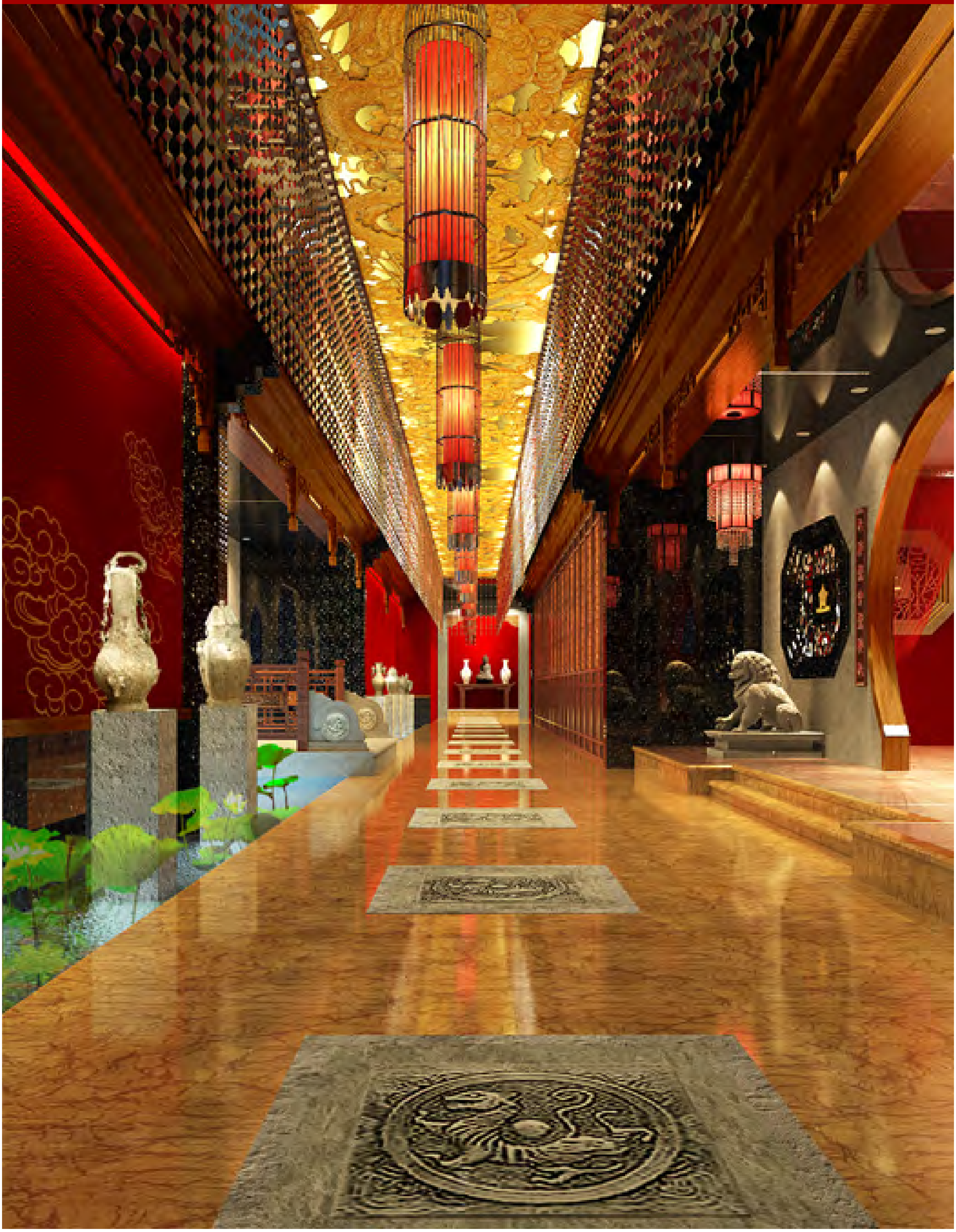
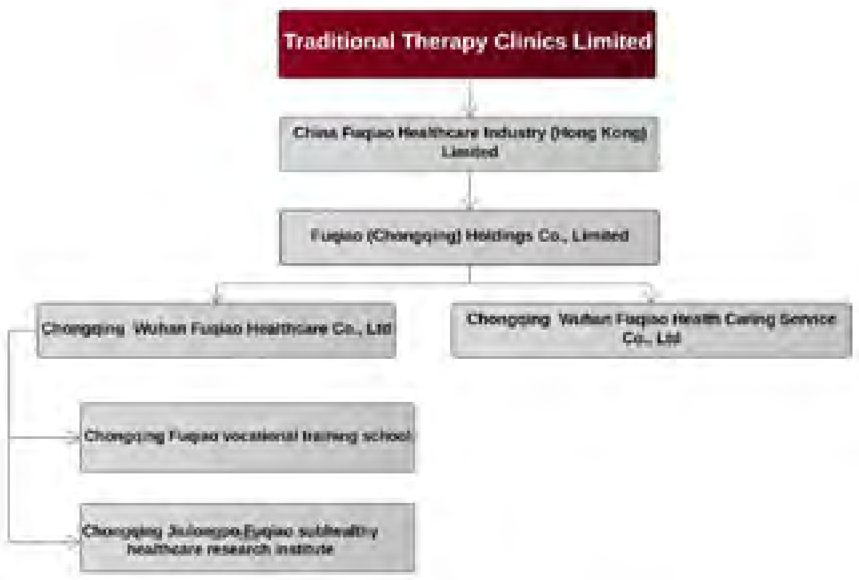
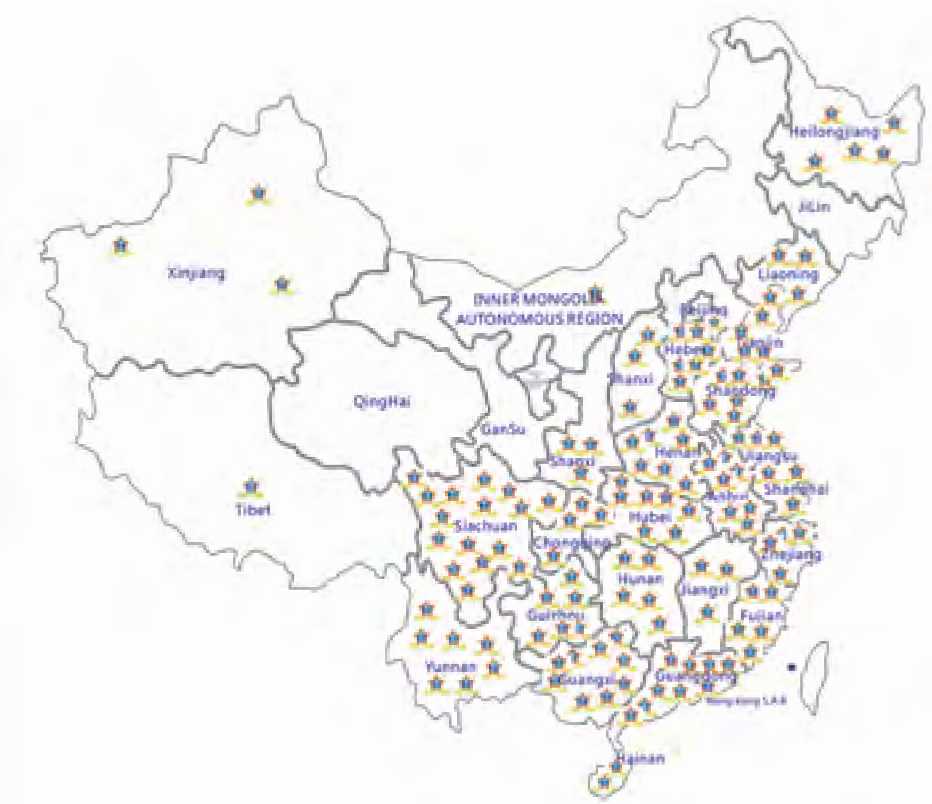
2015 Annual Report
Traditional Therapy Clinics



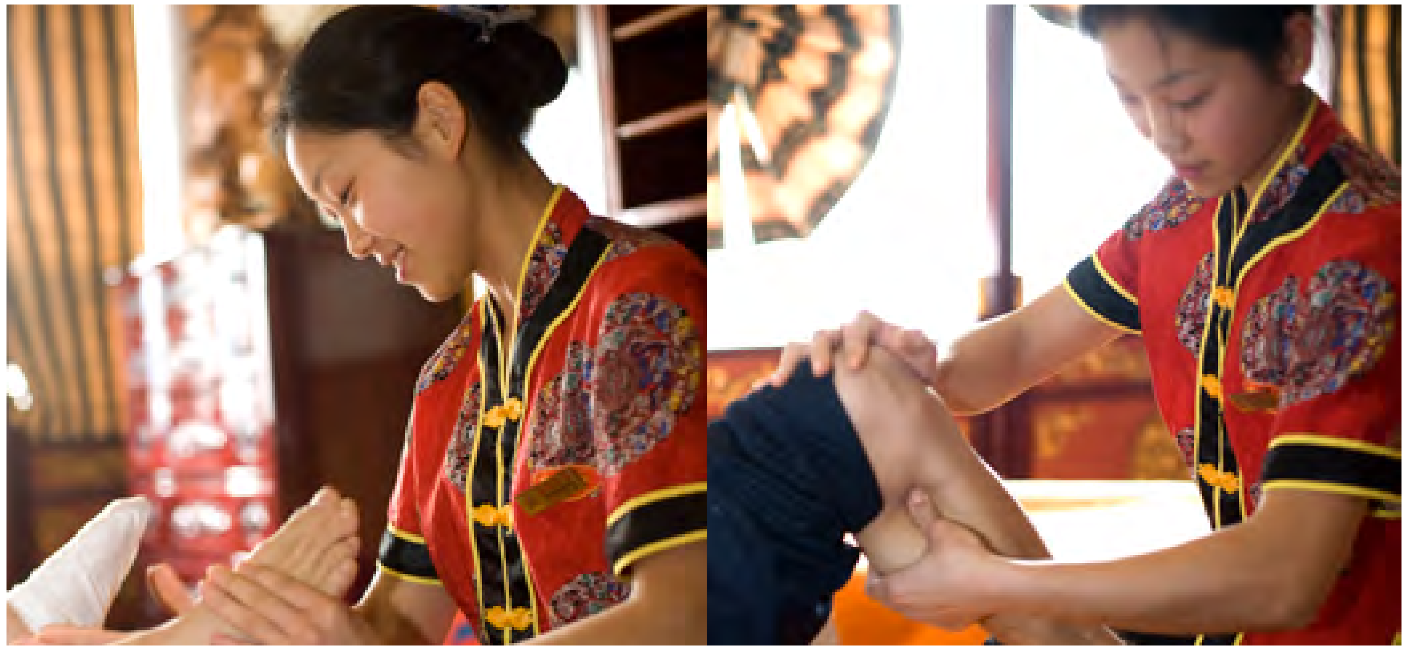
About Traditional Therapy Clinics Limited

Traditional Therapy Clinics (TTC or the Company) and its wholly owned entities (TTC Group or the Group) operates under the Fuqiao brand and is the largest franchisor and owner of traditional therapeutic health and wellness clinics in China. TTC operates in 27 of China's 33 administrative divisions and engages 13,000 therapists across its network of 333 franchised and owned clinics. The Fuqiao brand is highly recognised throughout China and a government-recognised industry leader, having received the prestigious Chinese Well-Known Trademark designation. TTC listed on the Australian Securities Exchange on 3 September 2015 and has a corporate office in Sydney and head office in Chongqing, People's Republic of China.





Province	Clinics
Guizhou	43
Zhejiang	35
Siachuan	33
Chongqing	30
Henan	28
Guangxi	21
Jiangsu	19
Shandong	18
Fujian	17
Guangdong	12
Anhui	11
Hebei	9
Hubei	9
Hainan	7
Yunnan	7
Tianjin	5
Heilongjiang	5
Hunan	5
Shanxi	3
Shanghai	3
Xinjiang	3
Liaoning	3
Jiangxi	3
shanxi	2
Beijing	2
Tibet	1
Mongolia	1
Total	333



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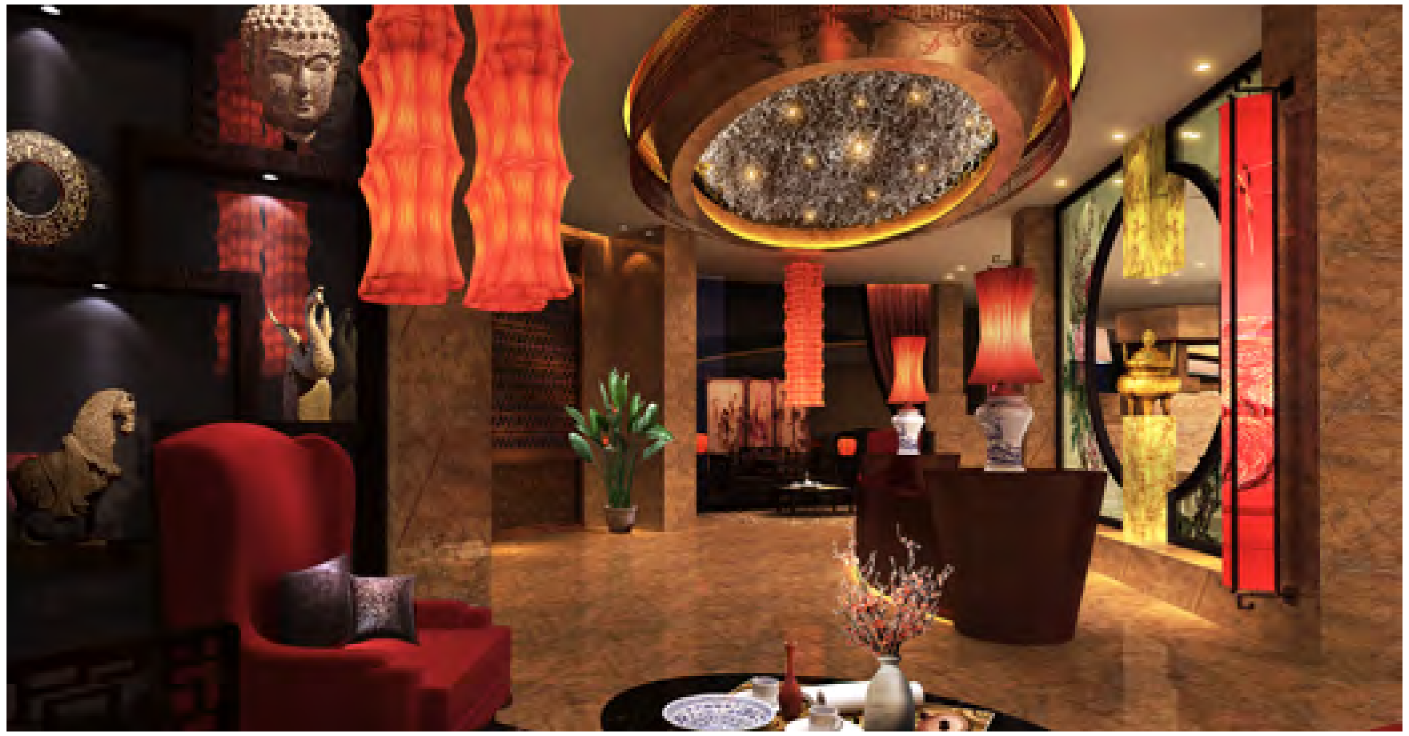
2015 Highlights

During its maiden year as a listed company, we are pleased to report that TTC delivered both business and earnings growth strategies set at the time of the IPO.

TTC delivered $25.9m in earnings before interest, depreciation and tax (EBITDA) and $17.1m in net profit after tax (NPAT) result for FY2015.

Operationally, we were pleased to open our 300th clinic during the year which was a significant milestone for the group. At the end of 2015 we are proud to have established 333 clinics throughout China. Importantly, during the year progress was made in delivering on our strategy to own a larger proportion of our clinics. Eight previously franchised businesses were acquired by the group taking total owned clinics to 19.

Year ended 31 December 2015 (A$ million)	FY15 Actual	FY15 Prospectus Forecast	+/(-) %	Achieved
Revenue	44.8	41.7	7%	
Gross Profit	30.0	26.6	13%	
Gross Margin	67%	64%	3%	
NPBT	24.8	21.7	14%	
NPAT	17.1	15.9	8%	
Additional Franchises	36	35	1	
Number of Franchised Clinics	314	321	(7)	
Number of Owned Clinics	19	11	8	
Total Number of Clinics	333	332	1	



2015 Highlights

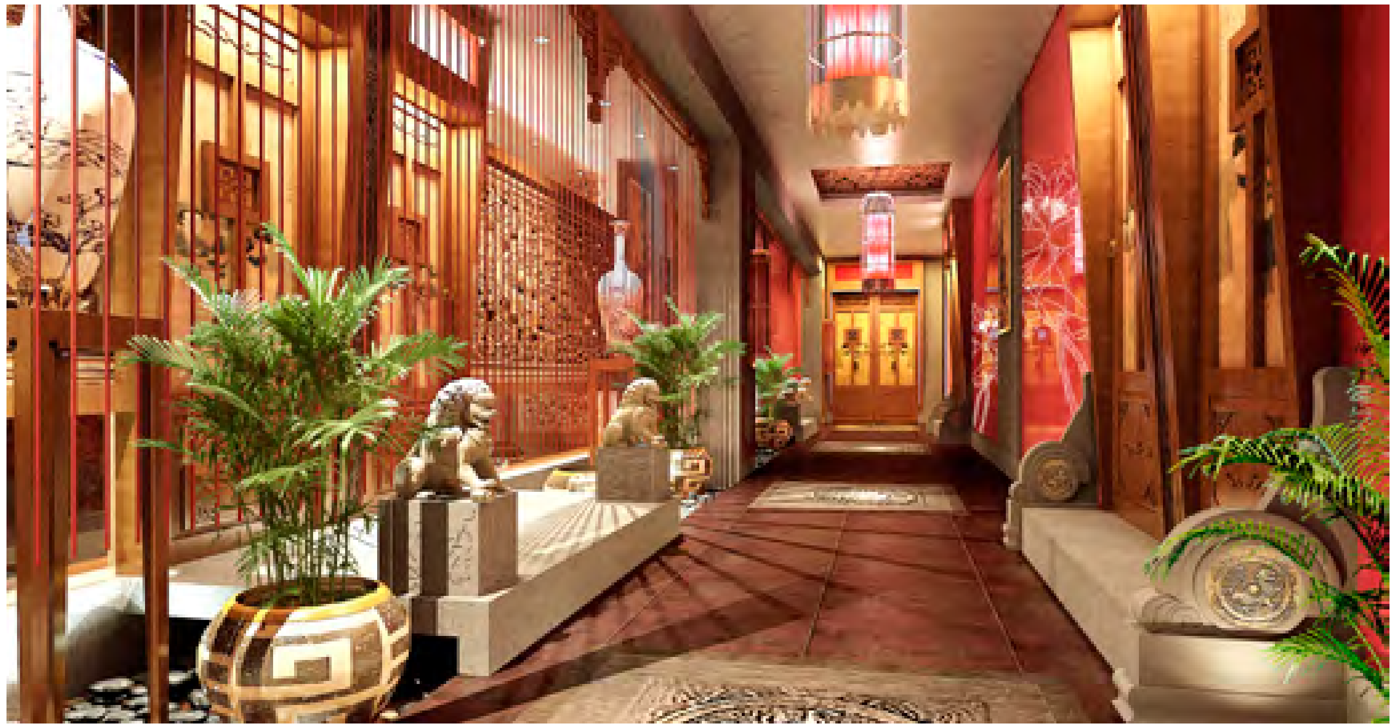
Financial Achievements

- ✔ Successful IPO and Listing on the ASX raising $15 million
- ✔ Revenue $44.8 million up 45.1% compared to the Revenue for the prior corresponding period (pcp)
- ✔ EBITDA $25.9 million up 34% compared to the EBITDA for the pcp
- ✔ NPAT $17.13 million up 31.6% compared to the NPAT for the pcp
- ✔ Earnings Per Share A 7.7 cents based on shares outstanding at 31 December 2015*
- ✔ Final Divided 2.5 cents per share (unfranked)
- ✔ Full year Dividends of 4.2 cents per share being an 8.4% yield on the IPO price

Operational Highlights

- ✔ 36 new franchised stores opened in FY2015, an increase of 13% from pcp
- ✔ 8 stores acquired and operated by TTC (FY2015 total: 19 clinics, 73% higher than the pcp)
- ✔ Every owned clinic opened for the full 2015 year showed growth year on year with like for like sales growth of 6.8% and EBITDA growth of 8.3%
- ✔ 4,215 new therapists trained, 365 more than planned in FY2015
- ✔ Cultural Palace Clinic receives National Advanced Group status, the highest level of recognition in the Chinese service industry

*The EPS of A7.7 cents per share is the actual EPS. The EPS of A15.0 cents per share disclsoed in the financial statements was calculated using the weighted average number of shares as per the Australian Accounting Standards



A Message from Andrew Sneddon, Chairman

Dear Fellow Shareholders,

On behalf of the Board and Management of Traditional Therapy Clinics Limited ("TTC") I am pleased to present the 2015 Annual Report.

Your Board and Management are focused on continuing the expansion of traditional health and wellness clinics in China under the Fuqiao brand. We are looking to provide the highest quality of service to our customers and ultimately bring more health products and services to the market to help our customers live a healthier life. Our motto is "Health | Harmony | Healing". As the industry leader in what is a very large fragmented market, we work with all levels of Chinese Government to constantly improve the industry standards. We are focused on high growth and brand consolidation but always with no compromise on quality.

This is TTC's first Annual Report since it's successful listing on the Australian Stock Exchange on 3 September 2015. It has been a very busy period with further expansion of our franchise network and the buyback of existing franchises. In the last twelve months, TTC has expanded its franchise base with the establishment of 36 new franchised clinics throughout China and the buyback of 8 established franchised clinics. The total number of franchised clinics at 31 December 2015 has grown to 314 and the number of owned clinics to 19. TTC now has a total of 333 clinics spread all throughout China. TTC has mostly met or exceeded all financial and operating targets outlined in its prospectus.

Financial Performance

TTC reported FY15 revenue of $44.8m (FY14 $30.8m), underlying EBITDA $25.9m (FY14 $19.2m) and NPAT of $17.1m (FY14 $13m). The EBITDA for FY15 is after expensing $1.0m in one off costs associated with the listing on the ASX. For a large part of this year the Board and Management were deeply engaged in the IPO process and in particular building the corporate governance platform to support the change in requirements from a Chinese private company to being listed on the ASX. The financial results that resulted in revenue growth of 45% and EBITDA before one off costs growing by 35% are a credit to the focus and dedication of the Chinese Management team.

Financial Position

TTC ended the financial year in a solid financial position with cash of $30.7m and no debt. The upfront nature of a substantial part of TTC's income in the way of Franchise, Training and Management Fees also results in a very positive operating cash flow that can be used to continue the Company's growth strategy.

Dividends

The very successful first period since listing on the stock exchange resulted in a total unfranked dividend to shareholders of 4.2 cents per share. A final dividend of 2.5 cents per share has been declared by the Directors following the interim dividend of 1.7 cents paid last October.

Outlook

TTC plans to continue its current strategy of expanding its franchise network and buying back further owned stores to leverage the famous Fuqiao brand throughout China. The Board has set the following targets for FY16;

- To open at least 35 new Franchise Clinics
- To buy back at least 10 existing Franchises
- To commence set up of a new greenfield clinic and head office

During FY16 we will also commence our strategic review to consider new products and services to bring to market through our clinic network and also plan the operating and financial systems required in the future as we expand our product range and get closer to our customers. Always our focus will be on how we can further improve the health of our customers.

On behalf of the Board, we would like to thank all our staff for their hard work and dedication over the last year and commitment to achieving the goals outlined in our prospectus. We would also like to thank our advisors for their support through the IPO process.

The Board would also like to express its gratitude to you, our shareholders for your support and interest in TTC. I am confident that TTC will continue to deliver shareholder value in the future.

Andrew Sneddon
Chairman

A Message from Zhirong Hu, Managing Director

Dear Shareholders of TTC,

Thank you for your investment in our Company. 2015 was a very big year for TTC and the Fuqiao group of companies in China.

Our staff, management and the Board worked hard to prepare the Company for listing on the Australian Stock Exchange and we were successful in achieving this milestone on 3 September 2015.

Since the listing, our focus has been on ensuring we have the right governance framework in place and that there is timely and open communication between the Board and the management team. We believe that this open and timely communication is critical to our success and we will continue to ensure this is a focus. We ensure good communication by having regular board and committee meetings, telephone calls and face to face visits in both Sydney and Chongqing.

Operating Results

We have also worked hard at growing the business and have successfully in 2015, opened 36 new franchiesed clinics and extended franchise contracts for 19 clinics.

We have also acquired 8 clinics from the existing franchise base which when added to our 11 existing clinics takes the number of clinics we now own to 19.

Planning for Growth

To be able to successfully deliver on our growth strategy, we have focused on recruiting new therapists into the business for both the franchised and owned clinic networks.

In 2015 we recruited 4,215 new staff members (management and therapists) against the planned recuritment of 3850 recruitments, exceeding our target by 9.5%.

During 2015, we trained 5,478 staff (managers and therapists) compared to the planned 5,300, exceeding target by 3.4%, further enhancing our pool of professional skills and techniques.

Innovation

TTC is committed to continuously developing and applying new therapies throughout its clinics. In 2015, a number of new techniques were explored and developed to meet market demand.

During 2015 TTC also sent a group of therapists to Chengdu to learn Child Therapy Techniques and to the Chongqing Tumor Hospital to learn Ear Acupuncture.

The new techniques are being trialled before being rolled out. The trials seek customer feedback and assess market demand.

Major Awards

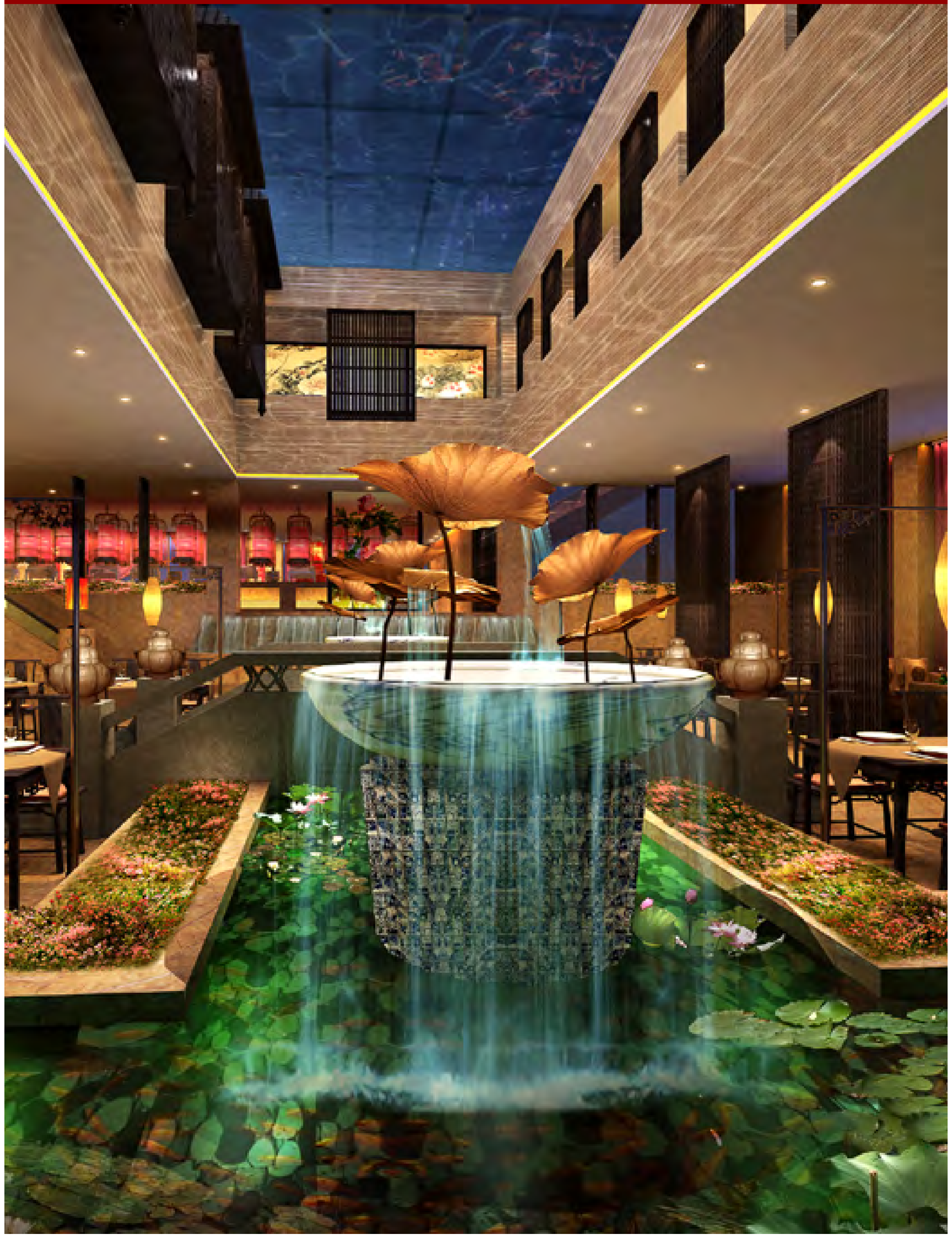
The Company has actively participated in social activities and competitions, a key strategy to engage and reward our staff and promote the TTC image and brand and ensure high standards of service quality. Some of our awards were:

Fuqiao (Chongqing)	Won Chongqing 1st May 2015 Labour Award.
Cultural Palace branch	Granted National Advanced Group In Commerce Circulation Service Industry.
Fuqiao brand	Chongqing Branding Association accredited Fuqiao brand as Five Star Brand.
Managing Director, Miss. Zhirong Hu	Awarded 2015 Annual Figure Of Bathing Industry.
Tao Ke	Granted special remuneration by China State Council.
Huaying Zhou	Granted National Skilled Therapist award
Qin Lei	Won the premium award in Yuzhou Fuqiao Cup Of Therapy Skills Competition and premium award in the first Chongqing Foot Massage Therapy Skills Competition.
Zhixue Hu	Elected delegate to the first congress of Chongqing Financial and Textile Trade Union.

To all of our mangagement and staff, our Board and our shareholders, thank you for your support of TTC and I look forward to reporting more TTC success in the future.

Zhirong Hu
Managing Director

Review of Operations and Financial Performance



Review of Operations and Financial Performance

Sanzheng Zhang
Chief Executive Officer

Ping Jian
Deputy Chief Executive Officer

Zhonghan (John) Wu
Chief Financial Officer

Company overview

Fuqiao is the market leader within the Chinese therapeutic health and wellness clinic sector in the People's Republic of China.

The Fuqiao brand was established in 1998 in Chongqing, China. Since then the company has grown to a clinic network of 333 operating in 27 out of China's 33 administrative districts.

The Fuqiao brand is highly respected within China recently receiving the Chinese Well-Known Trademark designation from the State Administration for Industry Commerce.

The TTC business model consists of both franchised and owned clinics operating under the Fuqiao brand. Until 2012 the focus of the Group had been primarily on franchising, however given the higher absolute returns generated by owned clinics, TTC embarked on a strategy of clinic acquisition.

The Company is well placed for growth in this fragmented market and as the industry leader in China, is constantly evolving and setting industry best practice.

Financial and operational performance

Trading revenue for the TTC group reached A$ 44.8 million in FY15, 45% higher than the prior year and 7% ahead of the 2015 prospectus forecast. These results were mainly driven by:

- 36 new franchise agreements
- Full year impact of 2 new owned clinics added in FY14
- Acquisition of 8 new clinics in FY15
- Sales growth from owned clinics
- Exchange rate benefits

On the back of better than expected sales figures, TTC delivered NPAT of A$ 17.1m for FY15, 32% higher than the prior year and 8% ahead of the 2015 prospectus forecast. This profit result builds on continued growth for the company. Proforma NPAT, after removing the impact of the IPO costs, increased to $18.1m up 39% on FY14.

We were pleased to report a maiden Earnings Per Share result of A 7.7 cents for FY2015 (based on the number of shares outstanding at 31 December 2015). This solid earnings result flowed through to our final dividend of 2.5 cents per share. This resulted in total unfranked dividends for the financial year of 4.2 cents per share, providing an 8.4% yield on IPO listing price of 50 cents per share.

During the year every owned clinic showed growth year on year with like for like sales growth of 6.8% and EBITDA growth of 8.3%.

The significant improvement in results coupled with the IPO funds received contributed to a strong net cash position of $30.7 million as at 31 December 2015. These funds will be used to fulfil the Company's financial obligations relating to the acquisition of franchised clinics (A$4.3 million), to pay shareholder dividends, and continue to expand the franchised and owned clinic network.

Review of Operations and Financial Performance (cont)

Summary of Financial Results

TTC's financial results are summarised below:

Profit and Loss summary	FY15	FY14	+/(-) FY14 %
	A$ millions		
Revenue	44.8	30.9	45%
Gross Profit	30	20.4	47%
Gross Margin	*67%*	*66%*	*1%*
EBITDA	25.9	19.2	35%
EBITDA Margin	*58%*	*62%*	*-4%*
EBIT	24.7	18.4	34%
EBIT Margin	*55%*	*60%*	*-4%*
NPBT	24.8	18.5	34%
Tax Expense	(7.7)	(5.5)	40%
NPAT	17.1	13.0	32%
EPS	15 Cents	N/A	N/A
Annual Dividend	4.2 Cents	N/A	N/A
Statutory NPAT	17.1	13.0	32%
IPO costs	1.0	0.0	n/r
Proforma NPAT [1]	18.1	13.0	39%

Review of operations

The number of TTC owned Fuqiao branded therapy clinics continues to expand. Fuqiao is the largest traditional therapy provider in China.

Top 3 clinic operations in China ***by number of clinics in China***	
Traditional Therapy Clinics Limited (Fuqiao)	333
China Liangtse Group	88
K-Lotus Massage	100
Estimated Market Size	4500

During the 2015 financial year the Group opened an additional 36 clinics throughout China, increasing the network by 12% to 333. We were very pleased to make a significant step forward in terms of our longer term strategy of owning a larger proportion of our branded clinics by purchasing 8 previously franchised clinics during the year. This resulted in a 73% increase in the number of clinics owned by the Group.

Review of Operations and Financial Performance (cont)

Industry overview

Despite weakness in other sectors, the Chinese service sector, in which TTC operates, continues to grow. Driving this growth is:

- The growing middle class in China
- Increased demand for services within the Chinese economy
- Increased urbanisation
- Improved industry standards results from increased regulation

The Chinese therapeutic massage industry was estimated in 2014 to be worth A$45.67 billion (RMB 216 billion), growing by 33% to A$60.69 billion (RMB 287 billion) by 2017. Currently, this equates to an estimated market demand for approximately 4,500 clinics of the style operated by Fuqiao. With the urbanisation of the Chinese population at an expected rate of 14 million people per annum, this demand expected to grow. *(Refer TTC Prospectus dated 30 June 2015, Independent Market Report, Section 3).*

Outlook

Looking ahead, we are highly motived to execute our strategy and deliver strong earnings and dividend growth to shareholders.

The Company intends to expand with the therapeutic market whilst also taking advantage of acquisitions within the franchise network when they make sense.

We have a stated objective for FY16 of greater than 337 franchised stores and greater than 29 owned stores. If achieved, this will increase our total store network by greater than 10% to 366 clinics throughout China with a greater proportion of owned clinics.

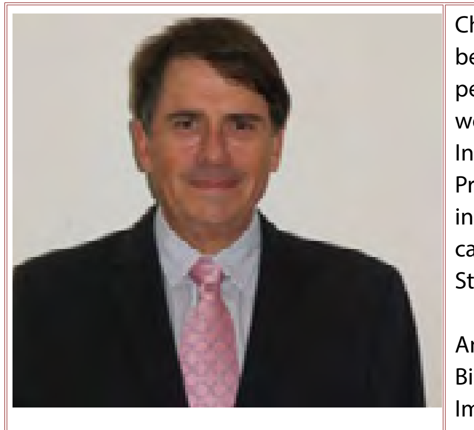
Directors' Report

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 (referred to hereafter as the 'Company', 'TTC' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2015. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were directors of Traditional Therapy Clinics Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

 Andrew Sneddon	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. 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.
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

Directors’ Report (continued)

Zhirong Hu

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.

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.

Ms Hu is the Managing Director of the Group having formerly been its President.

Role	Managing Director
Expertise/ Qualifications	Economic Management, Franchising and Politics
Location	Chongqing, China
Independence or affiliations	Not independent, founding shareholder and Managing Director
Legal or disciplinary action	Nil
Insolvent companies	Nil

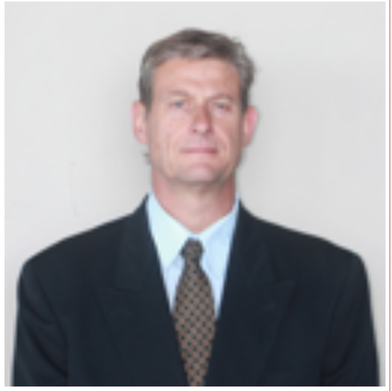
Sanzheng Zhang

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.

Mr Zhang has been working for Fuqiao for 14 years.

Role	Executive Director & CEO
Expertise / Qualifications	Bachelor degree and qualified general level accountant certification
Location	Chongqing, China
Independence or affiliations	Not independent, CEO of the TTC Group
Legal or disciplinary action	Nil

Directors’ Report (continued)



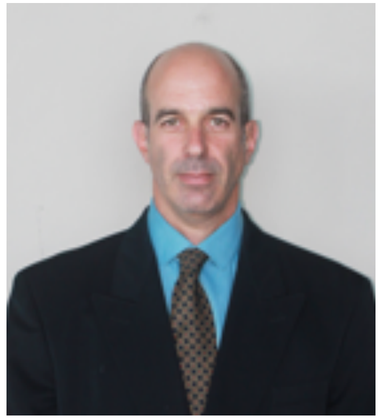
Jeff Fisher

Non-executive Director, Jeff Fisher, is a shareholder and the CEO of Casual Dining Concepts, 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 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.

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.

Role	Independent, Non-executive Director Chairman, Nomination and Remuneration Committee Member, Audit and Risk Committee
Expertise/ Qualifications	Franchising and Retail
Location	Sydney, Australia
Independence or affiliations	Independent
Legal or disciplinary action	Nil
Insolvent companies	Nil



Glen Lees

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.
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.

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.

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.
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.
Glen has over 22 years of business, retailing and franchising experience.

Role	Independent, Non-executive Director Chairman, Audit and Risk Committee Member, Nomination and Remuneration Committee
Expertise / Qualifications	Franchising, Retail, B. Com, Chartered Accountant
Location	Sydney, Australia
Independence or affiliations	Independent, Non-executive Director
Legal or disciplinary action	Nil
Insolvent Companies	Nil

Company Secretary

Lisa Dalton (B. App Sc., M. App Sc., LLB (Hons), FAICD, FGIA, FCIS) was company secretary of TTC during the reporting period and remains so at the date of this report. Lisa, is an accomplished governance professional, senior executive and leader with over 16 years' experience in the mining, energy, construction, agricultural, health and childcare sectors and has a proven track record of supporting complex governance environments.

Meetings of directors

The number of meetings of directors and committees held during the year ended 31 December 2015, and the number of meetings attended by each director were:

Director	Full Board		Audit & Risk Committee		Nomination and Remuneration Committee	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Andrew Sneddon	10	10	2	2	1	1
Zhirong Hu	9	10	-	-	-	-
Sanzheng Zhang	10	10	-	-	-	-
Jeff Fisher	10	10	2	2	1	1
Glen Lees	10	10	2	2	1	1

1. Held: represents the number of meetings held during the period the Director held office or was a member of the relevant committee.

Principal activities

During the financial year the principal continuing activities of the Group consisted of providing healthcare services in the People's Republic of China.

Dividends

On 16 May 2014, the subsidiary, Chongqing WuhuanFuqiao Healthcare Limited, paid a final dividend for the year ended 31 December 2013 of $5.2 million (RMB 30 million). On 26 February 2014, the subsidiary,Chongqing Fuqiao Healthcare Services Limited Company paid a final dividend for the year ended 31 December 2013 of $1.4 million (RMB 8 million).

On 30 October 2015, the Company paid an unfranked interim dividend for the half year ending 30 June 2015 of 1.7 cents per ordinary share, amounting to $3,753,124, with 100% being classified as conduit foreign income, sourced from subsidiaries of the Company.

Since the end of the financial year the directors have recommended the payment of an unfranked final ordinary dividend of $5,519,300 (2.5 cents per fully paid share) to be paid on 20 April 2016, with 100% being classified as conduit foreign income, sourced from subsidiaries of the Company.

Review of operations

Please refer to pages 8 to 11 for a discussion on the operations and financial performance of the Group.

Significant changes in the state of affairs

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.

On 3 September 2015, the Company completed its initial public offering and was listed on the Australian Securities Exchange Limited (ASX), successfully raising gross proceeds of $15,000,000, for a price of $0.50 per share issuing 30,000,000 new shares for a cost of $2,241,761.

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

Directors' Report (continued)

Events since the end of the financial year

No matters or circumstances have arisen since 31 December 2015 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.

Likely developments and expected results of operations

The Company will continue to expand its franchised network in China under the Fuqiao brand and buy back existing franchises to become wholly owned clinics.

Remuneration Report (Audited)

The Remuneration Report provides details of the remuneration of people who were considered Key Management Personnel (Key Management Personnel of Traditional Therapy Clinics Limited and its related entities (Group) for the twelve months ended 31 December 2015 (Reporting Period).

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth).

Content of Remuneration Report

The remuneration report is set out under the following headings:

1. Remuneration Governance

The following diagrammatic representation shows the framework the Board has in place to establish and review remuneration for KMP and employees of the Group:

Board	Approves the overall remuneration framework & policy ensuring it is fair, transparent and aligned with long term outcomes
Nomination & Remuneration Committee	Reviews & makes recommendations to the Board on remuneration policies for non-executive directors, senior executives and all employees including incentive arrangements and awards. The NRC can appoint remuneration consultants and other external advisors to provide independent advice
Management	Management provides information relevant to remuneration decisions and provides recommendations to the NRC.

2. Key Management Personnel (KMP)

The KMP of the Group are those persons responsible for planning, directing and controlling the activities of the Group during the Reporting Period. The KMP during the Reporting Period and who are referred to in this Remuneration Report are set out in the table below:

Category	Name	Position	Appointment Date[1]	Location
Non-Executive Directors	Mr Andrew Sneddon	Chairman, Independent, Non-Executive Director	24 February 2015	Sydney, Australia
	Mr Jeffrey Fisher	Independent, Non-Executive Director	24 February 2015	Sydney, Australia
	Mr Glen Lees	Independent, Non-Executive Director	24 February 2015	Sydney, Australia
Executive Directors	Ms Zhirong Hu	Managing Director	24 February 2015	Chongqing, People's Republic of China
	Mr Sanzheng Zhang	Chief Executive Officer and Executive Director	24 February 2015	Chongqing, Peoples Republic of China
Chinese Executive	Mr Ping Jian	Deputy Chief Executive Officer	24 February 2015	Chongqing, Peoples Republic of China
Australian Executive	Mr Zhonghan (John) Wu	Chief Financial Officer	1 March 2015	Sydney, Australia

1. Represents the date that the director was appointed to the Board or the date an Executive commenced an employment relationship with Traditional Therapy Clinics Limited and TTC (or a member of the Group) commenced remunerating them for their services as KMP.. Non-Executive Directors commenced being remunerated from 1 March 2015.

3. Principles used to determine the nature and amount of remuneration

The principles used to determine the nature, amount and make-up of remuneration for KMP are:

1. External Equity: Deliver market competitive reward packages necessary to attract and retain talented employees, taking into account the employee's geographical location;
2. Performance & Reward Link: Make clear the line of sight between performance and reward to ensure that superior performance is recognised and rewarded, with a view to driving long-term growth and shareholder value;
3. Internal Equity: Provide fair, consistent and internally equitable reward to appropriately compensate employees for their contributions and performance outcomes;
4. Affordability and Sustainability: Manage the balance between reward funding and Company performance / financial outcomes; and
5. Communication and Governance: Ensure a level of transparency and clarity in reward design and governance processes.

When determining remuneration for the Australian based KMP, advice was sought and provided from an independent remuneration consultant, PKF (NS) Pty Ltd, who undertook a benchmarking of Non-executive Director and Executive remuneration having regard to remuneration paid at Australian companies of comparable size and complexity. The remuneration reflects 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.

In May 2015, the Nomination and Remuneration Committee engaged PKF (NS) Pty Ltd to provide recommendations on executive short term and long term incentive plan design. PKF was paid $7,614 for these services. PKF has confirmed that any remuneration recommendations have been made free from undue influence by members of the group's key management personnel.

The Australian Executive participates in the Long Term Incentive Plan. This has not been rolled out to Chinese KMP but there are plans to explore the implementation of the LTIP to some of the KMP in China, subject to advice from Chinese remuneration consultants and the Corporations Act and Listing Rules.

TTC has not yet implemented a Short Term Incentive Plan and will also explore the operation of these types of plans in China during the next reporting period.

Remuneration for the Chinese based KMP is based on existing remuneration arrangements within the Chinese based operations before they were acquired by TTC. The Board did not believe that these reflected the work and effort involved in transitioning to a public company and stated in the Prospectus that the remuneration for Chinese based KMP would be increased. The Chinese based KMP advised the Board after listing that they did not want such significant pay increases given all other employees' remuneration continued to be based on existing remuneration arrangements and requested that their remuneration not be increased. The table below shows actual remuneration per annum compared to what had been proposed in the Prospectus.

Chinese Based KMP	Remuneration outlined in Prospectus[1] (per annum)	Actual Remuneration[2] (per annum)
Managing Director, Zhirong Hu	RMB 500,000 (A$101,833)	RMB 143,837 (A$30,800)
Executive Director, Sanzheng Zhang	RMB 400,000 (A$81,466)	RMB 136,037 (A$29,130)
Executive, Ping Jian	RMB 300,000 (A$61,100)	RMB 134,725 (A$28,849)

1. Remuneration per annum proposed in the Prospectus dated 30 June 2015
2. Actual remuneration per annum for the Reporting Period

4. Non-executive Directors' remuneration

Non-executive Directors receive remuneration for undertaking their role in the form of an annual cash fee and the grant of Options to acquire shares in the Company.

The Options to acquire shares in the Company are issued pursuant to the Employee Share Ownership Plan (ESOP). Details of the ESOP are outlined on pages 26-27.

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

Upon advice from an independent remuneration consultant, PKF (NS) Pty Ltd, a benchmarking of Non-executive Director remuneration was undertaken having regard to Non-executive fees paid at Australian companies of comparable size and complexity. The resultant remuneration for Non-executive Directors' reflects 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.

Role	Annual Fee[1]	Number of Options[2]
Chairman	$200,000	3,300,000
Non-executive director	$80,000	1,760,000

1. Includes statutory superannuation
2. Options vest over a 3-year period and exercisable subject to certain terms and conditions

Non-executive Directors may also 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. The current aggregate non-executive director remuneration cap is set at $1,000,000 per annum.

Non-executive Director Options

Set out below is a summary of the terms and conditions of the Options issued to Non-executive Directors:

Issue Date	31 August 2015
Option holders	Non-executive Directors (or their Eligible Associates)

<table>
<tr><td>Number of Options issued</td><td><table><tr><td>Participant</td><td>Number of Options</td></tr><tr><td>Andrew Sneddon</td><td>3,300,000</td></tr><tr><td>Jeff Fisher</td><td>1,760,000</td></tr><tr><td>Glen Lees</td><td>1,760,000</td></tr></table></td></tr>
<tr><td>Quotation</td><td>Options are not quoted on the ASX. The Company will make application to the ASX for Official Quotation of Shares issued on Options vesting and being exercised.</td></tr>
<tr><td>Vesting Date</td><td>The Options vest and become capable of exercise in 7 equal tranches over a 3-year period as follows:<table><tr><td>Tranche 1</td><td>31 August 2015 (vested at date of report)</td></tr><tr><td>Tranche 2</td><td>28 February 2016 (vested at date of report)</td></tr><tr><td>Tranche 3</td><td>28 August 2016</td></tr><tr><td>Tranche 4</td><td>28 February 2017</td></tr><tr><td>Tranche 5</td><td>28 August 2017</td></tr><tr><td>Tranche 6</td><td>28 February 2018</td></tr><tr><td>Tranche 7</td><td>28 August 2018</td></tr></table></td></tr>
<tr><td>Issue price per Option</td><td>No amount is payable on issue of the Options</td></tr>
<tr><td>Exercise Price</td><td>A$0.75 per Option</td></tr>
<tr><td>Expiry Date</td><td>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.</td></tr>
<tr><td>Exercise Period</td><td>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.</td></tr>
<tr><td>Vesting Conditions</td><td>Participants must have remained as a Non-executive Director up until and including the Vesting Date.</td></tr>
<tr><td>Restrictions</td><td>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.</td></tr>
</table>

Non-executive Director Shareholding and interests in the Company

The relevant interest of each Non-executive Director in the shares or options over shares issued by the Company and other related bodies corporate as notified by the Non-executive Directors to the ASX in accordance with s.205G (1) Corporations Act 2001 (Cth), at the date of this report is as follows:

		Balance 1 January 2015	Acquired	Granted as Remuneration	Fair Value of Grant[2] $	Disposed	Options Exercised	Total at date of Report	Total[3] Exercisable at date of Report
Non-Executive Directors									
Andrew Sneddon	Shares[1]	-	408,000		-	-	-	408,000	-
	Options[2]	-	-	3,300,000	561,000	-	-	3,300,000	942,858
Jeffrey Fisher	Shares[1]	-	300,000		-	-	-	300,000	-
	Options[2]	-	-	1,760,000	299,200	-	-	1,760,000	502,858
Glen Lees	Shares[1]	-	300,000		-	-	-	300,000	-
	Options[2]	-	-	1,760,000	299,200	-	-	1,760,000	502,858

1. Non-executive Directors purchased shares as part of the IPO at the offer price of $0.50 cents per share
2. Non-executive Directors (or their eligible associated) received options as part of their remuneration. The options vest over a three-year period. Full terms and conditions of the options are set out on page 26-27.
3. The fair value of options granted as remuneration is the fair value calculated at the grant date. The amount is allocated to remuneration over the vesting period. For details on the valuation methodology used, for options and the assumptions made refer to Note 24

5. Chinese and Australian executive remuneration and service agreements

Remuneration for the Chinese and Australian executives largely consists of annual fixed cash remuneration and other regulated benefits. There are no incentive plans (short or long term) in operation for the Chinese based KMP. There is a long term incentive plan in place for the Australian executive details of which are set out on pages 26-27. The implementation of incentive plans generally, will be considered by the Board in the 2016 calendar year.

Managing Director remuneration – Ms Zhirong Hu

Name	Ms Zhirong Hu
Role	Managing Director
Location	Chongqing, People's Republic of China
Agreement Commenced	24 February 2015, the date TTC was incorporated
Term of Agreement	Open ended
Remuneration	RMB 143,837 (A$30,800)
Details	Ms Hu is Managing Director and an employee of the TTC Group. 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.

Executive Director and CEO remuneration - Mr Sanzheng Zhang

Name	Mr Sanzheng Zhang
Role	Chief Executive Officer
Location	Chongqing, People's Republic of China
Commencement Date	24 February 2015, the date TTC was incorporated
Term of Agreement	Open ended
Remuneration	RMB 136,037 (A$29,130)
Details	Mr Zhang is an employee and Executive Director of the TTC Group. Mr Zhang is eligible, but does not at this stage participate in the Company's ESOP and any short-term incentive plan adopted by the Board. For further details about the ESOP, refer to pages 26-27. 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.

Deputy CEO remuneration – Mr Ping Jian

Name	Mr Ping Jian
Role	Deputy Chief Executive Officer
Location	Chongqing, People's Republic of China
Commencement Date	24 February 2015, the date TTC was incorporated
Term of Agreement	Open ended
Remuneration	RMB 134,725 (A$28,849)
Details	Mr Jian is the Deputy Chief Executive Officer of the TTC Group. 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 pages 26-27. 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.

CFO remuneration - Mr Zhonghan (John) Wu

Name	Mr Zhonghan (John) Wu
Role	Chief Financial Officer
Location	Sydney, Australia
Agreement Commenced	1 March 2015
Term of Agreement	Open ended
Remuneration	AUD$190,000 per annum (inclusive of statutory superannuation) Participation in the Long Term Incentive Plan
Details Employment, Mr Wu	Mr Wu is employed as the Chief Financial Officer of the Group. 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 pages 26-27. 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.
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.
Grant Date	31 August 2015
Participant	Zhonghan (John) Wu, Chief Financial Officer
Performance Rights Granted	Zhonghan (John) Wu, received 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	Performance Rights granted under the LTI Plan will not be quoted on the ASX. The Company will make application to the ASX for Official Quotation of Shares issued on Performance Rights becoming vested and being exercised.
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
Exercise Price	The Performance Rights have a zero Exercise Price

Directors' Report (continued)

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	31 August 2015 to 30 June 2018
	Tranche 2	31 August 2015 to 30 June 2019
	Tranche 3	31 August 2015 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.
Vesting Conditions	Mr Wu's Performance Rights are subject to the following Vesting Conditions: • continual employment by the Company from the Grant Date to the Vesting Date; • the volume-weighted average price (VWAP) of TTC shares over the Performance Period being greater than the Offer Price; and • performance conditions established at the beginning, 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.	

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 in due course, subject to the requirements of the Corporations Act and ASX Listing Rules.

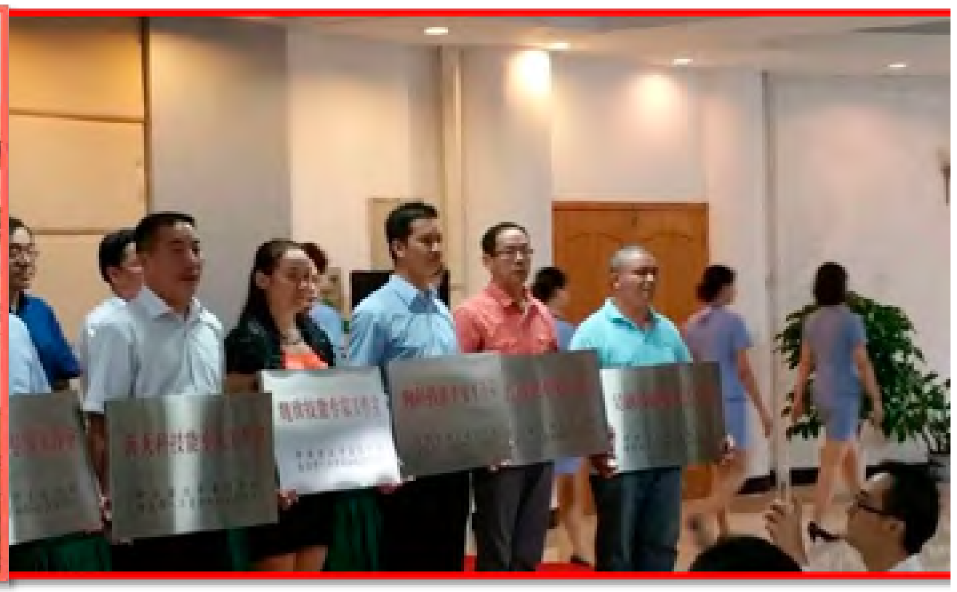
Directors' Report (continued)

6. Executive Directors' and Executives' Shareholding and interests in the Company

The number of shares and options held during the Reporting Period by executive directors and executives of the Group including their personally related parties is set out in the table below:

		Balance 1 January 2015	Acquired	Fair Value of Grant $	Disposed	Performance Rights Exercised	Total at 31 Dec 2015
Executive Directors							
Zhirong Hu	Shares		136,974,296[1]	-	-	-	136,974,296[1]
	Options	-	-	-	-	-	-
	Rights	-	-	-	-	-	-
Sanzheng Zhang	Shares	-	9,443,214[1]	-	-	-	9,443,214[1]
	Options	-	-	-	-	-	-
	Rights	-	-	-	-	-	-
Executives							
Ping Jian	Shares	-	8,870,898[1]	-	-	-	8,870,898[1]
	Options	-	-	-	-	-	-
	Rights	-	-	-	-	-	-
Zhonghan (John) Wu	Shares	-	71,000[2]	-	48,000	-	23,000[2]
	Options	-	-	-	-	-	-
	Rights	-	1,050,000[3]	525,000[4]	-	-	1,050,000[3]

1. Zhirong Hu's, Sanzheng Zhang' s and Ping Jian's Shares are indirectly owned through Hwazon Investment Limited, a company of which Zhirong Hu is a director and Zhirong Hu, Sanzheng Zhang and Ping Jian are shareholders. These shares were acquired prior to listing, as consideration for the sell down of the Chinese operating entities to TTC
2. Includes 4,000 shares acquired by Mr Zhonghan Wu as part of the IPO at AUD$0.50 cents per share
3. Performance Rights issued to Mr Wu as part of remuneration under the Long Term Incentive Plan. Details of the terms and conditions attaching to the rights are set out on page 22-23
4. The fair value of performance rights granted as remuneration is the fair value calculated at the grant date. The amount is allocated to remuneration over the vesting period. For details on the valuation methodology used, for performance rights and the assumptions made refer to Note 24.



Directors' Report (continued)

7. KMP Remuneration Table

The following table of benefits and payments details, in respect to the Reporting Period, the components of remuneration for each member of the Key Management Personnel of the Company. Details of the nature and amount of each major element of remuneration of each Director and each relevant executive of the company are:

Directors' and Officers Remuneration Table – Year Ended 31 December 2015

Name	Year	Short Term Benefits				Post employment benefits	Termination Benefits	Long Term benefits	Share based benefits	Total	Proportion of Remuneration Performance Related
		Cash Salary & Fees	Cash bonus	Non cash benefits	Total	Super		LSL	Options & Rights[5]		
		AUD									%
Non-Executive Directors											
Andrew Sneddon[1]	2015	166,667	-	-	166,667	-	-	-	256,187	422,854	0
Jeffrey Fisher[2]	2015	60,883	-	-	60,883	5,784	-	-	136,633	203,300	0
Glen Lees[2]	2015	60,883	-	-	60,883	5,784	-	-	136,633	203,300	0
Executive Directors[3]											
Zhirong Hu	2015	29,807	-	-	29,807	993	-	-	-	30,800	0
Sanzheng Zhang	2015	28,137	-	-	28,137	993	-	-	-	29,130	0
Directors Total	2015	346,377	-		346,377	13,554	-	-	529,453	889,384	0
Executives											
Ping Jian[3]	2015	26,724	-	-	26,724	2,125	-	-	-	28,849	0
Zhonghan Wu[4]	2015	147,841	-	-	147,841	13,737	-	-	82,214	243,792	25%
Executives Total	2015	174,565	-	-	174,565	15,862	-	-	82,214	272,641	-
KMP Total	2015	520,942	-	-	520,942	29,416	-	-	611,667	1,162,025	-

1. Andrew Sneddon is a resident of Australia and remunerated in AUD. Mr Sneddon is appointed under a service contract through Jalba Consulting Pty Ltd (Jalba). Salary and Fees represents the amount paid to Jalba who is accountable for the payment of superannuation for Mr Sneddon. Represents remuneration from 1 March 2015 (the date of commencement of payment of Directors' Fees) to 31 December 2015.
2. Jeff Fisher and Glen Lees are residents of Australia and remunerated in AUD. Represents remuneration from 1 March 2015 (the date of commencement of payment of Directors' Fees) to 31 December 2015.
3. Ms Hu, Mr Zhang and Mr Jian are residents of the People's Republic of China and are remunerated in RMB. The figures shown have been converted to AUD using an exchange rate (AUD:RMB) of 4.6831 and represents remuneration from 24 February 2015 to 31 December 2015.
4. Zhonghan (John) Wu is a resident of Australia and remunerated in AUD. Represents remuneration from 1 March 2015 (the date of commencement of employment by TTC) to 31 December 2015.
5. Options granted to Non-Executive Directors are explained on page 20. Fair value of options at date of grant is A$0.171 cents per option. Performance Rights granted to Zhonghan Wu as part of the Long Term Incentive Plan. Fair value of date of grant is A$0.50 cents per performance rights. Refer to Note 24 for inputs into valuations of options and performance rights

Options & Performance Rights

At the date of this Report, the unissued ordinary shares of the Company under options / rights to KMP listed in the previous table are as follows:

Grant Date	Type of Security	Date of Expiry	Exercise Price	Number under Option / Rights	Number Vested
31 August 2015	Options	2 September 2020	$0.75	6,820,000	1,948,574
31 August 2015	Performance Rights	28 February 2019	Nil	350,000	-
31 August 2015	Performance Rights	28 February 2020	Nil	350,000	-
31 August 2015	Performance Rights	28 February 2021	Nil	350,000	-

8. 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.

Awards	The ESOP provides flexibility to the Board to grant Awards to Employees or their Eligible Associate. An Award means, as applicable: an Option, a Performance Right, a Deferred Share Award, an Exempt Share Award, a Limited Recourse Loan Award 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. 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.
Participants	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 Income Tax Assessment Act 1936 (Cth) to own the Awards.
Restricted Awards	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.
Expiry of Awards	**Expiry of Options** 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). **Expiry of Performance Rights** Performance Rights expire (unless the Board determines otherwise) on the earlier to occur of: • 6 months after vesting; • Resignation or termination of employment for any reason; • Death or total and permanent incapacity; and • Cessation of a relationship between the Participant and an Eligible Associate.
Restrictions on making an Offer	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.
Vesting	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. Vesting Conditions may be waived at the absolute discretion of the Board (unless such waiver is excluded by the terms of the Award).
Exercise of Awards	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. 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.

Rights attaching to Shares	The Shares issued under the ESOP will upon allotment be: • 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	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.
New or Existing Shares	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. 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.
Trustee	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.
Takeover	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.
Adjustments	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: • 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	The Plan is administered by the Board, or a committee of the Board, which will have an absolute discretion to: • 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; and • amend these ESOP Rules, provided that such amendments do not materially prejudice the rights of existing Participants. While the Company is listed, the Board may only exercise its powers in accordance with the Listing Rules.
Termination or Suspension of the Plan	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.

Directors' Report (continued)

9. Other information relating to KMP

Shares, options and performance rights

The number of shares and options held during the Reporting Period by directors and other members of KMP of the Group including their personally related parties is set out in the table below:

		Balance 1 January 2015	Acquired	Granted as Remuneration	Disposed	Options / Rights Vested & Exercisable at 31 December 2015	Total at 31 December 2015
Directors							
Andrew Sneddon	Shares	-	408,000	-	-	-	408,000
	Options	-	-	3,300,000	-	471,429	3,300,000
	Rights	-	-	-	-	-	-
Zhirong Hu	Shares	-	136,974,296[1]	-	-	-	136,974,296[1]
	Options	-	-	-	-	-	-
	Rights	-	-	-	-	-	-
Sanzheng Zhang	Shares	-	9,443,214[1]	-	-	-	9,443,214[1]
	Options	-	-	-	-	-	-
	Rights	-	-	-	-	-	-
Jeffrey Fisher	Shares	-	300,000	-	-	-	300,000
	Options	-		1,760,000	-	251,429	1,760,000
	Rights	-	-		-	-	-
Glen Lees	Shares	-	300,000		-	-	300,000
	Options	-		1,760,000	-	251,429	1,760,000
	Rights	-	-		-	-	-
Executives							
Ping Jian	Shares	-	8,870,898[1]	-	-	-	8,870,898[1]
	Options	-	-	-	-	-	-
	Rights	-	-	-	-	-	-
Zhonghan (John) Wu	Shares	-	71,000	-	48,000	-	23,000
	Options	-	-	-	-	-	-
	Rights	-	-	1,050,000	-	-	1,050,000

1. Zhirong Hu's, Sanzheng Zhang's and Ping Jian's Shares are indirectly owned through Hwazon Investment Limited, a company of which Zhirong Hu is a director and Zhirong Hu, Sanzhe Zhang and Ping Jian are shareholders. Hwazon Investment Limited owns 155,288,408 shares representing 70.35% ownership of TTC.

Loans from KMP *(refer to Note 21)*

	KMP	A$
Opening balance	Ms Zhirong Hu	80,469
Advances from KMP	Mr Zhonghan Wu	220,900
Repayment to KMP	Mr Zhonghan Wu	(220,900)
Impact of movements in foreign exchange		4,655
Balance at 31 December 2015		85,134
Balance at date of report		0

Voting on remuneration report

TTC is yet to have its first AGM and as such the remuneration report has not been subject to a vote by shareholders.

End of Remuneration Report

Directors' Report (continued)

Indemnity and insurance of officers

During the financial year, the Company paid a premium in respect of:
(i) a contract insuring directors, secretaries and executive officers of the company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001; and
(ii) a contract insuring various parties including directors and officers for errors or omissions in the prospectus.

The contracts of insurance prohibits disclosure of the nature of the liability and the amount of the premiums.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any of its controlled entities against a liability incurred as such an officer.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under relevant law for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 9 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on behalf of the auditor), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

On the advice of the audit committee, the directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/10, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report.

Amounts in this report have been rounded off 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 page 31.

Directors' Report (continued)

This report is made in accordance with a resolution of directors

Zhirong Hu
Managing Director

14 March 2016
People's Republic of China

Andrew Sneddon
Chairman

14 March 2016
Australia

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DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF TRADITIONAL THERAPY CLINICS LIMITED

As lead auditor of Traditional Therapy Clinics Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Australian professional accounting bodies in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2016

2015 Financial Report to Shareholders
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated 2015	Consolidated 2014
		$'000	$'000
Revenue	4	44,799	30,864
Cost of revenue		(14,757)	(10,438)
Gross profit		30,042	20,426
Selling and distribution expenses	5	(497)	(63)
General and administrative expenses	5	(4,864)	(1,941)
Other expenses	5	(673)	(3)
Finance costs	5	(64)	(10)
Finance income		117	56
Other income	6	719	-
Profit before income tax		**24,780**	**18,465**
Income tax expense	7	(7,653)	(5,448)
Profit after income tax expense		**17,127**	**13,017**
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss		-	-
Foreign currency translation		114	1,364
Total comprehensive income		**17,241**	**14,381**
Profit for the year is attributable to:			
Non-controlling interest		253	683
Owners of Traditional Therapy Clinics Limited		16,874	12,334
		17,127	**13,017**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		350	689
Owners of Traditional Therapy Clinics Limited		16,891	13,692
		17,241	**14,381**
		Cents	Cents
Earnings per share for profit for the year			
Basic earnings per share	8	15	N/A
Diluted earnings per share	8	15	N/A

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	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash and cash equivalents	11	30,741	15,158
Other receivable		13	3
Prepayments		444	463
Other assets		221	-
Current assets		31,419	15,624
Property, plant and equipment	12	35,452	32,001
Intangible assets	13	10,385	570
Deferred tax	14	861	359
Non-current assets		46,698	32,930
Total assets		**78,117**	**48,554**
Borrowings	15	85	80
Current tax liabilities		2,485	2,064
Other payables	16	5,454	909
Other liabilities		305	192
Deferred revenue	17	10,878	9,510
Current liabilities		19,207	12,755
Deferred revenue	17	12,382	16,824
Non-current Liabilities		12,382	16,824
Total liabilities		**31,589**	**29,579**
Net assets		**46,528**	**18,975**
Contributed equity	18	17,888	4,276
Reserves	19	6,905	4,821
Retained earnings		21,735	8,857
Equity attributable to the owners of Traditional Therapy Clinics Limited		**46,528**	**17,954**
Non-controlling interests	23	-	1,021
Total equity		**46,528**	**18,975**

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

Consolidated Statement of Changes in Equity

	Contributed equity $'000	Surplus reserves $'000	Foreign currency translation reserve $'000	Option reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total $'000
Consolidated 2014							
Balance at 31 December 2013	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
Total comprehensive income for the year	**-**	**-**	**1,358**	**-**	**12,334**	**689**	**14,381**
Transaction with owners in their capacity as owners:							
Appropriation to surplus reserve	-	914	-	-	(914)	-	-
Dividends paid (Note 10)	-	-	-	-	(5,226)	(1,418)	(6,644)
Acquisition of Non-controlling interest	55	249	(72)	-	(2,174)	1,942	-
Balance at 31 December 2014	4,276	1,947	2,874	-	8,857	1,021	18,975
Consolidated 2015							
Balance at 31 December 2014	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
Total comprehensive income for the year	**-**	**-**	**17**	**-**	**16,874**	**350**	**17,241**
Transaction with owners in their capacity as owners:							
Appropriation to surplus reserve	-	1,123	-	-	(1,123)	-	-
Contributions of equity, net of transaction costs	13,392	-	-	-	-	-	13,392
Dividends paid (Note 10)	-	-	-	-	(3,753)	-	(3,753)
Acquisition of Non-controlling interest	220	133	138	-	880	(1,371)	-
Share-based payments expense	-	-	-	673	-	-	673
Balance at 31 December 2015	17,888	3,203	3,029	673	21,735	-	46,528

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

Consolidated Statement of Cashflow

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
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)
CASH PROVIDED BY OPERATING ACTIVITIES	25	**14,315**	**12,165**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of clinics, net of cash acquired	26	(8,756)	(1,674)
Purchase of property, plant and equipment		-	(8,680)
Loan repayments made by shareholders		-	916
CASH USED IN INVESTING ACTIVITIES		**(8,756)**	**(9,438)**
CASH FLOWS FROM FINANCING ACTIVITIES			
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)
CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**9,005**	**(7,256)**
NET INCREASE/(DECREASE) IN CASH		**14,564**	**(4,529)**
CASH AT BEGINNING OF YEAR		**15,158**	**18,813**
Effect of exchange rate changes on cash and cash equivalents		1,019	874
CASH AT YEAR END	11	30,741	15,158

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

Notes to the Financial Statements

Note 1: Corporate Information

The financial statements of Traditional Therapy Clinics Limited for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 14 March 2016 and cover the consolidated entity consisting of Traditional Therapy Clinics Limited and its subsidiaries.

The financial statements are presented in Australian dollars.

Traditional Therapy Clinics Limited is a company limited by shares incorporated in Australia and was established on 24 February 2015. The company's shares are publicly traded on the Australian Securities Exchange.

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

Note 2: Summary of Significant Accounting Policies

a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 January 2014 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Traditional Therapy Clinics Limited and its subsidiaries at 31 December 2015 ("the Group").

The Group has been restructured as part of an IPO process with Traditional Therapy Clinics Limited (TTC) being incorporated in Australia on 24 February 2015. A group restructure, commenced in April 2015 and was completed in May 2015. Details of the group restructure are set out in note 21.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where shareholding is less than one-half of the voting rights, the Group is considered to have control over the entity when it can exercise power over more than one-half of its voting rights by virtue of an agreement with other shareholders.

Subsidiaries

The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Potential voting rights that are currently exercisable or convertible are considered when assessing control.

Consolidated financial statements include all the subsidiaries other than those acquired in business combinations involving entities under common control from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and statement of financial position respectively.

Investments in subsidiaries are accounted for in the parent entity financial statements at cost.

Note 2: Summary of Significant Accounting Policies (continued)

c) 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.

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.

d) Foreign currency translation

The functional currency of Traditional Therapy Clinics Limited is Australian dollars. The functional currency of the company's subsidiary, China Fuqiao Healthcare Industry (Hong Kong) Limited, is Hong Kong dollars and its other subsidiaries in mainland China 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.

Note 2: Summary of Significant Accounting Policies (continued)

e) 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 at the receipt of money. The deferred revenue is recognised as revenue over one or five years using straight-line method, being the current franchise life.

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.

f) 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.

g) Business Tax

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

h) 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.

Note 2: Summary of Significant Accounting Policies (continued)

i) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, 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. For the purpose of the Consolidated Statement of Cash Flows, term deposits with maturity over three months are shown as cash flows from investing activities.

j) 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, reevaluates 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.

k) 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.

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.

l) 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.

Note 2: Summary of Significant Accounting Policies (continued)

l) Property, plant and equipment (continued)

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.

m) Intangible assets

Goodwill
Goodwill is measured as described in note 2c). 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.

Reacquired rights
Reacquired rights acquired as part of a business combination are recognised separately from goodwill and are carried at their fair value at date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the remaining contractual period of the Franchise Agreement in which the right was granted, which currently vary from 1 to 3 years.

n) 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.

o) 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.

p) 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 fund 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.

Note 2: Summary of Significant Accounting Policies (continued)

q) 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.

r) 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.

s) Share-Based Payments

Share-based compensation benefits are provided to employees via the Traditional Therapy Clinics Limited Employee Share Ownership Plan. Information relating to this scheme is set out in note 24.

The fair value of options and performance rights granted under the Traditional Therapy Clinics Limited Employee Share Ownership Plan are recognised as an employee benefit expense with a corresponding increase in equity (share-based payment reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and the performance rights. Fair value is determined by an independent valuator using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Traditional Therapy Clinics Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors best estimate of the number of options and performance rights that will ultimately vest because of internal conditions of the options and performance rights, such as the employees having to remain with the company until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options and performance rights that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options and performance rights are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options and performance rights are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options and performance rights are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options and performance rights are treated as if they were a modification.

t) Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of Traditional Therapy Clinics Limited, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted earnings per share
Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

u) Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars ($'000) unless otherwise stated.

v) Critical accounting estimates & judgments

Estimates and judgments 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.

Note 2: Summary of Significant Accounting Policies (continued)

v) Critical accounting estimates & judgments (continued)

(i) *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, in accordance with the accounting policy stated in note 2 h).

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.

(ii) Impact of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) has been determined based on fair value less cost of disposal calculation which require to use of assumptions. (Refer to Note 13)

w) Accounting standards issued, not yet effective

The following new/amended accounting standards have been issued, but are not mandatory for financial year ended 31 December 2015. They have not been adopted in preparing the financial statements for the year ended 31 December 2015. The Group intends to apply these standards from the mandatory application date as indicated in the table below.

Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014)	Financial Instruments	**Classification and measurement** AASB 9 amendments the classification and measurement of financial assets: • Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). • Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. • All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9: • Classification and measurement of financial liabilities, and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. **Impairment** The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses. A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months. For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 31 December 2018 year end. The Group has not yet made an assessment of the impact of these amendments.

Note 2: Summary of Significant Accounting Policies (continued)

w) Accounting standards issued, not yet effective (continued)

Standards likely to have a financial impact (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014)	Financial Instruments	**Hedge Accounting** Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.		
AASB 15 (issued December 2014)	Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*.	Annual reporting periods beginning on or after 1 January 2018	Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard.
IFRS 16 (issued by the IASB January 2016)	Leases	IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases*. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Annual reporting periods beginning on or after 1 January 2019.	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

Note 2: Summary of Significant Accounting Policies (continued)

w) Accounting standards issued, not yet effective (continued)

Standards likely to have a disclosure impact only

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2015-2 (issued January 2015)	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	Amends AASB 101 *Presentation of Financial Statements* to clarify that: • Materiality applies to all primary financial statements and notes, and applies even to a list of specific, minimum disclosures • Line items can be disaggregated if doing so could influence a user's decision • Subtotals must be made up of items recognised in accordance with Australian Accounting Standards	Annual reporting periods beginning on or after 1 January 2016	These amendments affect presentation and disclosures only. Therefore on first time adoption of these amendments on 1 January 2016, comparatives will need to be restated in line with presentation and note ordering.
AASB 2015-2 (issued January 2015)	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	• Additional subtotals in the Statement of Profit or Loss and Other Comprehensive Income must be reconciled back to subtotals required by AASB 101 • Notes no longer need to follow the order of items in the financial statements and related items can be grouped together (e.g. all financial instruments) • Accounting policies can be placed at the end of the notes to the financial statements • Share of other comprehensive income of associates and joint ventures must be separately classified into amounts that will be reclassified to profit or loss in future, and amounts that will not be reclassified to profit or loss in future.		

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Group.

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: 314 Franchise Clinics (2014: 286) located in 27 administrative divisions in China as at 31 December 2015
- Owned Clinics: 19 Owned Clinics (2014: 11) located in Chongqing, Zhejiang, Sichuan, Jiangsu, Yunnan, Fujian, Guangxi, Guangdong and Hainan as at 31 December 2015

Segment information
Segment information provided to the board of directors for the year ended 31 December is as follows:

31 December 2015	**Owned Clinics**	**Franchise Clinics**	**Total**
	$'000	**$'000**	**$'000**
Treatment service revenue	24,365	-	24,365
Franchise revenue			
Franchise fee	-	7,660	7,660
Training fee	-	5,061	5,061
Management fee	-	7,713	7,713
Revenue	24,365	20,434	44,799
Cost of Revenue	(14,757)	-	(14,757)
Gross Profit	9,608	20,434	30,042

31 December 2014	**Owned Clinics**	**Franchise Clinics**	**Total**
	$'000	**$'000**	**$'000**
Treatment service revenue	15,980	-	15,980
Franchise revenue			
Franchise fee	-	5,281	5,281
Training fee	-	3,917	3,917
Management fee	-	5,686	5,686
Revenue	15,980	14,884	30,864
Cost of Revenue	(10,438)	-	(10,438)
Gross Profit	5,542	14,884	20,426

Note 3: Segment Reporting (continued)

Other segment information

The executive management committee monitors segment performance based on 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.

EBITDA reconciles to operating profit before income tax as follows:

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Gross profit	30,042	20,426
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	-
Profit before income tax	24,780	18,465

Geographical information
Segment revenues based on the geographical location of customers has not been disclosed, as the Group derives all of its revenue from its operations in P.R. China.

Major customers
The Group drives revenues from a wide range of customers. There is no concentration of revenue on a single external customer.

Note 4: Revenue

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Treatment service revenue	24,365	15,980
Franchise revenue		
Franchise Fee	7,660	5,281
Training fee	5,061	3,917
Management fee	7,713	5,686
Revenue	44,799	30,864

Note 5: Expenses

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

	Consolidated	
	2015	2014
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Building	52	44
Fitting, furniture & equipment	906	705
Vehicles	161	120
Total depreciation	1,119	869
Amortisation		
Re-acquired rights	65	-
Employee benefits expenses		
Wages and salaries	8,562	4,932
Social security plans	1,410	770
Welfare expenses	391	280
Total employee benefits expenses	10,363	5,982
Finance costs		
Bank fee	62	10
Interest expense	2	-
Finance costs expensed	64	10
Rental expenses relating to operating leases		
Minimum lease payments	1,228	839
IPO costs		
One off costs associated with the IPO	1,004	700
Other expenses		
Share-based payment expense	673	-

Notes to the Financial Statements (cont)

Note 6: Other Income

	Consolidated	
	2015	2014
	$'000	$'000
Foreign currency exchange gain	719	-

Note 7: Income Tax Expenses

	Consolidated	
	2015	2014
	$'000	$'000
Income tax expense		
Current tax	7,473	5,551
Deferred tax - origination and reversal of temporary differences	180	(103)
Aggregate income tax expense	7,653	5,448
Reconciliation of the effective tax rate		
Profit before income tax expense	24,780	18,465
Tax at the Australian tax rate of 30% (2014: tax at the Chinese statutory tax rate of 25%)	7,434	4,616
Add/(Less) tax effect of:		
Non-deductible expense	410	245
Non-deductible share-based payment expenses	202	-
Taxable intercompany revenue	1,317	541
Deductible intercompany expense	(128)	(90)
Utilisation of previously unrecognised tax losses	(1)	
Deferred tax asset not recognised for losses	-	136
Difference in overseas tax rates	(1,581)	-
Total	7,653	5,448
Effective tax rate	31%	30%

Applicable income tax rate

The applicable income tax rates in 2015 and 2014 for PRC subsidiaries are 25% and remain the same in the future.

Note 7: Income Tax Expenses (continued)

Current and deferred tax recognised in equity

Aggregate current and deferred tax arising during the reporting period and not recognised in profit or loss but directly debited or credited equity:

	Consolidated	
	2015	2014
	$'000	$'000
Current tax: share issue costs	127	-
Deferred tax: share issue costs	507	-
	634	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

	Consolidated	
	2015	2014
	$'000	$'000
Total unused tax losses at year-end	1,523	1,527
Potential benefit at 25% in P.R. China	381	382

A deferred tax asset has not been recognised in respect of the unused tax losses of the Group's subsidiaries in P.R. China arising from current year losses and prior years losses because neither of the entities will be generating business income in the foreseeable future therefore the tax losses are not expected to be realised. The tax losses in P.R China can be carried forward for five consecutive years.

Note 8: Earnings per Share

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2015	2014
Basic earnings per share	$'000	$'000
Profit after income tax attributable to owners of Traditional Therapy Clinics Limited used to calculate basic earnings per share:	16,874	12,334
Diluted earnings per share		
Profit after income tax attributable to owners of Traditional Therapy Clinics Limited used to calculate basic earnings per share:	16,874	12,334
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	115,964	N/A
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	115,964	N/A

Diluted earnings per share are equal to basic earnings per share as the Group has not issued any dilutive instruments.

Note 9: Auditor's Remuneration

During the year, the following fees were paid or payable for services to BDO Audit (WA) Pty Ltd (BDO WA.), its related practices (also referred to hereafter as BDO WA), network firms of BDO and non BDO firms:

	Consolidated	
	2015	2014
	$	$
Audit services		
BDO WA for audit or review of the financial statements for the entity or any entity in the Group	137,664	100,000
	137,664	100,000
Audit related services		
BDO Corporate Finance (WA) Pty Ltd for Investigating Accountant's report as part of IPO process of Traditional Therapy Clinics Limited	50,000	-
Taxation services		
BDO Corporate Tax (WA) Pty Ltd for Tax report as part of IPO process of Traditional Therapy Clinics Limited	15,000	-
	202,664	100,000

Note 10: Dividends

	Consolidated	
	2015	2014
	$'000	$'000
Final dividend for year ended 31 December 2013*	-	6,644
Interim dividend for year ended 31 December 2015 of 1.70 cents per fully paid share paid on 30 October 2015**	3,753	-
	3,753	6,644

*On 16 May 2014 the subsidiary, Chongqing Wuhuan Fuqiao Healthcare Limited company paid a final dividend for the year ended 31 December 2013 of $5,226,000 (RMB 30 million). On 26 February 2014 the subsidiary, Chongqing Fuqiao Healthcare Services Limited company paid a final dividend for the year ended 31 December 2013 of $1,418,000 (RMB 8 million).

** An unfranked interim dividend for 1.70 cents per fully paid shares was declared and has been paid for the year ended 31 December 2015. The Group generates all operating profits from overseas subsidiaries in P.R. China therefore all dividends were unfranked dividends. The franking credit account had nil balance throughout the year.

Note 10: Dividends (continued)

Dividends not recognised as a liability

	Consolidated	
	2015	2014
	$'000	$'000
The directors recommended the payment of a final dividend of 2.5 cents per fully paid ordinary share	5,519	-

This proposed dividend is expected to be paid on 20 April 2016 and has not been recognised as a liability at the end of the reporting period.

Note 11: Cash & Cash Equivalents

	Consolidated	
	2015	2014
	$'000	$'000
Cash on hand	214	186
Cash at bank	28,527	14,972
Deposits at call	2,000	-
Cash and cash equivalents	30,741	15,158

Cash on hand is non-interest bearing. Cash at bank bears a floating interest rate at 0.35% (2014: 0.35%). Deposits at call bear fixed interest rates between 1.5 and 2.6%. These deposits have an average maturity of 82 days.

Credit risk

The maximum exposure to credit risk is the fair value of cash and cash equivalents. Refer to note 20 for more information relating to the risk management policy of the Group.

Note 12: Property, Plant and Equipment

	Consolidated	
	2015	2014
	$'000	$'000
Buildings-at cost	1,185	1,120
Less: Accumulated depreciation	(102)	(48)
	1,083	1,072
Furniture, fittings and equipment-at cost	10,113	6,997
Less: Accumulated depreciation	(2,914)	(1,900)
	7,199	5,097
Vehicles-at cost	1,232	1,173
Less: Accumulated depreciation	(1,076)	(875)
	156	298
Capital works in progress	27,014	25,534
Total property, plant and equipment-at cost	39,544	34,824
Less: Accumulated depreciation	(4,092)	(2,823)
	35,452	32,001

Notes to the Financial Statements (cont)

Note 12: Property, Plant and Equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

	Building	Fitting, furniture & equipment	Vehicles	Capital works in progress	Total
31 December 2014	$'000	$'000	$'000	$'000	$'000
Opening net book value	1,036	4,534	397	-	5,967
Additions	-	886	-	23,076	23,962
Disposal	-	(3)	-	-	(3)
Depreciation charge	(44)	(705)	(120)	-	(869)
Foreign exchange translation	80	385	21	2,458	2,944
Closing net book value	1,072	5,097	298	25,534	32,001
31 December 2015					
Opening net book value	1,072	5,097	298	25,534	32,001
Additions	-	2,733	-	-	2,733
Disposal					
Depreciation charge	(52)	(906)	(161)	-	(1,119)
Foreign exchange translation	63	275	19	1,480	1,837
Closing net book value	1,083	7,199	156	27,014	35,452

Note 13: Intangible Assets

	Consolidated	
	2015	2014
	$'000	$'000
Goodwill- at cost	9,906	570
Reacquired rights - at cost	543	-
Less: Accumulated amortisation	(64)	-
	479	-
	10,385	570

Note 13: Intangible Assets (continued)

Reconciliations

	Consolidated 2015 $'000	Consolidated 2014 $'000
Goodwill		
Balance at beginning of period	570	-
Acquisitions through business combinations (note 26)	9,644	532
Effect of movements in foreign exchange	(308)	38
Balance at end of period	9,906	570
Reacquired rights		
Balance at beginning of period	-	-
Acquisitions through business combinations (note 26)	382	-
Acquisitions through business combinations (note 26-FY2014)	173	-
Amortisation	(65)	-
Effect of movements in foreign exchange	(11)	-
Balance at end of period	479	-

Goodwill has been allocated to one cost generating unit (CGU). The recoverable amount of CGU is based on fair value less costs of disposals, being the total purchase price based on two times EBITDA.

Note 14: Non-Current Assets-Deferred Tax

	Consolidated 2015 $'000	Consolidated 2014 $'000
Deferred tax asset comprises temporary differences attributable to:		
Property, plant and equipment	109	104
Deferred revenue	38	103
Accrued expenses	37	94
Receivables	16	-
Write off of prepayment	-	58
Tax losses	203	-
Share issue costs	676	-
Unrealised foreign currency exchange gain	(218)	-
Total deferred tax assets	861	359

Note 14: Non-Current Assets-Deferred Tax (continued)

Movements in deferred tax assets

	Balance at beginning of period	(Charged)/ credited to profit or loss	Effect of movements in foreign exchange	Balance at end of period
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
31 December 2014				
Property, plant and equipment	-	94	10	104
Deferred revenue	74	20	9	103
Accrued expenses	65	21	8	94
Write off of prepayment	88	(34)	4	58
Total deferred tax assets	227	101	31	359

Movements in deferred tax assets

	Balance at beginning of period	(Charged)/ credited to profit or loss	Credit to equity	Effect of movements in foreign exchange	Balance at end of period
Consolidated	**$'000**	**$'000**		**$'000**	**$'000**
31 December 2015					
Property, plant and equipment	104	(1)	-	6	109
Deferred revenue	103	(72)	-	7	38
Accrued expenses	94	(88)	-	31	37
Receivables	-	16	-	-	16
Tax losses	-	203	-	-	203
Share issue costs	-	42	634	-	676
Unrealised foreign currency gain	-	(218)	-	-	(218)
Write off of prepayment	58	(62)	-	4	-
Total deferred tax assets	359	(180)	634	48	861

Note 15: Borrowings

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Borrowing	85	80

The borrowing is an unsecured interest-free loan from a related party (2014: $80,000). The borrowing has no specific repayment date.

Note 16: Other Payables

	Consolidated 2015	Consolidated 2014
	$'000	**$'000**
Salary payables	891	534
Accrual	222	375
Deferred consideration on business acquisition (Note 26)	4,341	-
	5,454	909

Note 17: Deferred Revenue

	Consolidated 2015	Consolidated 2014
	$'000	**$'000**
Current		
Deferred revenue	10,878	9,510
Non-current		
Deferred revenue	12,382	16,824

Note 18: Contributed Equity

(a)Share capital

	Consolidated 2015		Consolidated 2014	
	Shares	**$'000**	**Shares**	**$'000**
Ordinary shares fully paid	220,772,000	17,888	N/A*	4,276*

*The contributed equity represents the accumulated contributed equity within the subsidiaries. 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 instead of in proportion to the number of and the amounts paid on the shares held.

(b) Movements in share capital

Details	Date	Number of shares	Issue price	$'000
At 1 January 2014		N/A		4,221
Acquisition of Non-controlling interest		N/A		55
At 31 December 2014				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

Note 18: Contributed Equity (continued)

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.

From 3 September 2015 when the Group was floated on the Australian Securities Exchange, ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and the amounts paid on the shares held. Every ordinary shareholder represent at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Employee share ownership plan
Details of the employee share ownership plan, including details of options and performance rights issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 24.

(b) Capital risk management

The Group considers its capital to comprise the equity as shown in the statement of financial position plus borrowings (including borrowings from bank, third party and related parties) net of cash and cash deposits.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain a gearing level of less than 60%. The Group's gearing ratio at the end of the reporting period is shown below:

	Consolidated 2015	Consolidated 2014
	$'000	**$'000**
Current liabilities - trade and other payables	5,454	909
Current liabilities - borrowing	85	80
Total	5,539	989
Current assets- cash and cash equivalents	30,741	15,158
Net surplus cash	25,202	14,169
Total equity	46,528	18,975

There have been no significant changes to the Group's capital management objectives, policies, and processes in the year nor has there been any change in what the Group considers to be its capital.

Note 19: Reserves

	Consolidated 2015	Consolidated 2014
	$'000	**$'000**
Surplus reserve	3,203	1,947
Foreign currency translation reserve	3,029	2,874
Share-based payments reserve	673	-
	6,905	4,821

Surplus reserves
Surplus reserves comprise capital reserve of $48,294 (2014: $45,900) and the statutory surplus reserve of $3,154,706 (2014: $1,902,100).

Statutory surplus reserve
The Chinese subsidiaries are required to appropriate 10% of its profit after income tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders and be approved by its board of directors. The statutory reserve can be utilised to offset prior year's losses or to issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's share capital after such issuance.

Note 19: Reserves (continued)

Other surplus reserve
Other surplus reserve includes the staff and workers' bonus and welfare fund, which is available to fund payments of special bonuses to staff and for collective welfare benefits, and the Enterprise Expansion Fund, which can be used to expand production.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences on translation of the aggregated Group to the presentation currency.

Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options and performance rights issued to employees under the Traditional Therapy Clinics Limited Employee Share Ownership Plan. This reserve can be reclassified as retained earnings if options and performance rights lapse and subsequently be declared as a dividend.

Note 20: Financial Risk Management

General objectives, policies and processes

Activities undertaken by the Group may expose the Group to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to its finance team, for designing and operating processes that ensure the effective implementation of the objectives and policies of the Group. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

At 31 December 2015 and 31 December 2014, the Group held the following financial instruments:

	Consolidated	
	2015	2014
	$'000	$'000
Financial Assets		
Current		
Cash and cash equivalents	30,741	15,158
Other receivables	13	3
Cash and receivables	30,754	15,161
Financial liabilities		
Current		
Other payables	5,454	909
Interest free borrowings	85	80
Borrowings and payables	5,539	989

The fair value of these financial instruments is assumed to approximate their carrying value.

(a) Credit risk
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses. Refer to the summary of financial instruments table above for the total carrying amount of financial assets.

Note 20: Financial Risk Management (continued)

Concentration of credit exposure analysis

The concentration of credit risk is monitored by the Group through geographical areas. The following tables show the maximum exposure to credit risk at reporting date by geographical areas.

(a) Credit risk (continued)

Analysis of credit exposure by geographical areas

	Consolidated	
	2015	2014
	$'000	$'000
Cash and cash equivalents		
China	28,702	15,158
Australia	2,039	-
Other receivables		
China	13	3
Total cash and receivables	30,754	15,161

Concentration of risk by bank credit rating

	Consolidated	
	2015	2014
	$'000	$'000
Cash and cash equivalents		
A-1	30,526	14,972
Unrated	215	186
Total cash and receivables	30,741	15,158

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

Prudent liquidity risk management implies maintaining sufficient cash to meet its financial commitments.

The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity analysis

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
At 31 December 2014					
Other payables	909	-	-	909	909
Interest free borrowings	80	-	-	80	80
	989	-	-	989	989
At 31 December 2015					
Other payables	5,454	-	-	5,454	5,454
Interest free borrowings	85	-	-	85	85
	5,539	-	-	5,539	5,539

Note 20: Financial Risk Management (continued)

(c) Market risk
Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

(i) Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to cash at bank.

The Group monitors its interest rate exposure continuously. The Group also considers on a continuous basis alternative financing opportunities and renewal of existing positions.

	2015		2014	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Cash and cash equivalents	0.48%	30,741	0.35%	15,158

Sensitivity analysis	2015		2014	
	$'000	$'000	$'000	$'000
	+ 0.1% (10 basis points)	- 0.1% (10 basis points)	+ 0.1% (10 basis points)	- 0.1% (10 basis points)
Cash and cash equivalents	31	(31)	15	(15)
Tax charge at 30% (2014: 25%)	(9)	9	(4)	4
After tax increase/(decrease)	22	(22)	11	(11)

Note 21: Related Party Transactions

Group restructuring

The Group has been restructured as part of an IPO process with Traditional Therapy Clinics Limited (TTC) being incorporated in Australia on 24 February 2015. A group restructure, commenced in April 2015 and was completed in May 2015, resulted in:

- the acquisition by TTC of 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 acquisition by Fuqiao Holdings of 100% of the shares of Chongqing Wuhuan Fuqiao Healthcare Co., Ltd along with its wholly owned subsidiaries, Chongqing Fuqiao Vocational Training School; the shares of these two entities were previously held on a trust through an agreement with Ms Zhirong Hu previously;
- the acquisition by Fuqiao Holdings of 100% of the shares of Chongqing Fuqiao Health Caring Service Co., Ltd; the shares of the entity was previously held on a trust through an agreement with Ms Zhirong Hu.

Parent entity and Ultimate parent entity

Prior to the completion of the group restructuring China Fuqiao Healthcare Industry (Hong Kong) Limited was the parent entity and the ultimate parent entity.

The parent entity and the ultimate parent entity post to the group restructuring is Traditional Therapy Clinics Limited (TTC), a company limited by shares incorporated in Australia.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Note 21: Related Party Transactions (continued)

Key management personnel

(a) Compensation

	Consolidated	
	2015	2014
	$	$
Total KMP Compensation		
Short-term employee benefits	520,942	64,792
Post-employment benefits	29,416	3,358
Share-based payments	611,667	-
	1,162,025	68,150

Detailed remuneration disclosed are provided in the remuneration report on pages 17 to 28.

Receivable from and payable to related parties

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

	Consolidated	
	2015	2014
	$	$
Loans from KMP		
Opening	80,469	700,810
Advances from KMP	220,900	117,180
Repayment to KMP	(220,900)	(729,223)
Effect of movements in foreign exchange	4,665	(8,299)
Balance at year end	85,134	80,468

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

The following balances are outstanding at the reporting date in relation to transactions with other related parties:

	Consolidated	
	2015	2014
	$	$
Loans advanced to other related parties		
Opening	-	937,605
Repayment from other related parties	-	(916,138)
Effect of movements in foreign exchange	-	(21,467)
Balance at year end	-	-

Note 22: Parent Entity

The following information relates to the parent entity Traditional Therapy Clinics Limited (2014: China Fuqiao Healthcare Industry (Hong Kong) Limited). The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.

	Parent	
	2015	2014
	$'000	$'000
Current assets	13,073	-
Non-current assets	-	4,856
Total assets	13,073	4,856
Current liabilities	7	4,660
Non-current liabilities	-	-
Total liabilities	7	4,660
Contributed equity	13,521	-
Accumulated losses	(452)	-
Reserves	(3)	196
Total equity	13,066	196
Profit for the year	3,302	-
Other comprehensive income for the year	(676)	14
Total comprehensive income for the year	2,626	14

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2015 and 31 December 2014.

Contractual commitments
The parent entity had no contractual commitments as at 31 December 2015 and 31 December 2014.

Note 23: Subsidiaries

(a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (b).

Name of entity	Countries of incorporation	Equity holding 2015 %	Equity holding 2014 %	Principle Activity
China Fuqiao Healthcare Industry (Hong Kong) Limited	Hong Kong	100	NA	Investment Holdings
Fuqiao (Chongqing) Holdings Co., Ltd.	P.R. China	100	100	Healthcare massage
*Chongqing WuhuanFuqiao Healthcare Co., Ltd.	P.R. China	100	95	Healthcare massage
*Chongqing Fuqiao Technical Training College	P.R. China	100	95	Training on healthcare massage
*Chongqing Fuqiao Healthcare Service Co., Ltd.	P.R. China	100	100	Healthcare massage

No ordinary shares are issued for Chinese subsidiaries. The voting rights of every ordinary shareholder are in accordance with the percentage of shareholding.

*In prior year Fuqiao (Chongqing) Holdings had a written agreement with director Zhirong Hu who held the shares in those entities on behalf of Fuqiao (Chongqing) Holdings.

Note 23: Subsidiaries (continued)

(b) Non-controlling interests (NCI)

	Chongqing WuhuanFuqiao Healthcare Co., Ltd		Chongqing Fuqiao Technical Training College		Chongqing Fuqiao Healthcare Service Co., Ltd	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	34,841	21,179	155	15	10,884	9,568
Non-current assets	30,815	29,948	15	12	2,969	2,939
Total assets	**65,656**	**51,127**	**170**	**27**	**13,853**	**12,507**
Current liabilities	19,682	12,983	461	305	5,567	8,757
Non-current liabilities	12,382	16,824	-	-	-	(88)
Total liabilities	**32,064**	**29,807**	**461**	**305**	**5,567**	**8,669**
Net assets/(Liabilities)	**33,592**	**21,320**	**(291)**	**(278)**	**8,286**	**3,838**
Accumulated non-controlling interest	-	1,040	-	(19)	-	-
Summarised statement of profit or loss and other comprehensive income						
Revenue	35,474	26,509	128	-	7,752	3,846
Profit/(loss) for the year	16,433	12,617	4	(125)	4,275	2,748
Other comprehensive income/(loss)	132	1,559	(16)	(24)	173	324
Total comprehensive income/(loss) for the year	**16,565**	**14,176**	**(12)**	**(149)**	**4,448**	**3,072**
Profit/(loss) attributable to non-controlling interest	255	631	(2)	(6)	-	58
Dividend paid to non-controlling interest	-	260	-	-	-	1,158
Summarised statement of cash flows						
Net cash flows from operating activities	12,677	11,223	(123)	(114)	4,989	986
Net cash flows from investing activities	(12,783)	(11,466)	(2)	9	(154)	(159)
Net cash flows from financing activities	(4,115)	(4,483)	-	90	(1,644)	(502)
Net (decrease)/increase in cash and cash equivalents	**(4,221)**	**(4,726)**	**(125)**	**(15)**	**3,191**	**325**

(c) Transactions with non-controlling interests

In March 2014, Chongqing Wuhuan Fuqiao Healthcare Co., Ltd acquired further 37% of the shareholdings of Chongqing Fuqiao Technical Training College with nil consideration to the minority interest holders. Chongqing Wuhuan Fuqiao Healthcare Co., Ltd owns 100% of the shareholdings of Chongqing Fuqiao Technical Training College after the acquisition. The non-controlling interest of Chongqing Fuqiao Technical Training College is 5% after the acquisition.

Note 23: Subsidiaries (continued)

In May 2014, the Group acquired 80% of the shareholdings of Chongqing Fuqiao Healthcare Service Co., Ltd from the minority interest holder. The Group owns 100% of the shareholdings of Chongqing Fuqiao Healthcare Service Co., Ltd after the acquisition.

In May 2015, as part of the group restructure explained in note 21, the Group acquired a further 5% of shareholding of Chongqing Wuhuan Fuqiao Healthcare Co., Ltd and Chongqing Fuqiao Vocational Training School with nil consideration to the minority interest holders. The non-controlling interest of these two entities is nil after the acquisition.

Note 24: Share-Based Payments

	Consolidated	
	2015	2014
	$'000	$'000
Share-based payment expense recognised during the financial year		
Options issued under employee share ownership plan	591	-
Performance rights issued under employee share ownership plan	82	-
	673	-

Employee share ownership plan

The Traditional Therapy Clinics Limited Employee Share Ownership Plan (ESOP) was approved on 26 May 2015. The ESOP provides flexibility to the Board to grant Awards to Employees or their Eligible Associate. 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 *section 18 Income Tax Assessment Act 1936 (Cth) to own the Awards*).

An Award means, as applicable:
- an Options;
- a Performance Right;
- a Deferred Share Award;
- an Exempt Share Award; and
- a Limited Resource Loan Award

No deferred shares, exempt shares or limited resources loans were awarded in the current financial year under the ESOP. The information below outlines the options and the performance rights issued in details.

(a) **Options**

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. The Options vest and become capable of exercise in 7 equal tranches over a 3 year period as follows:

	Vesting and exercise date
Tranche 1	31 August 2015
Tranche 2	28 February 2016
Tranche 3	28 August 2016
Tranche 4	28 February 2017
Tranche 5	28 August 2017
Tranche 6	28 February 2018
Tranche 7	28 August 2018

Note 24: Share-Based Payments (continued)

(a) **Options (continued)**

Participants must have remained as a Non-executive Director or Company Secretary (as the case may be) up until and including the Vesting Date. 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.

Options that have vested expire at 5.00pm AEST, 5 years from 31 August 2015. Unvested Options expire on the earlier to occur of resignation, removal from office, death or permanent disablement, unless the Board determines otherwise.

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.

When vesting occurs, each option can be exercised to purchase 1 ordinary share in Traditional Therapy Clinics Limited at exercise price set at grant date.

Options granted carry no dividend or voting rights.

Details of options outstanding as part of the ESOP during the financial year are as follows:

Grant date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
31 August 2015	$0.75	-	7,612,000	-	-	-	7,612,000	1,087,430

Fair value of options granted

The weighted average fair value of options granted during the year was 17 cents. The fair value at grant date was determined by an independent valuator using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 31 December 2015 were as follows:

- options are granted for no consideration, have a 5 year life and are exercisable in 7 equal tranches over a 3 year period
- grant date: 31 August 2015
- share price at grant date: $0.50
- exercise price: $0.75
- expected volatility: 50%
- expected dividend yield: 0%
- risk free rate: 2.28%

Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

Note 24: Share-Based Payments (continued)

(b) **Performance rights**

It is intended that performance rights are issued to Key Management Personnel (with the exception of Ms Hu, the Managing Director) and other employees based in China. The performance rights are subject to performance and service conditions over approximately, a three-year performance period.

As at 31 December 2015, 1,050,000 performance rights were issued to Zhonghan (John) Wu, Chief Financial Officer. Details of the performance rights are set out in Remuneration Report.

The fair value of the performance rights was determined using the Black-Scholes model using the following inputs at the grant date and as at 31 December 2015:

- Share price at measurement date: $0.50
- expected volatility: 50%
- expected dividend yield: 0%
- risk free rate: 2.28%

Note 25: Reconciliation of Profit after Income Tax to Net Cash from Operating Activities

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Operating profit after tax	17,127	13,017
Depreciation	1,119	869
Amortisation	65	-
Loss disposal of property, plant and equipment	-	3
Share-based payments	673	-
Unrealised foreign currency exchange gain	(719)	-
Change in Assets and Liabilities:		
Increase in other receivables	(10)	(1)
(Increase)/decrease in other assets	(22)	153
Decrease in Deferred tax assets	115	-
Increase in current tax liabilities	304	477
Increase in other payables	153	210
Decrease in other liabilities	(4,490)	(2,563)
Net cash flow from operating activities	14,315	12,165

Non-cash investing and financing activities

The Group had no non-cash investing and financing activities as at 31 December 2015 and 31 December 2014.

Note 26: Business Combinations

Acquisitions in the year ending 31 December 2015

During October to December 2015 the Group acquired 100% of the ownership of 8 clinics from its franchised clinic base in line with its business strategy to grow its owned clinic network and diversify its revenue steam.

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

	Liuzhou Clinic	Zhanjiang Clinic	Haikou Clinic	Nanning No. 6 Clinic	Huichun Clinic	Yuanhu Clinic	Jinhu Clinic	Mingxiu Clinic	**Total**
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	**Fair value**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Property, plant and equipment	290	399	174	312	320	199	604	489	**2,787**
Prepayments	34	88	36	41	57	8	62	71	**397**
Net identifiable assets and liabilities	324	487	210	353	377	207	666	560	**3,184**
Reacquired rights	-	55	53	26	53	69	57	69	**382**
Goodwill	1,406	1,232	1,577	1,306	1,279	1,057	954	833	**9,644**
Net assets acquired	1,730	1,774	1,840	1,685	1,709	1,333	1,677	1,462	**13,210**

Purchase consideration comprises:

	Liuzhou Clinic	Zhanjiang Clinic	Haikou Clinic	Nanning No. 6 Clinic	Huichun Clinic	Yuanhu Clinic	Jinhu Clinic	Mingxiu Clinic	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash paid	1,470	1,508	1,564	1,432	769	600	755	658	**8,756**
Deferred consideration (Note 16)	260	266	276	253	940	733	922	804	**4,454**
	1,730	1,774	1,840	1,685	1,709	1,333	1,677	1,462	**13,210**

Revenue and profit contribution
From the acquisition dates, the 8 clinics have contributed $1,444,000 to revenue and $450,000 to net profit of the Group. If the acquisition had occurred on 1 January 2015, the revenue of the Group would have been $15,647,647 and the net profit would have been $4,308,932

Acquisition-related costs
No material acquisition related costs were incurred on the acquisition of the 8 clinics.

Note 26: Business Combinations (continued)

Acquisitions in the year ending 31 December 2014

On 1 October 2014 Chongqing Fuqiao Healthcare Service Co., Ltd. acquired 100% of the ownership of two health treatment service stores in Xiamen and Xishuangbanna in China as its new branches. The acquisition of the two new branches is part of a strategy to expand the business in other cities of China.

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

	Fair value recognised on acquisition (Restated)		
	Xiamen branch	Xishuang-banna branch	Total
	$'000	$'000	$'000
Prepayments	67	59	126
Plant and equipment	424	463	887
Deferred revenue	(21)	(23)	(44)
Net identifiable assets and liabilities	470	499	969
Reacquired rights	83	90	173
Goodwill	340	192	532
Net assets acquired	893	781	1,674

Purchase consideration comprises:

	Xiamen branch	Xishuang-banna branch	Total
	$'000	$'000	$'000
Cash paid	893	781	1,674

The net assets recognised in the 31 December 2014 financial statements were based on a provisional assessment of their fair value while the Group sought an valuation for the reacquired rights arising from the acquisitions. The valuation had not been completed by the date the 2014 financial statements were approved for issue by management.

In 2015, the valuation was completed and the acquisition date fair value of reacquired rights was determined to be $173,000. The reacquired rights was identified from the acquired prepayments, therefore, no change was over the provisional value of the assets. The identified reacquired right was recognised in 2015.

Revenue and profit contribution
From the acquisition date, 1 October 2014, the two branches have contributed $1,173,000 to revenue and $450,000 to net profit of the group. If the acquisition had occurred on 1 January 2014, the revenue of the group would have been $33,060,000 and the net profit would have been $13,530,000.

Acquisition-related costs
No material acquisition related costs were incurred on the acquisition of the two branches.

Purchase consideration - cash outflow

	2015	2014
	$'000	$'000
Outflow of cash to acquire clinics, net of cash acquired		
Cash consideration paid	8,756	1,674
Less: cash and cash equivalent acquired	-	-
Net of outflow of cash – investing activities	8,756	1,674

Notes to the Financial Statements (cont)

Note 27: Contingent Liabilities

The company had no contingent liabilities as at 31 December 2015 and 31 December 2014.

Note 28: Commitments

Operating lease commitments

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2015	2014
	$'000	$'000
Operating lease commitments		
Within one year	2,606	846
One to five years	7,811	2,453
More than five years	2,497	458
	12,914	3,757

Capital commitments - Property, plant and equipment

	Consolidated	
	2015	2014
	$'000	$'000
Capital commitments		
Remaining balance for office block purchase per contract	6,753	5,769

On 22 November 2013, the Group entered into a property purchase agreement to buy an office block in Chongqing as their new administration center at total amount of RMB 160 million ($29.52 million). According to this agreement, the Group paid RMB 80 million ($14.76 million) in December 2013 and RMB 48 million ($8.86 million) in 2014 and would pay RMB 32 million ($5.90 million) by 31 December 2015.

The developer of the new head office has notified the Group of a delay to the handover date, pending the issue of final compliance certificates from the Chinese government. The Group now expects handover of its newly constructed head office to take place before 31 March 2016 and will make a final payment of RMB32 million ($6.8 million).

Note 29: Events after the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, or the results of those operations.

Note 30: Company Details

Registered Office	Level 36, Gateway 1 Macquarie Place, Circular Quay Sydney NSW 2000 Australia
Principal Places of Business	Block A 4F, Da Gong Guan Wuhuan Building Jiulongpo District Chongqing People's Republic of China

Directors' Declaration

In the opinion of the directors of Traditional Therapy Clinics Limited ('the Company'):

1. The financial statements and notes of Traditional Therapy Clinics Limited for the financial year ended 31 December 2015 are in accordance with the *Corporation Act 2001*, including:

    (a) comply with Accounting Standards as described in Note 2 to the financial statements, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and

    (b) give a true and fair view of the consolidated entity's financial position as 31 December 2015 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors.

On behalf of the directors

Zhirong Hu
Managing Director

14 March 2016
People's Republic of China

Andrew Sneddon
Chairman

14 March 2016
Australia

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INDEPENDENT AUDITOR'S REPORT

To the members of Traditional Therapy Clinics Limited

Report on the Financial Report

We have audited the accompanying financial report of Traditional Therapy Clinics Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

the financial report of Traditional Therapy Clinics Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 28 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Traditional Therapy Clinics Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Wayne Basford

Director

Perth, 14 March 2016

Other Shareholder Information

Distribution of Shareholders

As at 9 March 2016, the Company had 369 shareholders and a total of 220,772,000 ordinary fully paid shares on issue.

As at 9 March, 2016, the distribution of shareholders was as follows:

Size of Holding	Number of Shareholders	Number of Ordinary Shares	% of Issued Capital
1 - 1,000	5	3,024	0.00
1,001 - 5,000	100	381,714	0.17
5,001 - 10,000	51	416,907	0.19
10,001 - 100,000	157	6,143,567	2.78
100,001 and over	56	213,826,788	96.85
TOTAL	369	220,772,000	100.00

The number of shareholdings holding less than a marketable parcel of shares as at 9 March 2016 was 3.

Substantial Shareholders

Substantial Shareholders as at 9 March 2016 were as follows

Shareholder	Number of Ordinary Shares	Percentage (%) of Total Issued Shares
Hwazon Investments Limited	155,288,488	70.34
Traditional Therapy Clinics Limited	190,772,000	86.41

Voting Rights

Fully paid ordinary shares in the Company carry voting rights of one vote per share. Unlisted options and Unlisted performance rights do not carry voting rights.

Restricted Securities

190,772,000 fully paid ordinary shares in the Company are subject to voluntary escrow restrictions until 3 September 2017.

On Market Buy-back

There is no current on market buy-back.

Other Shareholder Information (cont)

Top 20 Shareholders (by number) of ordinary shares

As at 9 March 2016, the 20 largest shareholders in the Company by number of shares were as follows:

Rank	Name	Units	% of Units
1.	HWAZON INVESTMENT LIMITED	155,288,408	70.34
2.	XIAOBEI HUANG	9,347,828	4.23
3.	VIRTUE LINK HOLDINGS LIMITED	9,157,056	4.15
4.	BEST SCENERY INVESTMENTS LIMITED	8,966,284	4.06
5.	TALENT FELICITY LTD	4,578,528	2.07
6.	ASIA GLORY TECHNOLOGY LIMITED	3,433,896	1.56
7.	CITICORP NOMINEES PTY LIMITED	2,855,278	1.29
8.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,250,000	1.02
9.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,633,978	0.74
10.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	1,520,491	0.69
11.	MS SHIHONG CHEN	1,400,000	0.63
12.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	1,089,833	0.49
13.	UBS NOMINEES PTY LTD	1,082,426	0.49
14.	MR HUI XU	1,000,000	0.45
15.	BBY CHINA PTY LTD <BBY CHINA CAPITAL A/C>	633,080	0.29
16.	XYZ SERVICES <3C A/C>	500,000	0.23
17.	MR WENQING GUO	480,000	0.22
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	450,000	0.20
19.	MR WENBING ZHENG	425,000	0.19
20.	MS XUEQIN ZHU	350,600	0.16
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		206,442,686	93.51
Total Remaining Holders Balance		14,329,314	6.49

Corporate Directory

Registered Office
Traditional Therapy Clinics Limited
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Australia
ACN 603 792 712

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Facsimile (Sydney): +61 2 80754550
Telephone (Chongqing): + 86 2 3684 75559
Email: info@ttc-ltd.com
Website www.ttc-ltd.com

Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco
Western Australia 6008

Directors
Andrew Sneddon
Zhirong Hu
Sanzheng Zhang
Jeffrey Fisher
Glen Lees

Company Secretary
Lisa Dalton

Chongqing Head Office
Traditional Therapy Clinics Limited
Chongqing
Head Office Block A 4F, Da Gong Guan Wuhuan Building
Jiulongpo District
Chongqing
People's Republic of China

Traditional Therapy Clinics Limited is listed on the Australian Stock Exchange. The Home Exchange is Sydney
ASX Code: TTC

Share Registry
Computershare Investor Services Pty Ltd
117 Victoria Street
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Australia

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