

28 February 2018

ASX Market Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000



## Appendix 4E – Preliminary Final Report FY2017 Annual Financial Report

**Eagle Health Holdings Limited (ASX: EHH) (Eagle Health or Company)** a vertically integrated producer and supplier of traditional Chinese health food products and dietary supplements and Western nutritional products, is pleased to present its Appendix 4E – Preliminary Final Report and Annual Financial Report for the full year ended 31 December 2017. All financial results are in Australian dollars and are audited.

### Highlights – Operational

The Company completed a number of milestones since its listing on 3 July 2017. The highlights include:

- Launch of pre-meal diabetes shake, Hutang 1, with 4 concept stores in Xiamen, Fujian Province, China
- Expansion of distribution channels in China In 2017, adding 3 provincial-level regions, 16 dealers, from 23 provinces in 2016 to 258 dealers, to 26 provinces and 274 dealers
- Collaboration agreement with AMKA, a leading South African producer of consumer products
- Invested \$2.4 million during 2017 and further amounts are committed for 2018 in relation to factory, warehouse and exhibition centre upgrades including a high-speed line for the production of Hutang 1 diabetes product
- Australian office was opened in September 2017 to focus on investor relations and sourcing of Australian and New Zealand new products, IP and M&A potential targets

### Key points – Financial & Corporate

- Successful IPO and listing on the ASX, raising \$25 million
- \$10 million strategic investment from AMKA, a large privately owned South African nutritional company
- Revenue of \$89.2 million in FY2017 - up 6.1% from FY2016 and 11.3% in RMB terms
- Double digit revenue in a number of key product categories
- Gross profit of \$46.4 million – 52.0% margin
- Closing cash balance of \$34.9 million – targeted for growth and acquisition opportunities
- Earnings per share of 5.18 cents
- Final dividend declared of 0.5 cents per share – total FY2017 dividend of 0.5 cent (unfranked)



Eagle Health Managing Director and CEO, Mr Zhang Ming Wang commented:

*"By virtue of the efforts of all those involved in the Company, 2017 was a year of considerable achievement. The company successfully listed on the Australian Securities Exchange on 3<sup>rd</sup> July and raised funds to fuel accelerated growth. In 2017 the Company achieved sales of RMB 462 million (A\$89.2 million) (up 11.27%) and net profit of RMB 76.22 million (A\$14.72 million) in the Company's operating entity in China, Xiamen Eagledon Pharmaceutical Co., Limited.*

*In 2017, increased sales and marketing efforts and expanding sales channels were the key drivers of performance, however the price of raw materials increased and annual cost of sales increased by 2.5%. In addition, the Company increased its investment in sales and marketing and R&D spend during 2017. With our new high-speed production line now fully operational we are poised to deliver the sales targets we expect in 2018.*

*We are looking forward to a successful 2018 supported by strong category growth underpinned by supporting government policy, excellent new product innovation from our collaboration with local and Australian institutions and hard work and initiative from our strong sales force and research team. The Company's cash reserves will be deployed in both new product development and, potentially, in acquisition or joint venture transactions, with a view to increasing sales and profitability. That is our key priority, maximising the value of what the Company has and delivering returns to shareholders accordingly."*

#### **About Eagle Health Holdings Limited**

Eagle Health is an ASX listed vertically integrated health and nutritional products business which develops, manufactures and distributes products into 26 provinces in China. Eagle Health produces a range of traditional Chinese Medicine and Western nutritional products including amino acids, protein supplements, lozenges and dendrobium oil. Eagle Health has a GMP certified manufacturing facility and a Head Office in Xiamen, China, acting as a central hub for distribution into Chinese pharmacies, health food stores, trading companies and supermarkets. Eagle Health has a corporate and sales office in Melbourne, Australia. Eagle Health has a stated strategy of acquiring or partnering high quality Australian products for distribution into China and in 2017 a pre-meal shake for Type 2 diabetes, branded Hutang 1, was licensed from Omni Innovation in Australia.

For more information visit: <http://www.eaglehealthltd.com/EN/index.aspx>

#### **For further information please contact:**

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Company Secretary

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**Eagle Health Holdings Limited**  
**Appendix 4E**  
**Preliminary Final Report**

**1. Company Details**

**Name of entity:** Eagle Health Holdings Limited

**ABN:** 62 616 382 515

**Reporting period:** For the year ended 31 December 2017

**Previous period:** For the year ended 31 December 2016

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

Consolidated Group	Item		\$'000	% Change		\$'000
Revenue – excluding interest received	2.1	up	5,094	6.1	to	89,218
Profit after tax attributable to members	2.2	down	2,659	16.8	to	13,196
Net Profit attributable to members	2.3	down	2,659	16.8	to	13,196
Dividend	2.4					
			Amount per security	Amount Franked		Amount Unfranked
Final dividend per share			0.5 cent	Nil		0.5 cent
The record date for determining entitlements to the dividend	2.5		29 March 2018			
Date final dividend payable	2.6		30 April 2018			
Explanatory information	2.7		For further information refer the annual financial report attached.			

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**3. Net tangible assets**

	31 December 2017	31 December 2016
Number of securities	312,548,397	250,000,000
Net tangible assets per ordinary security in cents	17.28	8.10

Pursuant to a share swap agreement dated on 10 February 2017, 100% of shares in Enjoyhu International Co., Limited and its controlled entities were transferred to Eagle Health Holdings Limited. Given the nature of the business reconstruction occurring during the year, the number of securities used in the calculation for comparative purposes has been based on the number of shares on issue prior to the issue of shares in relation to the listing on the Australian Securities Exchange ("ASX").

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**4. Audit qualification or review**

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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**5. Attachments**

Details of attachments (if any):

The Annual Financial Report of Eagle Health Holdings Limited for the year ended 31 December 2017 is attached.

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Eagle Health Holdings Limited  
Appendix 4E  
Preliminary Final Report

6. Signed

Signed by

A handwritten signature in black ink, appearing to read 'Andrew Thomson', written over a faint horizontal line.

Andrew Thomson  
Non-Executive Chairman  
Dated this 28<sup>th</sup> of February 2018



# **EAGLE HEALTH HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**

**ABN 62 616 382 515**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
31 DECEMBER 2017**

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# Corporate Information

## Directors

Mr Andrew Thomson, Non-Executive Chairman  
Mr Mingwang Zhang, Executive Director  
Ms Linxiang Chen, Executive Director  
Mr Rodney Hannington, Executive Director  
Ms Yuhong Liu, Non-Executive Director  
Mr Andrew Smith, Non-Executive Director

## Company Secretary

Mr Justyn Stedwell  
Mr Michael Beer

## Registered Office

Level 2, 15-17 Queen Street  
Melbourne VIC 3000

## Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000

## Banker

ANZ  
Collins Place  
55 Collins Street  
Melbourne VIC 3000

## Auditor

Grant Thornton Audit Pty Ltd  
Level 3, 170 Frome Street  
Adelaide SA 5000

## Website

[www.eaglehealthltd.com](http://www.eaglehealthltd.com)

## Stock Exchange Listing

Eagle Health Holdings Limited shares are listed on the Australian Securities Exchange (ASX Code: EHH)

## Corporate Governance Statement

The Corporate Governance Statement which was approved on the 26<sup>th</sup> February 2018 can be found at [www.eaglehealthltd.com](http://www.eaglehealthltd.com)

All monetary amounts in this report are in Australian dollars unless stated otherwise.

The financial year begins on 1 January and ends on 31 December each year.



# Directors' Report

The Directors of Eagle Health Holdings Limited (EHH or the Company) present their Report together with the financial statements of the Consolidated Entity, being EHH and its Controlled Entities ('the Group') for the year ended 31 December 2017.

## Director details

The following persons were Directors of EHH during or since the end of the financial year:

Directors	Appointment Date
Mr Andrew Thomson, Non-Executive Chairman	31 January 2017
Mr Mingwang Zhang, Executive Director	9 December 2016
Ms Linxiang Chen, Executive Director	31 January 2017
Mr Rodney Hannington, Executive Director <sup>(1)</sup>	31 January 2017
Ms Yuhong Liu, Non-Executive Director	31 January 2017
Mr Andrew Smith, Non-Executive Director	9 December 2016

(1) Mr Hannington was appointed to the Board on 31 January 2017 as a Non-Executive Director and appointed as an Executive director on 1 September 2017

### Andrew Thomson Non-Executive Chairman

The Hon. Andrew Thomson was appointed to the Board on 31 January 2017 as a Non-Executive Director. The Hon. Andrew Thomson is a special counsel for Lander & Rogers Lawyers and advisor to D1 Chemical Co. Ltd, a company headquartered in Japan. Holding a Bachelor of Arts and Bachelor of Laws from the University of Melbourne and a Master of Laws from Georgetown University, he commenced his career as a solicitor at Mallesons before holding the position of Investment Manager at GT Management (Japan) Ltd and Assistant Vice President at Credit Suisse First Boston (Japan Ltd).

The Hon. Andrew Thomson has also held positions as a Member (House of Representatives) in the Australian Parliament, Parliamentary Secretary for Foreign Affairs, the Minister for Sport, Tourism and Sydney Olympic Games, and Chairman of the Joint Committee on Treaties for the Australian Parliament, and was previously a member of the New York Bar and California Bar.

He is currently a director of Zaige Waste Management Holding Group (AUS) Ltd, Australia-Japan Energy Developments Pty Ltd and Pie Face Japan GK. He has previously been a Chairman of Athena Resources Ltd (ASX:AHN), Citadel Resource Group Ltd, Celamin Holdings NL (ASX:CNL) and is fluent in Japanese and Mandarin.

The Hon. Andrew Thomson's experience in public company governance, commercial law and financial services and investment management is an asset to the Company.

#### Other current listed entity Directorships:

None

#### Interest in shares:

None

#### Previous listed entity Directorships (last 3 years):

Winha Commerce and Trade International Limited  
(ASX:WQW) (Resigned 23 August 2017)  
Celamin Holdings NL (ASX:CNL) (Resigned 1 October 2014)

#### Interest in options:

None





**Mingwang Zhang**  
**Executive Director**

Mr Zhang, the founder of the Eagle Group, was appointed to the Board on 9 December 2016 as an Executive Director. He is primarily responsible for the Group's strategic development. From 1980 to 1985, he was the technical expert at the Agricultural Bureau of Cangnan County (Wenzhou). Subsequently, he founded Shenli Ginseng Co., Ltd to manufacture and sell Ginseng health products. From 1995 to 2000, Mr Zhang became the Chairman of Changbaishan City Ginseng Co., Ltd. He has more than 30 years of experience in the health food and nutritional supplements industry.

Mr Zhang is also well connected socially and politically. He has:

- since 2007 consecutively served as a member of the National Committee of Chinese Political Party Consultative Conference in Tong'an District;
- acted as the vice chairman of the Tong'an Chamber of Commerce;
- acted as the standing deputy chairman of the Xiamen Health Food and Cosmetics Association;
- acted as the standing vice chairman of Industry and Commerce Association, Tong'an District, Xiamen;
- acted as the Chairman of Tong'an Chamber of Food Business;
- acted as the Standing Chair of the World Chinese Entrepreneur Association;
- acted as the research fellow of the Chinese People's Political Consultative Conference Xiamen Committee; and
- acted as the standing deputy chairman of Wenzhou Commerce Association in Fujian Province.

Mr Zhang was awarded an EMBA degree from Xiamen University and Kellogg Business College, Northwest University, USA.

**Other current listed entity Directorships:**

None

**Interest in shares:**

120,000,000

**Previous listed entity Directorships (last 3 years):**

None

**Interest in options:**

None

**Linxiang Chen**  
**Executive Director**

Ms Chen, the co-founder of the Eagle Group, was appointed to the Board on 31 January 2017 as an Executive Director. Since August 2001, Ms Chen has served as the vice general manager of Xiamen Eagle Don, and is responsible for procurement and logistics. Ms Chen has nearly 30 years of enterprise management experience in the health food industry. She was the co-founder, and vice chairman of Shenli Ginseng Co., Ltd, and was the vice general manager between 1995 and 2000 at the Changbaishan City Ginseng Co., Ltd.

Ms Chen graduated from Xiamen University with a certificate in Financial Management.

**Other current listed entity Directorships:**

None

**Interest in shares:**

56,800,000

**Previous listed entity Directorships (last 3 years):**

None

**Interest in options:**

None



**Rodney Hannington**  
**Executive Director**

Mr Hannington was appointed to the Board on 31 January 2017 as a Non-Executive Director and appointed as an Executive director on 1 September 2017. Rodney has been working in marketing and strategy services in consumer health and fast moving consumer goods in Asia Pacific for over 15 years. He has valuable international experience in Australia, China, Japan, South Korea and South East Asia, Middle East, Africa, Russia and Ukraine markets.

Working and consulting with Mondelez, Novartis and Asia Pacific Consulting Agencies, living in Australia, China and Singapore, he has developed extensive experience with a strong network in the health and food industries.

He is a strategic and innovative consumer health marketer with deep experience in China and Australia. He has led and been a part of several significant company acquisitions and new product launches in China and Australia as a board member, consultant and employee. He has strong interpersonal skills with broad cultural experience dealing with diverse cross-functional teams.

After two decades of overseas living and travel Rodney is now located in Australia and looking forward to bringing both his Asia Pacific experience and Australian knowledge and expertise to the board.

Mr Hannington graduated from Monash University with a Bachelor's Degree in Marketing and has been a member of the Monash University Department of Marketing Industry Advisory Board since 2013.

**Other current listed entity Directorships:** **Interest in shares:**

None None

**Previous listed entity Directorships (last 3 years):** **Interest in options:**

None None

**Yuhong Liu**  
**Non-Executive Director**

Ms Liu was appointed to the Board on 31 January 2017 as a Non-Executive Director.

Ms Liu had worked at the Industrial Bank Co.,Ltd, Tong'an Branch, and since April 2002, has been the Chairwomen of Xiamen Panjin Group. Ms Liu has significant experience in business management, and will be able to bring her management experience to assist the Company in developing its business strategy. Currently, Ms Liu is the vice chairman of Industry and Commerce Association, Tong'an District, vice chairman of Chamber of Commerce, Tong'an District, and a member of the National People's Congress, Tong'an District. Ms Liu has received many awards and recognitions from various government authorities including May 1st Labour Day Award in 2015.

Ms Liu graduated with a diploma in Economic Management major from the Central Communist Party Academy.

**Other current listed entity Directorships:** **Interest in shares:**

None None

**Previous listed entity Directorships (last 3 years):** **Interest in options:**

None None



**Andrew Smith**  
**Non-Executive Director**

Mr Smith was appointed to the Board on 9 December 2016 as a Non-Executive Director.

Andrew's business career has focused on finance and the financial markets in the Asia Pacific and the United Kingdom. Utilising the experience gained in his working career, he now holds a number of non-executive and consulting positions.

In addition to this position, Andrew is a Director of Gyrostat Capital Management Pty Limited, a funds management company; Responsible Manager and Chairman of the Project Control Group of Goal Property Group Pty Limited; and Responsible Manager of Dennis AFSL Pty Limited.

He was formerly the Managing Director and Chief Executive of the Stockbroking and Corporate Finance group Intersuisse Limited (now Phillip Capital) between 2000 to 2010. Prior to that, Andrew was Chairman of the Sedgwick Group in the Asia Pacific between 1995 to 2000 and a member of the Group Executive Committee in London.

Andrew was also Chairman of XPD Soccer Gear Group Limited (ASX: XPD) and on the Boards of Elk Ortho Biologics Limited, Zheng He Global Capital Limited and on the Board of Advice of Aon Risk Services.

**Other current listed entity Directorships:**

None

**Interest in shares:**

None

**Previous listed entity Directorships (last 3 years):**

XPD Soccer Gear Group Limited (ASX: XPD)  
*(Resigned 4 August 2017)*

**Interest in options:**

None



#### Joint Company secretaries

##### **Justyn Stedwell (appointed on 8 February 2017)**

Justyn Stedwell is a professional Company Secretary consultant with over eleven years' experience as a Company Secretary of ASX listed companies in a wide range of industries. His qualifications include a Bachelor of Commerce (Management and Economics) from Monash University, a Graduate Diploma of Accounting from Deakin University and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia. He is currently the Company Secretary of several ASX listed companies.

##### **Michael Beer (appointed on 21 April 2017)**

Michael is a Chartered Accountant and Chartered Company Secretary with initial experience at Price Waterhouse.

Since 2013, Michael has been joint owner of Beer and Co Pty Limited, a Corporate Advisory firm, acting as Lead Manager for a number of Chinese companies listing on ASX.

#### Principal activities

The Company is principally engaged in developing, manufacturing, marketing and distributing health food products and nutritional and dietary supplements in China.

#### Review of operations and financial results

The Company completed a number of milestones since its listing on 3 July 2017.

##### **Highlights – Operational**

- Launch of pre-meal diabetes shake, Hutang 1, with 4 concept stores in Xiamen, Fujian Province, China
- Expansion of distribution channels in China in 2017, adding 3 provincial-level regions, 16 dealers, from 23 provinces in 2016 to 258 dealers, to 26 provinces and 274 dealers
- Collaboration agreement with AMKA, a leading South African producer of consumer products
- Invested \$2.4 million during 2017 and further amounts are committed for 2018 in relation to factory, warehouse and exhibition centre upgrades including a high-speed line for the production of Hutang 1 diabetes products
- Australian office was opened in September 2017 to focus on investor relations and sourcing of Australian and New Zealand new products, IP and M&A potential targets

##### **Key points – Financial & Corporate**

- Successful IPO and listing on the ASX, raising \$25 million
- \$10 million strategic investment from AMKA, a large privately owned South African nutritional company
- Revenue of \$89.2 million in FY2017 - up 6.1% from FY2016 and 11.3% in RMB terms
- Double digit revenue in a number of key product categories
- Gross profit of \$46.4 million – 52.0% margin
- Closing cash balance of \$34.9 million – targeted for growth and acquisition opportunities
- Earnings per share of 5.18 cents
- Final dividend declared of 0.5 cents per share – total FY2017 dividend of 0.5 cents (unfranked)

#### Likely development, business strategies and prospects

The Company is looking forward to a successful 2018 supported by strong category growth underpinned by supporting government policy, excellent new product innovation from our collaboration with local and Australian institutions and hard work and initiative from our strong sales force and research team.

The Company's cash reserves will be deployed in both new product development and, potentially, in acquisition or joint venture transactions, with a view to increasing sales and profitability. That is the key priority, maximising the value of what the Company has and delivering returns to shareholders accordingly.



### Meeting of Directors

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Directors' Name	Board Meetings		Nomination and Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B
Andrew Thomson	4	4	-	-	1	1
Mingwang Zhang	4	4	-	-	-	-
Linxiang Chen	4	4	-	-	-	-
Rodney Hannington	4	4	-	-	1	1
Yuhong Liu	4	1	-	-	-	-
Andrew Smith	4	3	-	-	1	1

- **Column A** is the number of meetings the Director was entitled to attend
- **Column B** is the number of meetings the Director attended.

### Dividends

Dividends paid during the financial year were as follows:

Final dividend for the year ended 31 December 2016 of 0.5 cents per ordinary share, paid 12 October 2017.

On 26 February 2018, the directors declared a fully unfranked final dividend for the year ended 31 December 2017 of 0.5 cents per ordinary share with payment date of 30 April 2018 to eligible shareholders on the register as at 29 March 2018. This equates to a total distribution of \$1,562,742 based on the number of ordinary shares on issue as at 31 December 2017. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2017 financial statements and will be recognised in subsequent financial reports.

### Significant changes in the state of affairs

Pursuant to a share swap agreement on 10 February 2017, 100% of shares in Enjoyhu International Co., Limited (HK) and its controlled entities were transferred to Eagle Health Holdings Limited.

On 1 July 2017, Eagle Health Holdings Limited issued 62,531,500 shares at an issue price of \$0.40 per share as part of its capital raising following IPO which resulted in proceeds of \$25,012,600.

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

### Shares options

There are no options granted by the Company during the period or exist at the date of this report.

### Remuneration report (audited)

The Directors of Eagle Health Holdings Limited and its controlled entities ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Interest in shares and options
- Service agreements
- Share-based remuneration; and
- Transaction with Key Management Personnel (KMP) and related parties



## **A. Principles used to determine the nature and amount of remuneration**

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The Group has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its Charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee may engage independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities as required. The remuneration structure that has been adopted by the Group consists of the following components:

### ***(1) Fixed remuneration being annual salary***

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

### ***(2) Annual bonus***

The Group pays out bonuses annually at the director's discretion to all staff, including executive Key Management Personnel, employed at Xiamen Eagle Don Pharmaceuticals Co., Limited the Group's operating subsidiary in China. The payment is not contractual and is dependent on Group's performance, there are no specific KPI's involved.

### ***Use of remuneration consultants***

No remuneration consultants have been engaged by the Group during the financial year.

### ***Consequences of performance on shareholder wealth***

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year:

<b>Item</b>	<b>2017</b>	<b>2016</b>
EPS (cents)	5.18	7.12
Dividends (cents per share)	1.0	-
Net profit/(loss)(\$'000)	13,195	15,854
Share price (\$)	0.345 <sup>(a)</sup>	- <sup>(b)</sup>

(a) Share price as at 31 December 2017.

(b) The Company was admitted to the official list on Australian Securities Exchange ('ASX') on the 3 July 2017 and as a result no share price is available for the period ending 31 December 2016.



**B. Details of remuneration**

Director and other Key Management Personnel remuneration										
		Short term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments		Performance based percentage of remuneration
	Year	Cash salary & fees (\$)	Annual bonus (\$)	Non-monetary benefits (\$)	Superannuation/ Social Insurance (\$)	Long service leave (\$)	Termination payments (\$)	Options (\$)	Total (\$)	
Executive Directors										
Mr Mingwang Zhang (Appointment date 9 December 2016)	2017	139,265	23,172	-	-	-	-	-	162,437	-
Executive Director	2016	144,928	20,261	-	-	-	-	-	165,189	-
Ms Linxiang Chen (Appointment date 31 January 2017)	2017	116,093	19,310	-	-	-	-	-	135,403	-
Executive Director	2016	121,812	16,209	-	-	-	-	-	138,021	-
Mr Rodney Hannington <sup>(1)</sup> (Appointment date 31 January 2017)	2017	59,860	-	-	-	-	-	-	59,860	-
Executive Director	2016	-	-	-	-	-	-	-	-	-
Non-Executive Directors										
Mr Andrew Thomson (Appointment date 31 January 2017)	2017	39,996	-	-	-	-	-	-	39,996	-
Non-Executive Director and Chairman of the Board	2016	-	-	-	-	-	-	-	-	-
Mr Andrew Smith (Appointment date 9 December 2016)	2017	24,411	-	-	-	-	-	-	24,411	-
Non-Executive Director and Chairman of the Audit and Risk Management Committee	2016	-	-	-	-	-	-	-	-	-
Ms Yuhong Liu (Appointment date 31 January 2017)	2017	-	-	-	-	-	-	-	-	-
Non-Executive Director	2016	-	-	-	-	-	-	-	-	-



**B. Details of remuneration (Cont'd)**

Key Management Personnel									-	
Mr Justyn Stedwell (Appointment date 8 February 2017)	2017	12,000	-	-	-	-	-	-	12,000	-
Company Secretary	2016	-	-	-	-	-	-	-	-	-
Mr Michael Beer (Appointment date 21 April 2017)	2017	17,500	-	-	-	-	-	-	17,500	-
Company Secretary	2016	-	-	-	-	-	-	-	-	-
Mr Shengqi Huang (Appointment date 1 January 2014)	2017	69,748	11,586	-	-	-	-	-	81,335	-
Chief Financial Officer	2016	73,184	10,131	-	-	-	-	-	83,315	-
<b>2017 Total</b>	<b>2017</b>	<b>478,873</b>	<b>54,068</b>	-	-	-	-	-	<b>532,941</b>	
<b>2016 Total</b>	<b>2016</b>	<b>339,924</b>	<b>46,601</b>	-	-	-	-	-	<b>386,525</b>	

(1) Mr Rodney Hannington was appointed to the Board on 31 January 2017 as a Non-Executive Director and appointed as an Executive director on 1 September 2017





### C. Interest in shares and options

The table below shows the shareholdings of each director in number and percentage as at 31 December 2017.

	Opening balance	Received as compensation	Options exercised	Net Change Other	Closing Balance	% of Total Shares on Issue
<b>Executive Directors</b>						
Mr Mingwang Zhang <sup>(a)</sup> Executive Director and Chief Executive Officer	-	-	-	120,000,000	120,000,000	38%
Ms Linxiang Chen Executive Director	-	-	-	56,800,000	56,800,000	18%
Mr Rodney Hannington Executive Director	-	-	-	-	-	-
<b>Non-Executive Directors</b>						
Mr Andrew Thomson Non-Executive Director and Chairman of the Board	-	-	-	-	-	-
Mr Andrew Smith Non-Executive Director and Chairman of the Audit and Risk Management Committee	-	-	-	-	-	-
Ms Yuhong Liu Non-Executive Director	-	-	-	-	-	-
<b>Key Management Personnel</b>						
Mr Justyn Stedwell Company Secretary	-	-	-	-	-	-
Mr Michael Beer Company Secretary	-	-	-	-	-	-
Mr Shengqi Huang Chief Financial Officer	-	-	-	5,000,000	5,000,000	2%
<b>Total</b>	-	-	-	<b>181,800,000</b>	<b>181,800,000</b>	<b>58%</b>

- (a) Shares held in Creator Global Holdings Limited which is controlled by Executive Director, Mr Mingwang Zhang.  
(b) Shares held in Wangwang Fortune Co., Limited which is controlled by Executive Director, Ms Linxiang Chen.



#### D. Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary \$	Term of agreement	Notice period
Mr Mingwang Zhang Executive Director and Chief Executive Officer	139,033 p.a. (RMB720,000)	4 years	30 days
Ms Linxiang Chen Executive Director	115,861 p.a. (RMB600,000)	4 years	30 days
Mr Rodney Hannington Executive Director	144,000 p.a.	3 years	1 month
Mr Justyn Stedwell Company Secretary	24,000 p.a.	n/a	1 month
Mr Michael Beer Company Secretary	42,000 p.a.	n/a	1 month
Mr Shengqi Huang Chief Financial Officer	69,516 p.a. (RMB360,000)	3 years	30 days

#### E. Share-based remuneration

There are no options granted by the Company during the period to Directors and Key Management Personnel.

#### F. Transaction with Key Management Personnel (KMP) and related parties

##### a) Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest

	31 December 2017	31 December 2016
<b>Mingwang Zhang (Executive Director)</b>		
Cash advanced from the related party	50,768	(3,887)
Cash advance to the related party	(93,768)	-
<b>Linxiang Chen (Executive Director)</b>		
Cash advanced from the related party	966	161,742
Cash advance to the related party	(966)	(161,742)
<b>Mr Michael Beer (Company Secretary)</b>		
Payments for services as the Lead Manager of the IPO	1,959,271	-
Payments for consulting services	5,581	-



## b) Related party balances

Amounts receivable from and (payable) to key management personnel and their related entities at reporting date arising are as follows:

	31 December 2017	31 December 2016
	\$	\$
<b>Mingwang Zhang (Executive Director)</b>	40,000	(3,887)

Related party balances comprise trade receivable arisen from normal course of business and related party loans, no specific terms and conditions have been attached to the above transactions.

## *End of audited Remuneration Report*

### Environmental legislation

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia or in China.

### Indemnities given to, and insurance premiums paid for, auditors and officers

During the year, the Group paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

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

### Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.



#### Non-audit services

Details of the amounts paid to the auditors of the Group, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 27 to the Financial Statements.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 15 of this financial report and forms part of this Directors' Report

#### 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 immediately after this directors' report.

Signed in accordance with a resolution of the Directors.

Andrew Thomson  
Non-Executive Chairman  
28 February 2018

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## Auditor's Independence Declaration To the Directors of Eagle Health Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Eagle Health Holdings Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 28 February 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# Corporate Governance Statement

Eagle Health Holdings Limited is committed to the implementation and maintenance of good corporate governance practices. The Statement sets out the extent to which Eagle Health Holdings Limited Board has followed the best practice recommendations set by the ASX Corporate Governance Council (the Principles and Recommendations) since listing (3 July 2017) to 31 December 2017.

The Statement is accurate and up to date as at 26 February 2018. The disclosures in this Statement respond to the ASX Corporate Governance Council's Third Edition of its Corporate Governance Principles and Recommendations.

The statement and corporate governance policy, which includes below, are posted on the Eagle Health Group website: [www.eaglehealthltd.com](http://www.eaglehealthltd.com)

- General
- Board Charter
- Board Committees
- Risk Management
- Code of Conduct
- Dealings in Eagle securities by directors and employees
- Remuneration and Nomination Committee Charter
- Continuous Disclosure Shareholder Communications
- Diversity
- Publication



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Sales revenues	7	89,217,715	84,124,070
Cost of goods sold		(42,780,977)	(38,391,411)
<b>Gross profit</b>		<b>46,436,738</b>	<b>45,732,659</b>
Other revenues	7	54,975	315,099
Sales and marketing expenses		(16,464,747)	(15,480,180)
Distribution and freight expenses		(3,603,940)	(2,928,403)
Research and development expenses		(3,003,884)	(2,646,653)
Other expenses	8	(4,761,264)	(3,098,983)
Finance costs	9	(484,110)	(707,605)
<b>Profit before income tax</b>		<b>18,173,768</b>	<b>21,185,934</b>
Income tax expense	10	(4,977,921)	(5,331,405)
<b>Profit for the year attributable to members of the parent</b>		<b>13,195,847</b>	<b>15,854,529</b>
Other comprehensive income:			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operations		237,909	(1,259,812)
<b>Total comprehensive income for the year attributable to the members of the parent</b>		<b>13,433,756</b>	<b>14,594,717</b>

## Earnings per share on profit attributable to ordinary equity holders

Basic earnings per share (cents per share)	31	5.18	7.12
Diluted earnings per share (cents per share)	31	5.18	7.12

*The accompanying notes form part of these financial statements.*



# Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
<b>Current assets</b>			
Cash and cash equivalents	11	34,909,298	5,186,518
Trade and other receivables	12	18,272,892	14,983,367
Inventories	13	2,325,473	2,014,486
Total current assets		55,507,663	22,184,371
<b>Non-current assets</b>			
Property, plant and equipment	14	12,541,717	11,717,880
Land use rights	15	455,147	474,622
Intangible assets	16	983,333	-
Total non-current assets		13,980,197	12,192,502
<b>Total assets</b>		<b>69,487,860</b>	<b>34,376,873</b>
<b>Current liabilities</b>			
Trade and other payables	17	7,277,784	6,946,814
Other financial liabilities	18	5,787,890	5,477,260
Current tax liabilities	19	1,411,939	1,704,086
Total current liabilities		14,477,613	14,128,160
<b>Total liabilities</b>		<b>14,477,613</b>	<b>14,128,160</b>
<b>Net assets</b>		<b>55,010,247</b>	<b>20,248,713</b>
<b>Equity</b>			
Issued capital	21	24,889,436	1,999,001
Reserves	22	145,597	(92,312)
Retained earnings		29,975,214	18,342,024
<b>Total equity</b>		<b>55,010,247</b>	<b>20,248,713</b>

*The accompanying notes form part of these financial statements.*





# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
<b>Balance at 1 January 2016</b>	<b>1,999,000</b>	<b>1,167,500</b>	<b>16,596,263</b>	<b>19,762,763</b>
Profit after income tax for the year	-	-	15,854,529	<b>15,854,529</b>
Other comprehensive income for the year	-	(1,259,812)	-	<b>(1,259,812)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,259,812)</b>	<b>15,854,529</b>	<b>14,594,717</b>
Issuance of share capital	1	-	-	1
Dividend paid (Pre-business reconstruction (Refer Note 5))	-	-	(14,108,768)	<b>(14,108,768)</b>
<b>Transaction with owners in their capacity as owners</b>	<b>1</b>	<b>-</b>	<b>(14,108,768)</b>	<b>(14,108,767)</b>
<b>Balance at 31 December 2016</b>	<b>1,999,001</b>	<b>(92,312)</b>	<b>18,342,024</b>	<b>20,248,713</b>
<b>Balance at 1 January 2017</b>	<b>1,999,001</b>	<b>(92,312)</b>	<b>18,342,024</b>	<b>20,248,713</b>
Profit after income tax for the year	-	-	13,195,847	<b>13,195,847</b>
Other comprehensive income for the year	-	237,909	-	<b>237,909</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>237,909</b>	<b>13,195,847</b>	<b>13,433,756</b>
Issuance of share capital, net of related issuance costs	22,890,435	-	-	<b>22,890,435</b>
Dividend paid	-	-	(1,562,657)	<b>(1,562,657)</b>
<b>Transaction with owners in their capacity as owners</b>	<b>22,890,435</b>	<b>-</b>	<b>(1,562,657)</b>	<b>21,327,778</b>
<b>Balance at 31 December 2017</b>	<b>24,889,436</b>	<b>145,597</b>	<b>29,975,214</b>	<b>55,010,247</b>

*The accompanying notes form part of these financial statements.*



# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		100,908,250	97,881,431
Payments to suppliers and employees		(83,816,037)	(74,510,948)
Government grant received		-	294,821
Interest received		54,588	20,278
Finance costs		(484,110)	(707,605)
Income tax paid		(5,244,213)	(5,515,052)
<b>Net cash provided by operating activities</b>	<b>30</b>	<b>11,418,478</b>	<b>17,462,925</b>
<b>Cash flows from investing activities</b>			
Receipt from disposal of investment held for sales		-	4,504,045
Purchase of property, plant and equipment		(2,429,230)	(267,419)
Purchase of intangibles		(1,000,000)	-
<b>Net cash used in investing activities</b>		<b>(3,429,230)</b>	<b>4,236,626</b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		5,677,199	5,633,394
Repayment of other financial liabilities		(5,290,995)	(11,359,502)
Proceeds from issuance of shares		25,012,609	1
Payment of costs relating to issuance of shares		(2,522,649)	-
Dividend paid (2016: Pre-IPO)		(1,556,904)	(14,108,768)
Cash advanced to related parties		(39,614)	-
<b>Net cash provided by financing activities</b>		<b>21,279,646</b>	<b>(19,834,875)</b>
Net change in cash held		29,268,894	1,864,676
Cash at beginning of the year		5,186,518	3,726,579
Effect of exchange rates on cash holdings in foreign currencies		453,886	(404,737)
<b>Cash and cash equivalents at end of the year</b>	<b>11</b>	<b>34,909,298</b>	<b>5,186,518</b>

*The accompanying notes form part of these financial statements.*



# Notes to the Consolidated Financial Statements

## 1. General Information

Eagle Health Holdings Limited (the Company) is a for-profit public company listed on the Australian Securities Exchange (ASX: EHH), incorporated in Australia on 9 December 2016.

The principal activities of the Company and its subsidiaries (the Group) during the course of year were developing, manufacturing, marketing and distributing health food products and nutritional and dietary supplements in China.

The Group operates in one segment being the manufacturing and distribution of health food products and nutritional and dietary supplements via its main operating subsidiary, Xiamen Eagle Don Pharmaceutical Co., Limited. The Group operates predominately in one geographical area where sales revenue is generated and non-current assets are located, being the People's Republic of China.

There were no other significant changes in the nature of the Group's principal activities during the year of 2017.

## 2. General information and basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2018.

## 3. New and revised standards that are relevant for these financial statements

### 3.1 New and revised standards that are effective for these financial statements

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Australian Accounting Standards and interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the financial year.

### 3.2 Accounting Standards issued but not yet effective and not been adopted early by the Group

Australian Accounting Standards and Interpretations that have been recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the year reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, as set out below.

#### ***AASB 9 Financial Instruments (December 2014) (Application date: 1 January 2018)***

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Based on the Group's assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.



### 3. New and revised standards that are relevant for these financial statements (Cont'd)

#### ***AASB 15 Revenue from Contracts with Customers (Application date: 1 January 2018)***

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

Based on the Group's assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

#### ***AASB 16 Leases (Application date: 1 January 2019)***

- replaces AASB 117 *Leases* and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.

### 4. Significant accounting policies

#### **a. Overall considerations**

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

#### **b. Principle of Consolidation**

The Group financial statements consolidate those of Eagle Health Holdings Limited and all of its subsidiaries as of 31 December 2017. Eagle Health Holdings Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a December financial year end.



#### 4. Significant accounting policies (Cont'd)

##### ***Business Combination***

Eagle Health Holdings Limited (“EHH”) was incorporated in Australia on 9 December 2016 to act as the ultimate holding company of the Group. Pursuant to a share swap agreement on 10 February 2017, EHH acquired 100% of shares in Enjoyhu International Co., Limited and its controlled entities (“Enjoyhu Group”).

Eagle Health Holdings Limited (EHH), Enjoyhu International Co, Limited (Enjoyhu), Xiamen Olibo Trading Co., Limited (Olibo) and Xiamen Eagledon Pharmaceutical Co., Limited (Eagledon) were owned and controlled by the same shareholders before and after the business reconstruction. Through this transaction effective control of Enjoyhu Group passed to the shareholders of EHH. The transaction is the one referred to in *AASB 3 Business Combinations* as common control transaction, as the nature and substance of this transaction is a group restructure where following the restructure EHH took control of Enjoyhu Group with no change in underlying control.

Business combinations involving entities under common control is scoped out under *AASB 3 Business Combination*. AASB provides no guidance on the accounting for these types of transactions; however requires an entity to develop an accounting policy. The two most common methods utilised are the purchase method and the pooling of interest-type method (predecessor value method).

Management determined the pooling of interest-type method to be the most appropriate. The pooling of interest-type method requires the financial statements to be prepared using the predecessor book value without any step up to fair value. The difference between any consideration given and aggregate book value of the assets and liabilities of the acquired entity are recorded as an adjustment to equity. This may be recorded in retained earnings/reserve and no additional goodwill is created by the transaction. The comparatives have been presented as if the combination had occurred from the date when the combining entities first came under the control of the controlling process.

All transaction costs incurred in relation to the business reconstruction were expensed to profit and loss. The business combination was performed and completed during 2017.

##### ***Comparative Financial Statement Presentation***

The consolidated financial statements can be presented using one of two methods. The first method, being the consolidated financial statements can incorporate the acquired entity’s results as if both entities (acquirer and acquire) had always been combined. Alternatively the consolidated financial statements can incorporate acquired entity’s results only from the date on which the transaction occurred.

Management has determined to use option one – reporting comparatives as if the Group had always been combined.

##### **c. Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (benefit).

###### *Current tax*

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Eagle Health Holdings Limited and its wholly-owned Australian controlled entities have elected to form an income tax consolidated group effective 14 December 2016. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.



#### **4. Significant accounting policies (Cont'd)**

##### *Deferred tax*

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

##### **d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

##### ***Depreciation***

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>	<b>Residual Value</b>	<b>Depreciation Basis</b>
Office equipment	3 – 5 years	5%	Straight line
Manufacturing equipment	5 – 20 years	5%	Straight line
Motor vehicle	4 – 10 years	5%	Straight line
Buildings	20 years	5%	Straight line

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit and loss.



#### 4. Significant accounting policies (Cont'd)

##### e. Intangible assets

###### *Intellectual Property*

Intellectual property represents payments made by the Company to acquire an exclusivity agreement to access intellectual property relating to the manufacture, marketing and distribute a pre-meal shake product in the People's Republic of China (including Hong Kong and Macau) (Refer to Note 16). The intellectual property is recognised at cost at the date of acquisition and to be subsequently amortised on a straight-line basis over the length of exclusivity.

###### *Subsequent measurement*

Intellectual property is accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over the length of the exclusivity. Where there is a loss of the licence or exclusivity, the remaining carrying value is recognised in profit or loss within other expenses.

##### f. Research and development (R&D)

Expenditure associated with the research and development of products are recognised an expense as incurred. R&D expenditures are recognised as intangible assets when they are directly attributable to the design and testing of an identifiable and unique product.

R&D expenditures have not been recognised as an intangible asset during the current period as expenditures are not directly attributable to the design and testing of an identifiable and unique product.

##### g. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis on normal operating capacity. Costs are assigned on the basis of weighted average costs.

##### h. Leases

###### *Operating lease*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

###### *Leases of land – land use rights*

Land use rights represent up-front payments to relevant government authorities for long-term interests for usage of land. Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation of land-use rights is calculated using the straight line method to allocate the cost of land use-rights over its estimated useful life. Land use rights have been presented separately within 'Land-use rights' in the statement of financial position.





#### 4. Significant accounting policies (Cont'd)

##### i. Financial Instruments

###### *Initial recognition and measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial instruments are classified and measured as set out below.

###### *Effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

###### *Classification and subsequent measurement*

###### *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 provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

###### *Financial liabilities*

The Group's financial liabilities include trade and other payables and short-term borrowings. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

###### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

###### *Impairment of financial assets*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.





#### **4. Significant accounting policies (Cont'd)**

##### **j. Impairment of Non-Financial Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In 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 for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

##### **k. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

##### **l. Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **m. Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of value added tax (VAT) and goods and services tax (GST).

##### **n. Borrowing Costs**

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

##### **o. Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid according to term.



#### 4. Significant accounting policies (Cont'd)

##### p. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### q. Value Added Tax (VAT) / Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of VAT and GST, except where the amount of VAT and GST incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT and GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT and GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT & GST component of investing and financing activities, which are disclosed as operating cash flows.

##### r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

##### s. Foreign Currency Transactions and Balances

###### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

###### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

###### *Group Companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.



#### 4. Significant accounting policies (Cont'd)

##### t. Earnings per share

###### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

###### *Diluted earnings per share*

Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

##### u. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

###### *Key estimates — Impairment of non-financial assets*

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

###### *Key estimates — Estimation of useful lives and residual value of assets*

The Group determine the estimated useful lives, residual values and related depreciation and amortisation charges for its land use rights and property, plant and equipment. The useful life and residual values could change significantly as a result of technical innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

###### *Key judgement — Land use rights*

The Group have assessed and classified the land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the land right term. The directors have classified the unamortised upfront payment for the land use rights as finance leases in accordance with *AASB 117 Leases*. Land use rights have been presented within 'land-use rights' in the statement of financial position.

###### *Key judgement — Accounting of Business Combination*

The Group assesses the accounting implication of business combination (Refer Note 4(b) and Note 5) using *AASB 3 Business Combinations*. Management have determined that the pooling of interest-type method to be the most appropriate method to account for the business combination.



## 5. Business Reconstruction

Pursuant to a share swap agreement dated on 10 February 2017, 100% of shares in Enjoyhu International Co., Limited and its controlled entities (“Enjoyhu Group”) was transferred to Eagle Health Holdings Limited.

Eagle Health Holdings Limited (EHH), Enjoyhu International Co, Limited (Enjoyhu), Xiamen Olibo Trading Co., Limited (Olibo) and Xiamen Eagledon Pharmaceutical Co., Limited (Eagledon) were owned and controlled by the same shareholders before and after the business reconstruction. Through this transaction effective control of Enjoyhu Group passed to the shareholders of EHH. The transaction is the one referred to in *AASB 3 Business Combinations* as common control transaction, as the nature and substance of this transaction is a group restructure where following the restructure EHH took control of Enjoyhu Group with no change in underlying control (Refer to Note 4b).

EHH was incorporated specially for the purpose of listing on the Australian Securities Exchange (“ASX”), the fair value of the equity instruments issued has been estimated by reference to the value of historical (Enjoyhu Group) net assets as of 31 December 2016.

The following has been extracted from the audited financial information of Enjoyhu Group as at 31 December 2016 and converted to Australian Dollars from Chinese RMB.

The assets and liabilities of Enjoyhu Group as at 31 December 2016 were:

	\$
Cash and cash equivalents	5,186,517
Trade and other receivables	14,983,367
Inventory	2,014,486
Property, Plant and Equipment	11,717,880
Land use rights	474,622
Trade and other payables	(6,946,814)
Other financial liabilities	(5,477,260)
Current tax liabilities	(1,704,086)
<b>Total net assets acquired</b>	<b>20,248,712</b>
Accounted for as:	
Issued capital	1,999,000
Reserves	(92,312)
Retained earnings	18,342,024
	<b>20,248,712</b>

## 6. Segment Reporting

The Board has considered the requirements of *AASB 8 Operating Segments* and the internal reports that are reviewed by the CODM in allocating resources and have concluded at this that there are no separately identifiable segments as there is currently no discrete financial information by the chief operation decision maker.

The Group operates in one segment being the manufacturing and distribution of nutritional products via its main operating subsidiary, Xiamen Eagle Don Pharmaceutical Co., Limited.

The Group operates predominately in one geographical area where sales revenue is generated and non-current assets are located, being the People’s Republic of China. The Group assets and liabilities are not specifically allocated to operating segments.



## 7. Revenue

	31 December 2017	31 December 2016
	\$	\$
<b>Operating activities</b>		
Sales of goods	89,217,715	84,124,070
<b>Total sales revenue</b>	<b>89,217,715</b>	<b>84,124,070</b>
<b>Non-operating activities</b>		
Government grant	-	294,821
Interest received	54,588	20,278
Other non-operating income	387	-
<b>Total other revenue</b>	<b>54,975</b>	<b>315,099</b>

## 8. Other expenses

	31 December 2017	31 December 2016
	\$	\$
Consultant expenses	703,856	537,236
Depreciation expenses	149,808	120,248
Hospitality expenses	661,565	362,995
Rental expenses	237,286	53,591
Travelling expenses	332,038	28,046
Wages and salaries expenses	1,392,894	1,169,978
Welfare expenses	359,120	458,136
Other expenses	924,697	368,753
<b>Total other expenses</b>	<b>4,761,264</b>	<b>3,098,983</b>

## 9. Finance costs

	31 December 2017	31 December 2016
	\$	\$
Interest expenses	354,725	703,280
Foreign exchange (gains)/losses	118,673	-
Other expenses	10,712	4,325
<b>Total finance costs</b>	<b>484,110</b>	<b>707,605</b>



## 10. Income tax

	31 December 2017	31 December 2016
	\$	\$
<b>The components of tax expense comprise:</b>		
Current tax	4,977,921	5,331,405
<b>Total income tax expense</b>	<b>4,977,921</b>	<b>5,331,405</b>
<b>Reconciliation of tax expense</b>		
Profit before income tax	18,173,768	21,185,934
Prima facie tax payable on profit before income tax at 30% (2016: 30%)	5,452,130	6,355,780
Adjustment to income tax expense due to:		
Differences in taxation rates in foreign subsidiaries	(984,789)	(1,060,187)
Foreign losses not recognised (Hong Kong/China)	37,348	35,812
Losses in the parent entity not recognised (Australia)	419,264	-
Over/under accrual in prior periods	53,968	-
<b>Income tax attributable to the Group</b>	<b>4,977,921</b>	<b>5,331,405</b>
The applicable weighted average effective tax rate are as follows:	27%	25%

The Group has no deferred tax asset/liability as there is no material temporary differences between the carrying amount of assets or liabilities in the balance sheet and its tax base.

Eagle Health Holdings Limited and Australian Ecological Valley Pty Limited are subject to the income tax law of Australia. Enjoyhu International Co., Limited is subject to the income tax law of Hong Kong (16.5%). Xiamen Olibo Trade Co., Limited and Xiamen Eagle Don Pharmaceuticals Co., Limited are subject to the income tax law of People's Republic of China (PRC) (25%).

## 11. Cash and cash equivalents

	31 December 2017	31 December 2016
	\$	\$
Cash on hand	20,224	19,561
Cash at bank	34,889,074	5,166,957
<b>Total cash and cash equivalents</b>	<b>34,909,298</b>	<b>5,186,518</b>

Cash at bank and on hand balances as at 31 December 2017 includes Chinese Renminbi ('RMB') denominated equivalent balances of \$33.33 million (31 December 2016: \$5.18 million) which are held with reputable financial institutions in the People's Republic of China in current accounts.

Included in cash at bank is \$32,208 guarantee in relation to the leased premises in Melbourne, Australia (Refer Note 32).

The Chinese RMB is not freely convertible into foreign currencies. Under the People's Republic of China ('PRC') Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.



## 12. Trade and other receivables

	31 December 2017	31 December 2016
	\$	\$
Trade receivables	18,014,377	14,943,072
Other receivables <sup>(a)</sup>	258,515	40,295
<b>Total trade and other receivables</b>	<b>18,272,892</b>	<b>14,983,367</b>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balances, nor does it hold any restrictions of title.

The average credit period on sales of goods is 60 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

Some of the unimpaired trade receivables are past due as at reporting date. These relate to customers who have a good credit history with the Group and are expected to be recovered in full.

The age of trade receivables past due but not impaired is as follows:

	31 December 2017	31 December 2016
	\$	\$
61-180 days	93,832	94,353
180-365 days	678	6,797
<b>Total</b>	<b>94,510</b>	<b>101,150</b>

<sup>(a)</sup> Within Other receivables is \$40,000 advanced to Mingwang Zhang (Director) (Refer Note 26).

## 13. Inventories

	31 December 2017	31 December 2016
	\$	\$
Raw materials	530,386	840,271
Work in progress	1,436,544	1,033,640
Finished goods	358,543	140,575
<b>Total inventories</b>	<b>2,325,473</b>	<b>2,014,486</b>

Inventory has been determined to be valued at the lower of cost and net realisable value at reporting date. There has been no provision for obsolete stock raised in the current financial period.



#### 14. Property, plant and equipment

	31 December 2017	31 December 2016
	\$	\$
<b>Machinery and Office Equipment</b>		
At cost	8,621,284	8,464,310
Accumulated depreciation	(4,924,395)	(4,133,032)
Total Machinery and Office Equipment	3,696,889	4,331,278
<b>Buildings</b>		
At cost	13,032,131	11,023,444
Accumulated depreciation	(4,439,096)	(3,956,254)
Total Buildings	8,593,035	7,067,190
<b>Motor Vehicles</b>		
At cost	670,005	679,857
Accumulated depreciation	(432,977)	(360,445)
Total Motor Vehicles	237,028	319,412
<b>Construction in Progress</b>		
At cost	14,765	-
Accumulated depreciation	-	-
Total Construction in Progress	14,765	-
<b>Total property, plant and equipment</b>	<b>12,541,717</b>	<b>11,717,880</b>

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

	Machinery and Office Equipment	Buildings	Motor Vehicles	Construction in Progress	Total
	\$	\$	\$	\$	\$
<b>1 January 2016</b>	<b>5,430,121</b>	<b>8,016,101</b>	<b>174,561</b>	<b>-</b>	<b>13,620,783</b>
Additions	52,953	-	214,466	-	267,419
Disposals	-	-	-	-	-
Depreciation charges	(874,649)	(530,686)	(58,272)	-	(1,463,607)
Exchange differences	(277,147)	(418,225)	(11,343)	-	(706,715)
<b>31 December 2016</b>	<b>4,331,278</b>	<b>7,067,190</b>	<b>319,412</b>	<b>-</b>	<b>11,717,880</b>
<b>1 January 2017</b>	<b>4,331,278</b>	<b>7,067,190</b>	<b>319,412</b>	<b>-</b>	<b>11,717,880</b>
Additions	279,966	2,134,327	454	14,765	2,429,512
Disposals	-	-	-	-	-
Depreciation charges	(837,740)	(532,486)	(76,509)	-	(1,446,735)
Exchange differences	(76,615)	(75,996)	(6,329)	-	(158,940)
<b>31 December 2017</b>	<b>3,696,889</b>	<b>8,593,035</b>	<b>237,028</b>	<b>14,765</b>	<b>12,541,717</b>

Buildings owned by the Group are pledged against short-term borrowings (Refer Note 18).





## 15. Land use rights

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

	Land use rights	Total
	\$	\$
<b>Balance at 31 December 2015</b>	<b>514,328</b>	<b>514,328</b>
Amortisation expense	(12,586)	(12,586)
Net exchange differences	(27,120)	(27,120)
<b>Balance at 31 December 2016</b>	<b>474,622</b>	<b>474,622</b>
Amortisation expense	(12,039)	(12,039)
Net exchange differences	(7,436)	(7,436)
<b>Balance at 31 December 2017</b>	<b>455,417</b>	<b>455,417</b>
	<b>2017</b>	<b>2016</b>
	\$	\$
Cost	643,999	653,921
Accumulated Amortisation	(188,852)	(179,299)
<b>Total land use rights</b>	<b>455,147</b>	<b>474,622</b>

Land use rights relate to the following:

Location	Use of property	Land area (sq.metres)	Tenure
Land Registration – Xiamen			
Xiamen, Tong An, Mei He (Third) Road, #220-228	Industrial Plant	15,934	50 years (valid until 3 February 2055)



## 16. Intangible assets

	Intellectual Property <sup>(a)</sup>	Total
	\$	\$
<b>Gross carrying amount</b>		
Balance at 1 January 2017	-	-
Addition	1,000,000	1,000,000
<b>Balance at 31 December 2017</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Accumulated Amortisation</b>		
Balance at 1 January 2017	-	-
Amortisation	(16,667)	(16,667)
<b>Balance at 31 December 2017</b>	<b>(16,667)</b>	<b>(16,667)</b>
<b>Carrying amount 31 December 2017</b>	<b>983,333</b>	<b>983,333</b>

- (a) On 20 September 2017, the Group signed an Exclusivity Agreement with a third party relating to access to intellectual property for the manufacture, marketing and distribution of a pre-meal shake product for Type 2 diabetes and Pre-Type 2 diabetes in China (including Hong Kong and Macau) for a period of 15 years. Total consideration of \$1.5 million, of which \$500,000 is contingent on obtaining CFDA (China Food and Drug Administration) approval in the 'Food for Special Medical Purposes' category, amount is payable within 14 days of receiving this approval. Refer Note 20.

In addition to the consideration paid of \$1.5 million to the third party for exclusivity, royalties are payable based on 5% of the wholesale price for the first 50,000,000 units sold or distributed per calendar year and 1.5% of the wholesale price for each unit above 50,000,000 units sold or distributed.

## 17. Trade and other payables

	31 December 2017	31 December 2016
	\$	\$
Trade payables	4,107,581	3,687,918
Other taxes payable	928,579	1,358,459
Wage and salaries payable	1,695,445	1,771,476
Other payables – Related parties (Refer Note 26)	-	3,887
Other payables	546,179	125,074
<b>Total trade and other payables</b>	<b>7,277,784</b>	<b>6,946,814</b>

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 18. Other financial liabilities

The other financial liabilities of the Group include the following:

	31 December 2017	31 December 2016
	\$	\$
<b>Current</b>		
Short term borrowings	5,787,890	5,477,260
<b>Total other financial liabilities</b>	<b>5,787,890</b>	<b>5,477,260</b>

\*Short term borrowings are secured by buildings owned by the Group (Refer Note 14). Personal guarantees are also provided by Mr. Mingwang Zhang and Ms. Linxiang Chen (Directors) and by other non-related entities.

\*\*Interest is payable on rates at 6.8% per annum for the current financial year (2016: 6.7% p.a. to 7.8% p.a.).



## 19. Current tax liabilities

	31 December 2017	31 December 2016
	\$	\$
<b>Current tax liabilities</b>		
Income tax liability	1,411,939	1,704,086
<b>Total current tax liabilities</b>	<b>1,411,939</b>	<b>1,704,086</b>

## 20. Contingent liabilities

On 20 September 2017, the Group signed an Exclusivity Agreement with a third party for the manufacture, marketing and distribution of a pre-meal shake product for Type 2 diabetes and Pre-Type 2 diabetes in China (including Hong Kong and Macau) for a period of 15 years. Total consideration of \$1.5 million, of which \$500,000 is contingent on obtaining CFDA (China Food and Drug Administration) approval in the 'Food for Special Medical Purposes' category, amount is payable within 14 days of receiving this approval.

As at 31 December 2017, the Group is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137.

## 21. Issued capital

### Ordinary Shares

	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	No. of shares	No. of shares	\$ <sup>(5)</sup>	\$ <sup>(5)</sup>
<b>Fully paid ordinary shares <sup>(1)</sup></b>				
Balance at beginning of the period/incorporation <sup>(2)</sup>	1	-	1	-
Acquisition of Enjoyhu International <sup>(2)</sup>	249,999,999	-	1,999,000	-
Shares issued, net of related issuance expenses <sup>(3)</sup>	62,531,500	1	22,884,683	1
Shares issued through dividend reinvestment plan <sup>(4)</sup>	16,897	-	5,752	-
<b>End of the year</b>	<b>312,548,397</b>	<b>1</b>	<b>24,889,436</b>	<b>1</b>

<sup>(1)</sup> Fully paid ordinary shares carry one vote per share and carry the right to dividends.

<sup>(2)</sup> Eagle Health Holdings Limited was incorporated on 9 December 2016 with 1 ordinary share. Pursuant to a share swap agreement on 10 February 2017, Eagle Health Holdings Limited issued additional 249,999,999 ordinary shares to the existing shareholders of Enjoyhu International as purchase consideration for 100% of the share capital of Enjoyhu International. Issued capital amount of \$1,999,000 has been disclosed in prior year (December 2016) comparatives. Refer Note 4(b) and Note 5.

<sup>(3)</sup> The issue of 62,531,500 ordinary shares at an issue price of \$0.40 per share pursuant to a public offer on the ASX net of related issuance expenses of \$2,127,917.

<sup>(4)</sup> On 29 August 2017, the Group introduced a dividend reinvestment plan to allow eligible shareholders to reinvest dividend on their shareholding to acquire additional shares in the Group.

<sup>(5)</sup> Note represents movement in the legal parent company's issued capital.



## 21. Issued capital (Cont'd)

### Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	31 December 2017	31 December 2016
	\$	\$
Total liabilities	14,477,613	14,128,160
Less: cash and cash equivalents	(34,909,298)	(5,186,518)
<b>Net liabilities / (Net cash and cash equivalents)</b>	<b>(20,431,685)</b>	<b>8,941,642</b>
<b>Total equity</b>	<b>55,010,247</b>	<b>20,248,713</b>
<b>Net liabilities / (Net cash and cash equivalents) to equity ratio</b>	<b>(37%)</b>	<b>44%</b>

## 22. Reserves

	31 December 2017	31 December 2016
	\$	\$
Statutory reserve	999,500	999,500
Foreign currency translation reserve	(853,903)	(1,091,812)
<b>Total reserves</b>	<b>145,597</b>	<b>(92,312)</b>

### Statutory Reserve

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches a minimal of 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

### Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from translation of the subsidiaries' functional currency (Chinese RMB and Hong Kong Dollars) into presentational currency of the Group (Australian Dollars).

## 23. Dividends

On 29 August 2017, the Group announced that it has declared an unfranked final dividend for the financial year ending 31 December 2016 of 0.5 cents per ordinary share. The dividend was paid on 12 October 2017 to all shareholders registered on the record date of 15 September 2017. The ex-dividend date for dividend entitlement was 14 September 2017.

On 26 February 2018, the Group declared a fully unfranked final dividend for the year ended 31 December 2017 of 0.5 cents per ordinary share with payment date of 30 April 2018 to eligible shareholders on the register as at 29 March 2018. This equates to a total distribution of \$1,562,742 based on the number of ordinary shares on issue as at 31 December 2017.



## 24. Financial instruments

### *Risk management objectives and policies*

The Group is exposed to a variety of financial risks through its use of financial instruments.

### *Financial instruments used*

The principal categories of financial instrument used by the Group:

- Trade receivables
- Cash at bank
- Trade and other payables
- Short-term borrowings
- Notes payable

The main types of risks are market risk, credit risk and liquidity risk.

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

### *Market risk analysis*

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

### *Financial instrument composition and maturity analysis*

The table below reflect the undiscounted contractual settlement terms for financial instruments of a fixed year of maturity, as well as management's expectations of the settlement period for all other financial instruments.



## 24. Financial instruments (Cont'd)

### Financial instrument composition and maturity analysis

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2 Years		Non-Interest Bearing Maturing within 1 Year		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>										
- Cash and Cash Equivalents (Variable interest rate)			-	-	-	-	34,909,298	5,186,518	34,909,298	5,186,518
- Trade and other receivables			-	-	-	-	18,272,892	14,983,367	18,272,892	14,983,367
<b>Total Financial Assets</b>			-	-	-	-	<b>53,182,190</b>	<b>20,169,885</b>	<b>53,182,190</b>	<b>20,169,885</b>
<b>Financial Liabilities</b>										
- Trade and other payables			-	-	-	-	(7,277,784)	(6,946,814)	(7,277,784)	(6,946,814)
- Other financial liabilities	6.80% p.a.	6.88% p.a.	(5,787,890)	(5,477,260)	-	-	-	-	(5,787,890)	(5,477,260)
<b>Total Financial Liabilities</b>			<b>(5,787,890)</b>	<b>(5,477,260)</b>	-	-	<b>(7,277,784)</b>	<b>(6,946,814)</b>	<b>(13,065,674)</b>	<b>(12,424,074)</b>
<b>Net Financial Assets</b>			<b>(5,787,890)</b>	<b>(5,477,260)</b>	-	-	<b>45,904,406</b>	<b>13,223,071</b>	<b>40,116,516</b>	<b>7,745,811</b>

### Interest rate risk sensitivity

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's borrowings are within 1 year, and hence are subject to minimal fair value changes.

### Customer concentration risk

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in 2017 generated 36.25% (\$32,341,421) (2016: 36.25% \$30,494,975) of the Group's revenues during the financial year.



## 24. Financial instruments (Cont'd)

### *Risk management objectives and policies*

#### *Liquidity risk*

Liquidity risk arises from the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt serving payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

#### *Remaining contractual maturities*

The following table details the Group's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted Average Effective Interest Rate		Maturing within 1 Year		Maturing within 2 Years		Maturing within 5 Years		Total remaining contractual maturities	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Interest bearing</b>										
- Trade and other payables			7,277,784	6,946,814	-	-	-	-	7,277,784	6,946,814
<b>Total Non-interest bearing</b>			<b>7,277,784</b>	<b>6,946,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,277,784</b>	<b>6,946,814</b>
<b>Interest bearing</b>										
- Other financial liabilities	6.80% p.a.	6.88% p.a.	5,890,383	5,739,528	-	-	-	-	5,890,383	5,739,528
<b>Total Interest Bearing</b>			<b>5,890,383</b>	<b>5,739,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,890,383</b>	<b>5,739,528</b>
<b>Total</b>			<b>13,168,167</b>	<b>12,686,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,168,167</b>	<b>12,686,342</b>



## 24. Financial instruments (Cont'd)

### *Risk management objectives and policies*

#### *Price risk*

The Group's financial instruments are not exposed to price risk.

#### *Credit risk analysis*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	31 December 2017	31 December 2016
	\$	\$
<b>Classes of financial assets</b>		
Carrying amounts:		
Cash and cash equivalents	34,909,298	5,186,518
Trade and other receivables	18,272,892	14,983,367
<b>Total</b>	<b>53,182,190</b>	<b>20,169,885</b>

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 25. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

### *Accounting policy for fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.





## 26. Related party transactions

### a) Details of key management personnel during the year as follows

#### Executive Directors

Mr Mingwang Zhang	Executive Director ( <i>Appointment date 9 December 2016</i> )
Ms Linxiang Chen	Executive Director ( <i>Appointment date 31 January 2017</i> )
Mr Rodney Hannington	Executive Director ( <i>Appointment date 31 January 2017</i> )

#### Non-Executive Directors

Mr Andrew Thomson	Non-Executive Director and Chairman of the Board ( <i>Appointment date 31 January 2017</i> )
Mr Andrew Smith	Non-Executive Director and Chairman of the Audit and Risk Management Committee ( <i>Appointment date 9 December 2016</i> )
Ms Yuhong Liu	Non-Executive Director ( <i>Appointment date 31 January 2017</i> )

#### Other Key Management Personnel

Mr Justyn Stedwell	Company Secretary ( <i>Appointment date on 8 February 2017</i> )
Mr Michael Beer	Company Secretary ( <i>Appointment date on 21 April 2017</i> )
Mr Shengqi Huang	Chief Financial Officer ( <i>Appointment date 1 January 2014</i> )

### b) Aggregate compensation made to Key Management Personnel

	31 December 2017	31 December 2016
Short-term employee benefits	532,941	386,525
Post-employment benefits	-	-
Long-term employment benefits	-	-
Share-based payments	-	-
Total compensation to Key Management Personnel	<b>532,941</b>	<b>386,525</b>

Further details of the remuneration of Key Management Personnel is disclosed in the Remuneration Report contained in the Director's Report.

### c) Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest

	31 December 2017	31 December 2016
<b>Mingwang Zhang (Executive Director)</b>		
Cash advanced from the related party	50,768	(3,887)
Cash advance to the related party	(93,768)	-
<b>Linxiang Chen (Executive Director)</b>		
Cash advanced from the related party	966	161,742
Cash advance to the related party	(966)	(161,742)
<b>Mr Michael Beer (Company Secretary)</b>		
Payments for services as the Lead Manager of the IPO	1,959,271	-
Payments for consulting services	5,581	-

### d) Related party balances

Amounts receivable from and (payable) to key management personnel and their related entities at reporting date arising are as follows:

	31 December 2017	31 December 2016
	\$	\$
<b>Mingwang Zhang (Executive Director)</b>	40,000	(3,887)

Related party balances comprise trade receivable arisen from normal course of business and related party loans, no specific terms and conditions have been attached to the above transactions.



## 27. Remuneration of auditors

	31 December 2017 \$	31 December 2016 \$
Remuneration of the auditor of the Company		
- auditing or reviewing the financial report	147,000	134,000
- investigating accountant's report	45,000	-
<b>Total audit services</b>	<b>192,000</b>	<b>134,000</b>
Non-audit services		
- taxation services	9,000	-
<b>Total non-audit services</b>	<b>9,000</b>	<b>-</b>
<b>Total auditor's remuneration</b>	<b>201,000</b>	<b>134,000</b>

## 28. Parent entity information

Statement of Financial Position	31 December 2017 \$	31 December 2016 \$
<b>Assets</b>		
Current assets	1,815,926	1
Non-current assets	40,295,863	-
<b>Total assets</b>	<b>42,111,789</b>	<b>1</b>
<b>Liabilities</b>		
Current liabilities	370,188	-
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>370,188</b>	<b>-</b>
<b>Net assets</b>	<b>41,741,601</b>	<b>1</b>
<b>Equity</b>		
Issued capital	43,139,149	1
Retained earnings	(1,397,549)	-
<b>Total equity</b>	<b>41,741,601</b>	<b>1</b>
	<b>31 December 2017 \$</b>	<b>31 December 2016 \$</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
<b>Total profit (loss)</b>	<b>165,109</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>165,109</b>	<b>-</b>

Eagle Health Holdings Limited was incorporated on 9 December 2016 with 1 ordinary share.

The parent entity had contingent liabilities associated with the Exclusivity Agreement signed with a third party as at 31 December 2017 (Refer Note 20) (31 December 2016: None).

The parent entity has commitments in relation to a lease premise in Melbourne, Australia as at 31 December 2017 (Refer Note 32) (31 December 2016: None).



## 29. Controlled entities

Details of subsidiaries controlled by the Company as at 31 December 2017 are as follows:

	Country of Incorporation	Percentage Owned (%) <sup>(1)</sup>	
		31 December 2017	31 December 2016
<b>Eagle Health Holdings Limited</b>	Australia		
<b>Subsidiaries of Eagle Health Holdings Limited</b>			
Enjoyhu International Co., Limited <sup>(2)</sup>	Hong Kong	100%	-
Australian Ecological Valley Pty Limited <sup>(3)</sup>	Australia	100%	-
Xiamen Olibo Trade Co., Limited <sup>(4)</sup>	People's Republic of China	100%	-
Xiamen Eagle Don Pharmaceuticals Co., Limited	People's Republic of China	100%	-

(1) Percentage of voting power is in proportion to ownership.

(2) Enjoyhu International Co., Limited was incorporated 9 November 2016 in Hong Kong. It is the intermediate parent entity of Xiamen Olibo Trade Co., Limited and its controlled entities.

(3) Australia Ecological Valley Pty Limited is a wholly owned subsidiary of Eagle Health Holdings Limited incorporated in Australia on 14 December 2016.

(4) Xiamen Olibo Trading Co., Limited was incorporated and registered on the 11 November 2016 as a wholly owned subsidiary of Enjoyhu International Co., Limited. It is the intermediate parent entity of Xiamen Eagle Don Pharmaceuticals Co., Limited. Pursuant to a Share Transfer Agreement on 15 November 2016, Xiamen Olibo Trade Co., Limited acquired 100% of share capital in Xiamen Eagle Don Pharmaceuticals Co., Limited.

## 30. Reconciliation of profit after income tax to net cash from operating activities

	31 December 2017	31 December 2016
	\$	\$
<b>Operating Profit/(Loss) after income tax</b>	<b>13,195,847</b>	<b>15,854,529</b>
<b>Non-cash flows in operating surplus/(deficit)</b>		
Depreciation/Amortisation	1,458,774	1,476,193
<b>Changes in assets and liabilities</b>		
(Increase)/Decrease in trade receivables	(3,476,862)	(543,731)
(Increase)/Decrease in inventory	(341,551)	76,107
(Increase)/Decrease in trade payables and accruals	848,562	783,474
Increase/(Decrease) in income tax payable	(266,292)	(183,647)
<b>Cash flows from operations</b>	<b>11,418,478</b>	<b>17,462,925</b>

## 31. Earnings per share

Both the basic earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profits were necessary during the 12 months period to 31 December 2017:

	31 December 2017	31 December 2016
Profit used to calculate basic EPS	\$13,195,847	\$15,854,529
Weighted average number of shares used in basic and diluted EPS	254,985,166	222,602,740

In accordance with *ASB 133 Earnings per Share*, as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account for year ending 31 December 2017 and 31 December 2016.

Eagle Health Holdings Limited was incorporated on 9 December 2016 with 1 ordinary share. Pursuant to a share swap agreement on 10 February 2017, Eagle Health Holdings Limited issued additional 249,999,999 ordinary shares to the existing shareholders of Enjoyhu International as purchase consideration for 100% of the share capital of Enjoyhu International.

Given the nature of the business reconstruction that occurred during the year, the EPS calculation for 31 December 2016 is based on the current year weighted average number of shares prior to the issue of shares in relation to the listing on the Australian Securities Exchange ('ASX').



### 32. Commitments

#### (a) Capital commitments

The following capital commitments exist as at 31 December 2017.

	31 December 2017	31 December 2016
	\$	\$
Not later than 12 months	3,136,091	-
Between 12 months and 5 years	-	-
Greater than 5 years	-	-
<b>Total</b>	<b>3,136,091</b>	<b>-</b>

Capital commitment relates to the acquisition of new machineries.

#### (b) Operating Commitments

The following operating commitments exist as at 31 December 2017.

	31 December 2017	31 December 2016
	\$	\$
Not later than 12 months	288,532	88,200
Between 12 months and 5 years	1,365,605	135,400
Greater than 5 years	-	-
<b>Total</b>	<b>1,654,137</b>	<b>223,600</b>

Operating commitment relates to the lease of offices in Australia and China:

- Melbourne, Victoria, Australia – Lease term of 3 years commencing in October 2017
- Xiamen, Fujian Province, People's Republic of China – Lease term of 6 years commencing in May 2018

#### (c) Other Commitments

In January 2017, Xiamen Eagledon Pharmaceutical Co., Limited, subsidiary of the Group entered into an agreement with an university in Xiamen, Fujian Province, People's Republic of China, for services between January 2017 and December 2018. A further \$492,168 (RMB2.5 million) is payable within 12 months.

In October 2017, the Group entered into an agreement with a third party in relation to corporate advisory services for a period of 12 months from 1 November 2017. A further \$200,000 is payable within 12 months.

### 33. Events after the reporting date

In January 2018, Xiamen Eagledon Pharmaceutical Co., Limited, subsidiary of the Group entered into an agreement with a third party for the provision of workshop renovation services, amounting to \$5.78 million (RMB29.38 million).

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial year.



#### **34. Cross guarantee**

The parent entity has not entered into a deed of cross guarantee in relation to the debts of its subsidiaries as at 31 December 2017 (2016: None).

#### **35. Company details**

##### **Registered office**

Level 2, 15-17 Queen Street  
Melbourne VIC 3000

##### **Principal place of business**

No.220-228, Meihe 3rd Road, Xike Light Industrial Park, Tongan  
Xiamen City, Fujian Province  
People's Republic of China



## Directors' Declaration

1. In the opinion of the Directors of Eagle Health Holdings Limited:
  - a. The consolidated financial statements and notes of Eagle Health Holdings Limited are in accordance with the Corporations Act 2001, including:
    - i. Giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
    - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. There are reasonable grounds to believe that Eagle Health Holdings Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2017.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

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Non-Executive Chairman  
Andrew Thomson

Dated on 28 February 2018

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## Independent Auditor's Report To the Members of Eagle Health Holdings Limited

### ***Report on the audit of the financial report***

#### **Opinion**

We have audited the financial report of Eagle Health Holdings Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue Recognition – Note 3, 4(m) and 7</b>	
<p>Revenue is the key driver of the Group. Revenue is generated from the sales of health food products and dietary supplements.</p> <p>The Group's management focuses on revenue as a key driver by which the performance of the Group is measured.</p> <p>This area is a key audit matter due to the volume of transactions and the total balance of revenue.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls for design effectiveness relating to the revenue processing and recognition;</li> <li>• Assessing the revenue recognition policy for compliance with AASB118 <i>Revenues</i>;</li> <li>• Reviewing a sample of revenue transactions to supporting documentation;</li> <li>• Performing analytical procedures to understand movements and trends in revenue for comparisons against our expectations; and</li> <li>• Assessing the adequacy of the Group's revenue disclosures within the financial statements.</li> </ul>
<b>Business Reconstruction – Note 4(b) and 5</b>	
<p>During the year and pursuant to the Share Swap Agreement dated 10 February 2017, the Group underwent a restructure. Following the restructure 100% of shares in Enjoyhu International Co., Limited and its controlled entities were transferred to the Company with no underlying change in control.</p> <p>The transaction is one referred to in AASB 3 <i>Business Combinations</i> as a common control transaction, as the nature and substance of this transaction is a group restructure where following the restructure, the Company acquired legal control of the Enjoyhu Group with no change in underlying control.</p> <p>Business combinations involving entities under common control are scoped out of AASB 3 <i>Business Combinations</i>. AASB 3 provides no guidance on the accounting for these types of transactions and therefore requires an entity to develop its own accounting policy. The choice of accounting policy is a management judgement.</p> <p>The area is a key audit matter due to the requirement for management to determine an appropriate accounting policy.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the share swap agreement to understand the nature of the transaction;</li> <li>• Performed procedures to establish and determine whether the transaction was under common control;</li> <li>• Evaluating the accounting treatment of the business reconstruction for appropriateness, including comparative financial information; and</li> <li>• Assessing the adequacy of the Group's disclosure within the financial statements.</li> </ul>



**Information Other than the Financial Report and Auditor's Report Thereon**

The Directors are responsible for the other information.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

**Responsibilities of the Directors' 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 preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### ***Report on the Remuneration Report***

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.


In our opinion, the Remuneration Report of Eagle Health Holdings Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 28 February 2018