



# Traditional Therapy Clinics Limited

ABN 68 603 792 712

## APPENDIX 4D AND INTERIM FINANCIAL REPORT *for the half-year ended 30 June 2017*

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

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Level 27, AMP Centre  
50 Bridge Street, Sydney NSW Australia 2000  
ABN 68 603 792 712

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

**1. Details of the reporting period**

Current Period: 1 January 2017– 30 June 2017

Previous Corresponding Period: 1 January 2016– 30 June 2016

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

Comparison to previous period	Increase/Decrease	Change %	To \$'000
2.1 Revenue from continuing operations	Increase	15.7%	33,437
2.2 Profit from ordinary activities after income tax attributable to members	Increase	1.0%	9,537
2.3 Net profit attributable to members	Increase	1.0%	9,537

2.4 Dividend	Amount Per Security	Franked Amount per Security	Foreign sourced income amount per security
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Final dividend for the year ended 31 December 2016	1.7 cents per share	nil	1.7 cents per share
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2.5 Record date  
N/A

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

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

	30.06.2017 Cents	31.12.2016 Cents
Net tangible assets per ordinary share	14	18

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

**5. Dividend Payment Information**

On 29 March 2017, the Company declared a final dividend for the year ended 31 December 2016 of \$3,938,410 (1.70 cents per fully paid share). The foreign sourced income amount per share was 1.70 cents. All dividends were paid on 8 May 2017.

**6. Dividend/distribution reinvestment plan**  
N/A

**7. Audit Disputes or Qualifications**  
There are no audit disputes or qualifications.

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

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

**ABN 68 603 792 712**

**Consolidated Financial Statements  
For the Half Year Ended 30 June 2017**

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## Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Traditional Therapy Clinics Limited (the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2017 ('reporting period').

### Directors

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

<b>Geoff Ross</b>	Chairman Independent, Non-executive Director
<b>Zhirong Hu</b>	Managing Director
<b>Sanzheng Zhang</b>	Executive Director
<b>Christian Drysdale</b>	Independent, Non-executive Director

### Principal activities

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

## Review of operations

The table below sets out the selected key performance indicators for the half year's ending 30 June 2017 ("HY2017") and 30 June 2016 ("HY2016"):

A\$'000	HY2017	HY2016	Change
<b>Revenue</b>			
Revenue from Franchise Clinics	8,712	10,145	-14%
Revenue from Owned Clinics	24,725	18,757	32%
<b>Total Revenue</b>	<b>33,437</b>	<b>28,902</b>	<b>16%</b>
Cost of revenue	16,385	10,992	49%
<b>Gross profit</b>	<b>17,052</b>	<b>17,910</b>	<b>-5%</b>
Selling and distribution expenses	781	200	290%
General and administrative expenses	2,118	2,363	-10%
Other expense	256	589	-57%
Finance costs	148	80	85%
Finance income	47	60	-22%
<b>Profit before income tax</b>	<b>13,796</b>	<b>14,738</b>	<b>-6%</b>
Depreciation & amortisation	1,185	842	41%
Finance costs	148	80	85%
Finance income	(47)	(60)	-22%
<b>EBITDA</b>	<b>15,082</b>	<b>15,600</b>	<b>-3%</b>

### (A) Revenue

HY2017 recorded a 16% increase in revenue from \$28.9 million in HY2016 to \$33.4 million in HY2017. This growth was driven by:

- An increase in Owned Clinics revenue from \$18.8 million in HY2016 to \$24.7 million in HY2017 primarily due to the following factors:
  - The full period impact of 7 new Owned Clinics acquired in the second half-year of FY2016. This contributed an additional \$2.2 million in revenue during HY2017;
  - The organic growth of 22 existing Owned Clinics. This contributed an additional \$1.7 million in revenue during HY2017; and
  - Acquisition of 9 clinics in HY2017. This contributed \$2.2 million in revenue during HY2017.
- Revenue from Owned Clinics was impacted by the renovation of 6 clinics in January 2017. The impact on revenue was a decrease of \$0.8 million.
- Revenue from Franchise Clinics however decreased by \$1.4 million primarily due to the following changes:
  - A change in the management fee and training fee levy method, which has reduced the average management fee by 20% and training fee by 13%, offsetting the full period impact of a net increase of 15 franchise clinics in FY2016. This has resulted in a fee reduction of \$1.2 million collected from the franchise clinics.
  - The revenue increase from the 11 newly granted franchise clinics in FY2017 was offset by the acquisition of 9 clinics from the franchise network. In HY2016, there was a net increase of 21 franchise clinics.
- Negative impact from currency exchange (AUD:RMB) from 1:4.80 in HY2016 to 1:5.19 in HY2017, an unfavourable change of 8.1%.

In terms of the actual performance in RMB currency (which is currency of the operating business), total revenue from clinics has increased by RMB35 million or 25%, from RMB138 million in HY2016 to RMB173 million in HY2017.

### (B) Gross Profit

Gross profit decreased by \$0.9 million in HY2017 (a decrease of 5%) mainly as a result of an additional \$1.4 million of commission expenses paid to the therapists. As mentioned in the FY2016 annual report, there had been an increase in the rate of commission paid to therapists, which is a key resource to the business, from 21% to 35% since July 2016.

### (C) Operating Costs

Costs including Selling and Distribution Expenses, General and Administrative Expenses and Other Expenses was consistent with HY2016. The increase in advertisement and promotion expenses of \$0.4 million was due to more owned clinics offset by the decrease of foreign exchange loss of \$0.33 million.

### (D) EBITDA

EBITDA slightly decreased from \$15.6 million in HY2016 to \$15.1 million in HY2017 primarily due to various factors affecting revenue and cost of revenue, reflecting the matters discussed above.

### Significant changes in the state of affairs

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

### Rounding of amounts

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

### Dividends

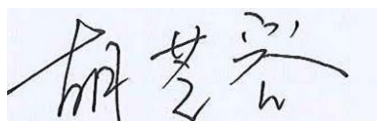
Approval from the relevant Chinese authorities has not yet been received for the repatriation of profits which would enable the payment of an interim dividend. In addition, the company is currently reviewing its capital requirements, investment and other growth opportunities. At this point in time, no dividend has been declared in respect of the half-year period ended 30 June 2017.

### Auditor's independence declaration

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

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

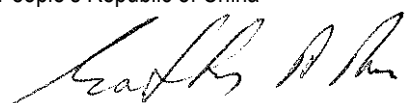
On behalf of the directors



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Zhirong Hu  
Managing Director

28 August 2017  
People's Republic of China



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Geoff Ross  
Chairman

28 August 2017  
Australia

**DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF TRADITIONAL THERAPY CLINICS LIMITED**

As lead auditor for the review of Traditional Therapy Clinics Limited for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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



**Neil Smith**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 28 August 2017



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

	Notes	30.06.2017 \$'000	30.06.2016 \$'000
Revenue	3	33,437	28,902
Cost of revenue		<u>(16,385)</u>	<u>(10,992)</u>
Gross profit		17,052	17,910
Selling and distribution expenses		(781)	(200)
General and administrative expenses	4	(2,118)	(2,363)
Other expenses	4	(256)	(589)
Finance costs		(148)	(80)
Finance income		47	60
<b>Profit before income tax</b>		<b>13,796</b>	<b>14,738</b>
Income tax expense		<u>(4,259)</u>	<u>(5,266)</u>
<b>Profit after income tax expense</b>		<b>9,537</b>	<b>9,472</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,911)</u>	<u>(1,792)</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>(1,911)</u>	<u>(1,792)</u>
<b>Total comprehensive income</b>		<b>7,626</b>	<b>7,680</b>
<b>Profit for the period is attributable to:</b>			
Owners of Traditional Therapy Clinics Limited		<u>9,537</u>	<u>9,472</u>
		<b>9,537</b>	<b>9,472</b>
<b>Total comprehensive income for the period is attributable to:</b>			
Owners of Traditional Therapy Clinics Limited		<u>7,626</u>	<u>7,680</u>
		<b>7,626</b>	<b>7,680</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit for the period</b>			
Basic earnings per share	7	4.12	4.21
Diluted earnings per share	7	4.12	4.21

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2017 \$'000	31.12.2016 \$'000
Cash and cash equivalents		22,172	33,385
Other receivables		76	90
Prepayments		795	3,167
Other assets		-	16
<b>Current assets</b>		<u>23,043</u>	<u>36,658</u>
Property, plant and equipment	5	28,440	28,475
Intangible assets	6	29,355	17,216
Deferred tax		158	569
<b>Non-current assets</b>		<u>57,953</u>	<u>46,260</u>
<b>Total assets</b>		<u><b>80,996</b></u>	<u><b>82,918</b></u>
Current tax liabilities		1,583	3,416
Trade creditors and other payables		2,279	3,126
Other liabilities		481	425
Deferred revenue		10,342	10,913
<b>Current liabilities</b>		<u>14,685</u>	<u>17,880</u>
Deferred revenue		4,985	7,650
<b>Non-current Liabilities</b>		<u>4,985</u>	<u>7,650</u>
<b>Total liabilities</b>		<u><b>19,670</b></u>	<u><b>25,530</b></u>
<b>Net assets</b>		<u><b>61,326</b></u>	<u><b>57,388</b></u>
Contributed equity	7	23,112	23,112
Reserves		3,386	5,047
Retained earnings		34,828	29,229
<b>Total equity</b>		<u><b>61,326</b></u>	<u><b>57,388</b></u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity	Surplus reserve	Foreign currency translation reserve	Option reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2017</b>						
<b>Balance at 31 December 2016</b>	23,112	3,203	218	1,626	29,229	57,388
Profit for the period	-	-	-	-	9,537	9,537
Other comprehensive income for the period, net of tax	-	-	(1,911)	-	-	(1,911)
<b>Total comprehensive income for the year</b>			(1,911)		9,537	7,626
<b>Transaction with owners in their capacity as owners:</b>						
Dividends paid (Note 9)	-	-	-	-	(3,938)	(3,938)
Share-based payments	-	-	-	250	-	250
<b>Balance at 30 June 2017</b>	23,112	3,203	(1,693)	1,876	34,828	61,326
<b>Consolidated 2016</b>						
<b>Balance at 31 December 2015</b>	17,888	3,203	3,029	673	21,735	46,528
Profit for the period	-	-	-	-	9,472	9,472
Other comprehensive income for the period, net of tax	-	-	(1,792)	-	-	(1,792)
<b>Total comprehensive income for the year</b>	-	-	(1,792)	-	9,472	7,680
<b>Transaction with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction cost	5,312	-	-	-	-	5,312
Dividends	-	-	-	-	(5,519)	(5,519)
Share-based payments	-	-	-	195	-	195
<b>Balance at 30 June 2016</b>	23,200	3,203	1,237	868	25,688	54,196

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	30.06.2017 \$'000	30.06.2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		31,097	27,822
Payments to suppliers and employees		(16,415)	(12,570)
Interest received		47	60
Income tax paid		(5,594)	(4,150)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		<u>9,135</u>	<u>11,162</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of clinics, net of cash acquired	8	(13,682)	(6,090)
Purchase of property, plant and equipment		(817)	(5)
Refund received in relation to purchase of property		-	7,756
<b>CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		<u>(14,499)</u>	<u>1,661</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	5,183
Share issue transaction costs		-	(295)
Loan repayments made to shareholders		-	(84)
Dividends paid to company's shareholders	9	(3,938)	(1,302)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		<u>(3,938)</u>	<u>3,502</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>		(9,302)	16,325
<b>CASH AT BEGINNING OF PERIOD</b>		33,385	30,741
Effect of exchange rate changes on cash and cash equivalents		(1,911)	(1,456)
<b>CASH AT PERIOD END</b>		<u><u>22,172</u></u>	<u><u>45,610</u></u>

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

## Notes to Financial Statements

### Note 1. Corporate information

The financial statements cover Traditional Therapy Clinics Limited as a consolidated entity consisting of Traditional Therapy Clinics Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2017. The financial statements are presented in Australian dollars, which is Traditional Therapy Clinics Limited's presentation currency.

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

#### Registered office

Level 27  
AMP Centre  
50 Bridge Street  
Sydney NSW 2000

#### Principal place of business

Block A 4F,  
Da Gong Guan Wuhuan Building  
Jiulongpo District  
Chongqing  
People's Republic of China

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2017.

### Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

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

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

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

## Notes to Financial Statements

### Note 3. Segment reporting

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

The following operating segments have been noted:

- Franchise Clinics: 347 Franchise Clinics located in 29 administrative divisions in China as at 30 June 2017
- Owned Clinics: 35 Owned Clinics located in Chongqing, Zhejiang, Sichuan, Jiangsu, Yunnan, Fujian, Guangxi, Guangdong Guizhou and Hainan as at 30 June 2017

### Segment information

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

30 June 2017	Owned Clinics	Franchise Clinics	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
<b>Treatment service revenue</b>	24,725			24,725
<b>Franchise revenue</b>				
Franchise fee	-	3,491	-	3,491
Training fee	-	2,215	-	2,215
Management fee	-	3,006	-	3,006
<b>Revenue</b>	<b>24,725</b>	<b>8,712</b>	<b>-</b>	<b>33,437</b>
<b>Adjusted EBITDA</b>	<b>8,732</b>	<b>8,649</b>	<b>(2,299)</b>	<b>15,082</b>
Depreciation	(1,173)	-	(12)	(1,185)
Finance cost	-	-	(148)	(148)
Finance income	-	-	47	47
<b>Profit before income tax</b>	<b>7,559</b>	<b>8,649</b>	<b>(2,412)</b>	<b>13,796</b>
<b>30 June 2016</b>	<b>Owned Clinics</b>	<b>Franchise Clinics</b>	<b>Unallocated</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>Treatment service revenue</b>	18,757	-	-	18,757
<b>Franchise revenue</b>				
Franchise fee	-	3,644	-	3,644
Training fee	-	2,555	-	2,555
Management fee	-	3,947	-	3,947
<b>Revenue</b>	<b>18,757</b>	<b>10,145</b>	<b>-</b>	<b>28,902</b>
<b>Adjusted EBITDA</b>	<b>8,233</b>	<b>9,738</b>	<b>(2,371)</b>	<b>15,600</b>
Depreciation	(793)	-	(49)	(842)
Finance cost	-	-	(80)	(80)
Finance income	-	-	60	60
<b>Profit before income tax</b>	<b>7,440</b>	<b>9,738</b>	<b>(2,440)</b>	<b>14,738</b>

## Notes to Financial Statements

### Note 3: Segment reporting (continued)

#### Other segment information

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

### Note 4: Expenses

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

	30.06.2017 \$'000	30.06.2016 \$'000
Profit before income tax includes the following specific expenses:		
<b>Depreciation</b>	1,013	736
<b>Amortisation</b>		
Re-acquired rights	172	106
<b>Employee benefits expenses</b>		
Wages and salaries	11,128	6,063
Social security plans	1,449	1,234
Welfare expenses	11	291
Total employee benefits expenses	12,588	7,588
<b>Rental expenses relating to operating leases</b>		
Minimum lease payments	1,847	1,268
<b>Other expenses</b>		
Share-based payment expense	250	195

### Note 5. Property, plant and equipment

As at 30 June 2017, \$16.88 million (equivalent to RMB 87.9 million) was included in property, plant and equipment reflecting the contracted payment to purchase a new head office building within Chongqing City's main financial district in December 2016. Subsequent to the period end, the company has terminated the contract. Refer to Note 11.

## Notes to Financial Statements

### Note 6. Intangible assets

	Consolidated	
	30.06.2017	31.12.2016
	\$'000	\$'000
Goodwill - at cost	29,078	16,850
Reacquired rights - at cost	729	658
Less: Accumulated amortisation	(452)	(292)
	277	366
	29,355	17,216

### Reconciliations

	Consolidated	
	30.06.2017	31.12.2016
	\$'000	\$'000
<b>Goodwill</b>		
Balance at beginning of year	16,850	9,906
Acquisitions through business combinations (note 8)	12,996	7,437
Effect of movements in foreign exchange	(768)	(493)
Balance at end of period	29,078	16,850
<b>Reacquired rights</b>		
Balance at beginning of period	366	479
Acquisitions through business combinations (note 8)	96	145
Amortisation	(172)	(236)
Effect of movements in foreign exchange	(13)	(22)
Balance at end of period	277	366

Goodwill has been allocated to each cash generating unit (CGU), which is each clinic owned and operated by the Group.

### Note 7: Contributed equity

#### Share capital

	30 June 2017		31 December 2016	
	Shares	\$'000	Shares	\$'000
Ordinary shares fully paid	231,671,190	23,112	231,671,190	23,112

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

	30.06.2017	30.06.2016
	Cents	Cents
Basic earnings per share	4.12 <sup>1</sup>	4.21
Diluted earnings per share	4.12 <sup>1</sup>	4.21

<sup>1</sup> Earnings per share calculation is based on the weighted average number of shares (231,671,190) outstanding as at 30 June 2017.



## Notes to Financial Statements

### Note 8: Business combinations

#### Acquisitions in the half year ending 30 June 2017

During the period, the Group acquired 100% of the ownership of 9 clinics from its franchised clinic base in line with its business strategy to grow its owned clinic network and diversify its revenue stream.

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

	Jingkai Clinic Fair value \$'000	Jinyang Clinic Fair value \$'000	Renhuai Clinic Fair value \$'000	D.fang Clinic Fair value \$'000	Chikan Clinic Fair value \$'000	F.C.G Clinic Fair value \$'000	Nankai Clinic Fair value \$'000	Xuzhou Clinic Fair value \$'000	Lasa Clinic Fair value \$'000	Total Fair value \$'000
Property, plant and equipment	283	164	130	224	239	179	252	302	204	1,977
Consumables and prepayments	44	7	7	17	11	10	20	11	10	137
Net identifiable assets and liabilities	327	171	137	241	250	189	272	313	214	2,114
Reacquired rights	20	14	29	9	-	13	9	-	2	96
Goodwill	1,050	1,252	1,291	1,574	1,612	1,468	1,634	1,631	1,484	12,996
Net assets Acquired	1,397	1,437	1,457	1,824	1,862	1,670	1,915	1,944	1,700	15,206

#### Purchase consideration comprises:

	Jingkai Clinic \$'000	Jinyang Clinic \$'000	Renhuai Clinic \$'000	D.fang Clinic \$'000	Chikan Clinic \$'000	F.C.G Clinic \$'000	Nankai Clinic \$'000	Xuzhou Clinic \$'000	Lasa Clinic \$'000	Total \$'000
Cash paid	1,397	1,437	1,457	1,824	1,862	1,670	1,915	1,944	1,700	15,206
Deferred consideration	-	-	-	-	-	-	-	-	-	-
Total consideration	1,397	1,437	1,457	1,824	1,862	1,670	1,915	1,944	1,700	15,206

#### Revenue and profit contribution

The Group acquired the 9 clinics on 31 January 2017, 30 April 2017, and 31 May 2017. If the acquisition had occurred on 1 January 2017, the revenue of the Group would have been \$37.13 million and the net profit after tax would have been \$10.99 million.

#### Acquisition-related costs

No material acquisition related costs were incurred on the acquisition of the 9 clinics.

#### Purchase consideration - cash outflow

	30.06.2017 \$'000	30.06.2016 \$'000
Outflow of cash to acquire clinics, net of cash acquired		
Cash consideration paid*	13,682	6,090
Less: cash and cash equivalent acquired	-	-
Net of outflow of cash – investing activities	13,682	6,090

\*\$1.86 million was paid in 2016 for the 3 acquisitions on 31 January 2017. \$0.34 million was paid in 2017 as last instalment for 4 clinics acquired in November 2016.

## Notes to Financial Statements

### Note 9. Dividends

	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for year ended 31 December 2015 of 2.5 cents per fully paid share declared on 29 February 2016		5,519
Final dividend for year ended 31 December 2016 of 1.7 cents per fully paid share declared on 29 March 2017*	3,938	
	3,938	5,519

\* A final dividend for 1.70 cents per fully paid share was declared on 29 March 2017, amounting to \$3,938,410. On 8 May 2017, all dividends have been paid to shareholders.

### Note 10. Contingent liabilities

The Group has no contingent liabilities or contingent assets as at 30 June 2017. (2016: \$nil).

### Note 11. Events after the reporting period

#### Termination of acquisition of new office building

On 30 December 2016 the group announced the acquisition of a new head office building in Chongqing City's main financial district. On 28 July 2017 the group has entered into an agreement with the property developer to terminate the acquisition. The Board has carefully considered feedback from its shareholders and the investment community to preserve cash and redirect its working capital to grow owned and franchise clinics, and other growth areas instead.

The new head office building cost was RMB92.53 million which equates to AUD18.46 million at an exchange rate of 5.01 (AUD:RMB) at the time of the announcement. TTC has paid a total of RMB87.90 million to date. According to the termination agreement, the property developer will provide a full refund to TTC in three tranches. First tranche of RMB35.16 million was refunded to TTC on 4 August 2017. Second Tranche of RMB26.37 million is refundable to TTC before 25 October 2017. And the third and final tranche of RMB26.37 million is refundable to TTC before 30 December 2017. The amounts refundable are unsecured and non-interest bearing.

#### New share placement

On 11 August 2017, the Company completed the successful placement of 5,700,000 new ordinary shares in the Company to sophisticated investors for a total amount of \$1,995,000 at a price of \$0.35 per share. The shares issued under the placement rank equally with existing shares and are not subject to any voluntary escrow. The 5,700,000 shares are issued without shareholder approval and within the Company's placement capacity pursuant to ASX listing rule 7.1. The proceeds from the Placement will be used for working capital purposes.

Apart from the termination of the acquisition of the new office building and the share placement referred to above, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

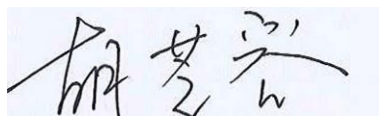
## Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

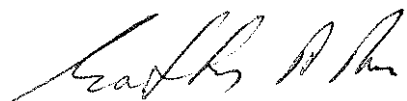
On behalf of the directors



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Zhirong Hu  
Managing Director

28 August 2017  
People's Republic of China



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Geoff Ross  
Chairman

28 August 2017  
Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Traditional Therapy Clinics Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Traditional Therapy Clinics Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Traditional Therapy Clinics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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



## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Neil Smith'. Above the signature, the letters 'BDO' are written in a similar blue ink.

**Neil Smith**

Director

Perth, 28 August 2017