of shares	Issue price	\$'000
At 1 January 2015		N/A		4,276
Acquisition of Non-controlling interest				220
Issued as part of the restructure	12 June 2015	190,772,000		-
Initial public offering on ASX	3 September 2015	30,000,000	\$0.50	15,000
Less: transaction costs arising on shares issued				(2,242)
Add: deferred tax arising from share issue costs				634
At 31 December 2015		220,772,000		17,888
Issued to participants in DRP Shortfall Placement	19 April 2016	9,949,678	\$0.5063	5,038
Issued to participants in DRP Shortfall Placement	20 April 2016	287,602	\$0.5063	146
Issued under DRP	20 April 2016	661,910	\$0.5063	335
Less: transaction costs arising on shares issued				(295)
Add: deferred tax arising from share issue costs				88
At 30 June 2016		231,671,190		23,200

#### Ordinary shares

Before the group restructuring, ordinary shareholders participate in dividends and the proceeds on winding up of the Group in proportion to the percentage of shareholding. The voting rights of every ordinary shareholder are in accordance with the percentage of shareholding.

#### Earnings per share for profit for the period

	30.06.2016	30.06.2015
	Cents	Cents
Basic earnings per share	4.21	36.7 <sup>1</sup>
Diluted earnings per share	4.21	36.7 <sup>1</sup>

<sup>1</sup> Earnings per share calculation is based on the weighted average number of shares (190,772,000) issued to existing shareholders of Traditional Therapy Clinics Limited on 12 June 2015.

## Notes to Financial Statements

### Note 10: Business combinations

#### Acquisitions in the half year ending 30 June 2016

On 30 June 2016 the Group acquired 100% of the ownership of 3 clinics from its franchised clinic base in line with its business strategy to grow its owned clinic network and diversify its revenue stream.

Details of the net assets acquired, goodwill and purchase consideration are as follows:

	Crystal City Clinic	Rongyao Clinic	Jindao Clinic	Total
	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	260	369	65	694
Prepayments	7	58	9	74
Net identifiable assets and liabilities	267	427	74	768
Reacquired rights	16	16	22	54
Goodwill	971	750	1,340	3,061
Net assets acquired	1,254	1,193	1,436	3,883

#### Purchase consideration comprises:

	Crystal City Clinic	Rongyao Clinic	Jindao Clinic	Total
	\$'000	\$'000	\$'000	\$'000
Cash paid	564	537	646	1,747
Deferred consideration	690	656	790	2,136
	1,254	1,193	1,436	3,883

#### Revenue and profit contribution

The Group acquired the 3 clinics on 30 June 2016. If the acquisition had occurred on 1 January 2015, the revenue of the Group would have been \$31.458 million and the net profit after tax would have been \$10.117 million.

#### Acquisition-related costs

No material acquisition related costs were incurred on the acquisition of the 3 clinics.

#### Purchase consideration - cash outflow

	30.06.2016	30.06.2015
	\$'000	\$'000
Outflow of cash to acquire clinics, net of cash acquired		
Cash consideration paid	6,090	-
Less: cash and cash equivalent acquired	-	-
Net of outflow of cash – investing activities	6,090	-

\$4.343 million is last payments for the 8 acquisitions in 2015.

#### Subsequent payments

On 10 August 2016, the Group made the second instalment to the vendors, totaling \$1.695 million (RMB 8.64 million).

## Notes to Financial Statements

### Note 11. Contingent liabilities

The Group has no contingent liabilities or contingent assets as at 30 June 2016. (2015: \$nil).

### Note 12. Events after the reporting period

Subsequent to the end of the financial period, the directors have recommended the payment of an unfranked interim dividend of \$3,938,410 (1.7 cents per fully paid share) to be paid on 30 October 2016.

Apart from the payments on the purchase of 3 clinics as disclosed in note 10 and the interim dividend referred to above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

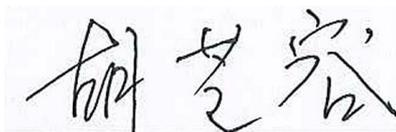
## Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



---

Zhirong Hu  
Managing Director

31 August 2016  
People's Republic of China



---

Geoff Ross  
Chairman

31 August 2016  
Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Traditional Therapy Clinics Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Traditional Therapy Clinics Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Traditional Therapy Clinics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Traditional Therapy Clinics Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Traditional Therapy Clinics Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

**Phillip Murdoch**

**Director**

Perth, 31 August 2016