



# Eagle Health Holdings Limited

ASX Announcement

28<sup>th</sup> August 2018

## Appendix 4D – Preliminary Half Year Report HY2018 Half Year Report

**Eagle Health Holdings Limited (ASX: EHH) (Eagle Health or Company)**, a vertically integrated producer and supplier of traditional Chinese Medicine and Western nutritional products, is pleased to present its interim financial results and Appendix 4D – for the half-year ended 30 June 2018 (the **Half-Year**). All financial results are in Australian dollars.

### Highlights – Operational

The Company completed a number of commercial milestones in the past Half Year. The highlights include:

- Roll-out of Xiamen flagship stores in Fujian province, with target to open 100 stores to reach 570 million potential new consumers
- Commencement of sales of Hutang-1 premeal shake for Type2 diabetes, developed by Omni Innovation in Australia
- Launch of 50 new Traditional Chinese Medicine products sold in pharmacies
- Strong ongoing growth of Eagles patented Dendrobium organic Traditional Chinese Medicine
- Collaboration with strategic partners including AMKA of South Africa and the appointment of Mr Haroon Kalla of AMKA as a Non-Executive Director

### Key points – Financial

- Half-Year revenue of \$41.7m - up 16.4% from HY2017 and 10.3% in constant currency
- Double digit revenue growth in multiple key product categories with Protein Powders and Dendrobium leading the growth
- Increased investment in sales & marketing to drive brand awareness
- Ongoing investment in plant upgrade as well as a high speed line for the diabetes product
- Half year gross profit of \$21.1m – 50.6% margin
- Closing cash balance of \$37.3m – targeted for growth and acquisition opportunities
- Earnings per share of 1.54 cents



# Eagle Health Holdings Limited

Eagle Health Managing Director and CEO, Mr Zhang Ming Wang commented on the Half-Year and future outlook:

*"We are pleased to report that our company continues to meet our growth expectations and deliver on commitments we have made to shareholders since our IPO in July 2017. The Chinese Healthcare market continues to be very dynamic and we are delighted to have been able to launch our new Traditional Chinese Medicine products to match the Chinese government support for this category and meet unmet needs of Chinese consumers. We also plan for long term growth in our Hutang-1 pre meal diabetes shake which we launched in a targeted manner earlier this year.*

*Our consumers are changing the way they purchase products and we are proud to announce the commencement of Eagle Health's rollout of 100 flagship stores. This initiative is designed to ensure we make our products more widely available in our core provinces in China. I have no doubt the dynamic nature of this category will continue and I feel confident that our experienced team in Xiamen will stay on the leading edge of consumer behaviour. "*

## 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 more information visit: [www.auehh.com.au](http://www.auehh.com.au) or [www.eaglehealthltd.com/EN/index.aspx](http://www.eaglehealthltd.com/EN/index.aspx)

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**ASX Announcement****24 August 2018**

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

**By electronic lodgement****Appendix 4D and Half-year Financial Report**

Eagle Health Holdings Limited (ASX: EHH) lodges the attached Appendix 4D and the half-year Financial Report for the period ended 30 June 2018.

This document contains all the half-year information required by ASX LR 4.2A. The information enclosed should be read in conjunction with the most recent annual financial report.

**Eagle Health Holdings Limited Communications and Investor Relations:**

**Rod North, Managing Director,**  
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# Appendix 4D

## 1. Company Details

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

**ABN:** 62 616 382 515

**Half year ended (“current period”):** 30 June 2018

**Half year ended (“previous period”):** 30 June 2017

## 2. Results for announcement to the market

2.1	Revenues from continuing operations	Up	16.4% to	\$41,730,128
2.2	Profit / (Loss) from continuing operations after tax attributable to members	Down	2.3% to	\$4,845,437
2.3	Net Profit / (Loss) for the period attributable to members	Down	2.3% to	\$4,845,437
2.4	Dividends: N/A			
2.5	Record date for determining entitlements to the dividend: N/A			
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood			

Revenue for the half-year ended 30 June 2018 was \$41.7 million, representing an increase of 16.5% on the comparative period of 2017. The increase in revenue was mainly attributable to the increase in sales of health products following a significant increase in marketing spend. Gross profit margin held steady at above 50%. NPAT decreased by 2.3% on corresponding period of 2017 to \$4.8 million, which was impacted by increased sales and marketing expenses.

## 3. Net tangible assets per security

**30 June 2018:** 18.95 cents

**30 June 2017:** 15.12 cents

#### 4. Details of entities over which control has been gained or lost

##### 4.1 Control gained over entities

N/A

##### 4.2 Control lost over entities:

N/A

#### 5. Dividends

##### Individual dividends per security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Interim dividend:</b>				
Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

#### 6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

EHH has established a Dividend Reinvestment Plan, details of which are available on EHH's website at [www.eaglehealthltd.com](http://www.eaglehealthltd.com) and the Company's ASX announcement dated 24 April 2017.

EHH issued 1,587,211 ordinary shares in the company on 30 April 2018 and 4,294,228 ordinary shares in the company on 11 May 2018 pursuant to the Company's Dividend Reinvestment Plan for the \$0.005 per share final dividend for the year ending 31 December 2017 payable on 30 April 2018.

**7. Details of associates and joint entities:** N/A

**8. Foreign entities**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including AASB 134 *“Interim Financial Reporting”* and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with international accounting standards.

Adjustments have been made to the non-Australian entities within the Group to ensure compliance with Australia Accounting Standards.

**9. If the accounts are subject to audit dispute or qualification, details are described below.**

N/A

Sign here:



Date: 24 August 2018

Non-Executive Chairman

Print Name:

Andrew Thomson



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

**ABN 62 616 382 515**

**HALF YEAR FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED  
30 JUNE 2018**

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# Corporate Information

Eagle Health Holdings Limited Shares (ASX Code: EHH)

## Directors

Mr Andrew Thomson, Non-Executive Chairman  
Mr Mingwang Zhang, Executive Director  
Ms Linxiang Chen, Executive Director  
Ms Yuhong Liu, Non-Executive Director  
Mr Andrew Smith, Non-Executive Director  
Mr Rodney Hannington, Non-Executive Director  
Mr Haroon Kalla, Non-Executive Director (Appointed on 16 May 2018)

## Company Secretary

Mr Justyn Stedwell  
Mr Michael Beer (Resigned on 17 May 2018)

## Registered Office

Level 23  
530 Collins 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 Address

[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 half-year ended 30 June 2018.

## Director details

The following persons were Directors of EHH during or since the end of the financial half-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>(*)</sup>	31 January 2017
Ms Yuhong Liu, Non-Executive Director	31 January 2017
Mr Andrew Smith, Non-Executive Director	9 December 2016
Mr Haroon Kalla, Non-Executive Director	16 May 2018

<sup>(\*)</sup>Mr Hannington will resign as Executive Director effective 31 August 2018 but will remain on the Board as a Non-Executive Director.

## 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 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)

### 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.

<b>Other current listed entity Directorships:</b>	<b>Interest in shares:</b>
None	122,307,692
<b>Previous listed entity Directorships (last 3 years):</b>	<b>Interest in options:</b>
None	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.

<b>Other current listed entity Directorships:</b>	<b>Interest in shares:</b>
None	57,892,307
<b>Previous listed entity Directorships (last 3 years):</b>	<b>Interest in options:</b>
None	None



**Rodney Hannington**

**Executive Director** (*Non-Executive Director from 31 August 2018*)

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. Mr Hannington will resign as Executive Director effective 31 August 2018 but will remain on the Board as a Non-Executive Director.

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:**

Lifespot Health Limited (ASX:LSH)

**Interest in shares:**

None

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

None

**Interest in options:**

1,000,000

**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:**

None

**Interest in shares:**

None

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

None

**Interest in options:**

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 the former 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

**Mr Haroon Kalla**  
**Non-Executive Director**

Mr. Haroon Kalla is Non-Executive Director of Eagle Health Holdings Ltd since 16 May 2018. He serves as Director of Liberty Lane Trading at Assessment College of South Africa (Pty) Ltd. Mr. Kalla serves as the Marketing Director of AMKA Products. He helped to build the AMKA family business into the largest privately owned cosmetic and toiletry company in South Africa.

Mr. Kalla is also a Director of major South Africa Nutritions group, Amka Holdings (Amka). He is a highly experienced and successful businessman in the beauty and nutritional products market. As a senior director of the family business, Amka, he is actively involved in product and new market development. He is qualified as a Chartered Marketer and is a member of Marketing Federation of South Africa as well as a member of the Institute of Directors, South Africa. Mr. Kalla previously worked at the Norwich Hospital in the UK where he set up the Poisons Centre at the New Hospital. In addition to many of his business successes, he formulated one of the world's bestselling antibiotic creams "Bactroban".

**Other current listed entity Directorships:**

None

**Interest in shares:**

27,519,230

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

None

**Interest in options:**

None



#### Joint Company secretaries

Mr Justyn Stedwell (appointed on 8 February 2017)

Mr Michael Beer (appointed on 21 April 2017, resigned on 17 May 2018)

#### **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, resigned on 17 May 2018)**

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

During the first half of 2018, health food products and nutritional and dietary supplements experienced another round of growth thanks to on-going changes in lifestyle of the Chinese middle class and supportive policies of the Chinese Government.

As a result, revenue for the half-year ended 30 June 2018 was \$41.7 million, representing an increase of 16.4% on the comparative period of 2017. The increase in revenue was mainly attributable to the increase in sales of health products following a significant increase in marketing spend. Gross profit margin held steady at above 50%. NPAT decreased by 2.3% on corresponding period of 2017 to \$4.85 million, which was impacted by the increased sales and marketing expenses.

The Group had cash on hand of \$37.3 million as at 30 June 2018.

On 16 July 2018, the Group announced that following a detailed review of the Group's progress, distribution channel approaches and future plans, the Group believes it remains on track to deliver accelerated growth in revenues and earnings in 2018 and 2019.

On 9 August 2018, the Group announced that the Group presented its newly launched range of 50 Traditional Chinese Medicine (TCM) products and showcased its 'Education and Experience' store format at the 53<sup>rd</sup> China New Drug Trade Fair ('New Drugs China')

There are no significant events or transaction during the period under review other item those disclosed in the interim financial statements.

**Eagle Health Holdings Limited and its Controlled Entities**  
**Consolidated Financial Report**  
**For the half-year ended 30 June 2018**



**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 8 of this financial report and forms part of this Directors Report.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Andrew Thomson', is positioned above the printed name.

Andrew Thomson  
Non-Executive Chairman  
24 August 2018

## 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 review of Eagle Health Holdings Limited for the half-year ended 30 June 2018, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



D. Chau  
Partner – Audit & Assurance

Adelaide, 24 August 2018





# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Sales revenue		41,730,128	35,836,742
Cost of goods sold		(20,612,073)	(17,212,774)
<b>Gross profit</b>		<b>21,118,055</b>	<b>18,623,968</b>
Other revenues		230,741	11,869
Sales and marketing expenses		(9,065,052)	(6,550,584)
Distribution and freight expenses		(1,764,531)	(1,408,628)
Research and development expenses		(1,164,973)	(1,477,480)
Other expenses	10	(2,211,459)	(2,345,592)
Finance costs		(207,622)	(185,412)
Share-based payments expense	19	(47,969)	-
<b>Profit before income tax</b>		<b>6,887,190</b>	<b>6,668,141</b>
Income tax expense		(2,041,753)	(1,709,597)
<b>Profit for the period</b>		<b>4,845,437</b>	<b>4,958,544</b>
Other comprehensive income:			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operations		1,898,855	(828,915)
<b>Total comprehensive income for the period</b>		<b>6,744,292</b>	<b>4,129,629</b>

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

Basic earnings per share (cents per share)	8	1.54	2.53
Diluted earnings per share (cents per share)	8	1.54	2.53

The accompanying notes form part of these financial statements.



# Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 \$	31 December 2017 \$
<b>Current assets</b>			
Cash and cash equivalents	9	37,324,821	34,909,298
Trade and other receivables		14,617,828	18,272,892
Inventories		2,635,045	2,325,473
Other current assets		1,093,479	-
<b>Total current assets</b>		<b>55,671,173</b>	<b>55,507,663</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	17,603,079	12,541,717
Land use rights		465,154	455,147
Intangible assets	12	950,000	983,333
<b>Total non-current assets</b>		<b>19,018,233</b>	<b>13,980,197</b>
<b>Total assets</b>		<b>74,689,406</b>	<b>69,487,860</b>
<b>Current liabilities</b>			
Trade and other payables		6,200,662	7,277,784
Other financial liabilities	13	5,995,983	5,787,890
Current tax liabilities		723,808	1,411,939
<b>Total current liabilities</b>		<b>12,920,453</b>	<b>14,477,613</b>
<b>Total liabilities</b>		<b>12,920,453</b>	<b>14,477,613</b>
<b>Net assets</b>		<b>61,768,953</b>	<b>55,010,247</b>
<b>Equity</b>			
Issued capital	14	26,418,623	24,889,436
Reserves	15	2,092,421	145,597
Retained earnings		33,257,909	29,975,214
<b>Total equity</b>		<b>61,768,953</b>	<b>55,010,247</b>

The accompanying notes form part of these financial statements.



# Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2018

	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
<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	-	-	4,958,544	4,958,544
Other comprehensive income	-	(828,915)	-	(828,915)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(828,915)</b>	<b>4,958,544</b>	<b>4,129,629</b>
Issuance of share capital, net of related issuance costs	22,884,683	-	-	22,884,683
<b>Transaction with owners in their capacity as owners</b>	<b>22,884,683</b>	<b>-</b>	<b>-</b>	<b>22,884,683</b>
<b>Balance at 30 June 2017</b>	<b>24,883,684</b>	<b>(921,227)</b>	<b>23,300,568</b>	<b>47,263,025</b>
<b>Balance at 1 January 2018</b>	<b>24,889,436</b>	<b>145,597</b>	<b>29,975,214</b>	<b>55,010,247</b>
Profit after income tax	-	-	4,845,437	4,845,437
Other comprehensive income	-	1,898,855	-	1,898,855
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,898,855</b>	<b>4,845,437</b>	<b>6,744,292</b>
Dividend paid	-	-	(1,562,742)	(1,562,742)
Share-based payment options	-	47,969	-	47,969
Issuance of share capital, net of related issuance costs	1,529,187	-	-	1,529,187
<b>Transaction with owners in their capacity as owners</b>	<b>1,529,187</b>	<b>47,969</b>	<b>(1,562,742)</b>	<b>14,414</b>
<b>Balance at 30 June 2018</b>	<b>26,418,623</b>	<b>2,092,421</b>	<b>33,257,909</b>	<b>61,768,953</b>

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



# Consolidated Statement of Cash Flows

For the half year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		53,136,282	45,667,447
Payments to suppliers and employees		(43,894,565)	(37,663,363)
Government grant received		176,588	-
Interest received		54,153	11,869
Finance costs		(207,622)	(185,412)
Income tax paid		(2,780,648)	(2,733,196)
<b>Net cash provided by operating activities</b>		<b>6,484,188</b>	<b>5,097,345</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5,245,845)	(7,212)
<b>Net cash used in investing activities</b>		<b>(5,245,845)</b>	<b>(7,212)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		-	(434,783)
Proceeds from issuance of shares		-	25,012,609
Payments of costs relating to the issuance of shares		-	(2,329,287)
Dividend paid		(29,884)	-
Repayment to related parties		-	386
<b>Net cash provided by financing activities</b>		<b>(29,884)</b>	<b>22,248,925</b>
Net change in cash held		1,208,459	27,339,058
Cash at beginning of the period		34,909,298	5,186,517
Effect of exchange rates on cash holdings in foreign currencies		1,207,064	(462,332)
<b>Cash and cash equivalents at end of the period</b>	<b>10</b>	<b>37,324,821</b>	<b>32,063,243</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 half-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 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.

There were no other significant changes in the nature of the Group's principal activities during the half-year of 2018.

## 2. General information and basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 30 June 2018 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and Corporations Act 2001.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in the section below and in Note 3.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 24 August 2018.

## 3. Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2017, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 31 December 2017 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 30 June 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

### 3.1 Revenue

AASB 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.



## Notes to the Consolidated Financial Statements (Cont'd)

### 3. Changes in significant accounting policies (Cont'd)

The Group's business model is straight forward and its contracts with customers for the sale of health food products include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point of time when a customer obtains control of goods which is the point where the Group satisfies its performance obligations. The Group has concluded that the initial application of AASB 15 does not have a significant impact on the Group's revenue recognition.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### 3.2 Financial Instruments

The Group has initially adopted AASB 9 *Financial instruments* from 1 January 2018. AASB 9 replaces AASB 139 *Financial instruments: recognition and measurement*. It sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Based on the assessment by the Group, there is no significant cumulative effect of the initial application of AASB 9 at 1 January 2018 in accordance with the transition requirement.

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

#### Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.



## Notes to the Consolidated Financial Statements (Cont'd)

### 3. Changes in significant accounting policies (Cont'd)

#### *Financial assets at amortised cost*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

#### *Impairment of financial assets*

AASB 9's new forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

#### *Trade and other receivables and contract assets*

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **Reconciliation of financial instruments on adoption of AASB 9**

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 January 2018:

	AASB 139 classification	AASB 9 classification	AASB 139 carrying amount \$'000	AASB 9 carrying amount \$'000
<b><i>Financial assets</i></b>				
Trade and other receivables	Loans and Receivables	Amortised cost	18,272,892	18,272,892
<b><i>Financial liabilities</i></b>				
Borrowings <sup>(i)</sup>	Amortised cost	Amortised cost	5,787,890	5,787,890

(i) Borrowings classified as amortised cost under AASB 139. They are continued to be accounted for at amortised cost under AASB 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January 2018.



## Notes to the Consolidated Financial Statements (Cont'd)

### 4. New and revised standards issued but are not yet effective for these financial statements

A number of new standards and amendments to standards are not yet effective for the year ending 31 December 2018 and have not been adopted by the Group in preparing the interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standard which may have impact on the consolidated financial statements.

#### **AASB 16 Leases**

AASB 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted for entities that adopt AASB 16 at or before the date of the initial adoption of AASB 16.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The Group is in the process of making a detailed assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group currently plans to adopt AASB 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Other than the above, there are no other new standards or amendments to standards issued but not effective are not likely to have significant impact on the consolidated financial statements.

### 5. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2017. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.





## Notes to the Consolidated Financial Statements (Cont'd)

### 6. Business Reconstruction

Pursuant to a share swap agreement 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, Ltd (Enjoyhu), Xiamen Olibo Trading Co., Ltd (Olibo) and Xiamen Eagledon Pharmaceutical Co., Ltd (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.

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 Renminbi

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
Intangibles	474,622
Trade and other payables	(6,946,814)
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>



## Notes to the Consolidated Financial Statements (Cont'd)

### 7. 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.

### 8. 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 six (6) months period to 30 June 2018:

	30 June 2018	30 June 2017
Profit used to calculate basic EPS	\$4,845,437	\$4,958,544
Weighted average number of shares used in basic and diluted EPS	314,279,126	195,834,034

In accordance with AASB 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 period ending 30 June 2018 and 30 June 2017.

### 9. Cash and cash equivalents

	30 June 2018	31 December 2017
	\$	\$
Cash on hand	19,423	20,224
Cash at bank	37,305,398	34,889,074
<b>Total</b>	<b>37,324,821</b>	<b>34,909,298</b>

Cash at bank and on hand balances as at 30 June 2018 includes Chinese Renminbi denominated equivalent balances of \$36.63 million (2017: \$33.33 million) which are held with reputable financial institutions in the People's Republic of China in current accounts.

The Renminbi is not freely convertible into foreign currencies. Under the PRC (People's Republic of China) Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi 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.



Notes to the Consolidated Financial Statements (Cont'd)

10. Other Expenses

	30 June 2018	30 June 2017
	\$	\$
Travelling expenses	118,601	250,223
Hospitality expenses	325,321	398,295
Capital raising expense	-	436,556
Consultant expenses	186,616	140,577
Royalty expenses	4,093	-
Other expenses	1,576,828	1,119,941
<b>Total</b>	<b>2,211,459</b>	<b>2,345,592</b>

11. Property, plant and equipment

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 <sup>(2)</sup>	Motor Vehicles	Construction in Progress	Total
	\$	\$	\$	\$	\$
<b>1 January 2017</b>	4,331,278	7,067,190	319,412	-	11,717,880
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>
<b>1 January 2018</b>	3,696,889	8,593,035	237,028	14,765	12,541,717
Additions <sup>(1)</sup>	5,409	-	-	5,240,436	5,245,845
Disposals	-	-	-	-	-
Depreciation charges	(279,179)	(323,072)	(38,584)	-	(640,835)
Exchange differences	132,508	308,561	8,475	6,808	456,352
<b>30 June 2018</b>	<b>3,555,627</b>	<b>8,578,524</b>	<b>206,919</b>	<b>5,262,009</b>	<b>17,603,079</b>

(1) To facilitate the production of Hutang 1, the Group has invested in construction of a new production line and acquisition of new machineries.

(2) Buildings owned by the Group are pledged against short term borrowings (Refer to Note 13).



## Notes to the Consolidated Financial Statements (Cont'd)

### 12. Intangible assets

	Intellectual Property <sup>(1)</sup>	Total
	\$	\$
<b>1 January 2017</b>	-	-
Additions	1,000,000	1,000,000
Disposals	-	-
Amortisation charges	(16,667)	(16,667)
Exchange differences	-	-
<b>31 December 2017</b>	<b>983,333</b>	<b>983,333</b>
<b>1 January 2018</b>	983,333	983,333
Additions	-	-
Disposals	-	-
Amortisation charges	(33,333)	(33,333)
Exchange differences	-	-
<b>30 June 2018</b>	<b>950,000</b>	<b>950,000</b>

- (1) 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. As CFDA approval has not been obtained as at the date of this report, remaining contingent consideration (\$500,000) has not been included in the carrying value. Refer to Note 18.

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.

### 13. Other financial liabilities

The financial liabilities of the Group include the following:

	30 June 2018	31 December 2017
	\$	\$
<b>Current</b>		
Short term borrowings	5,995,983	5,787,890
<b>Total</b>	<b>5,995,983</b>	<b>5,787,890</b>

- (1) Short term borrowings are secured by buildings owned by the Group (Refer Note 11). Personal guarantees are also provided by Mr. Mingwang Zhang and Ms. Linxiang Chen (Shareholders/Directors of the Group) and also by a non-related party entity.
- (2) Interest is payable on rates between 6.8% per annum for the current financial period (2017: 6.7% p.a. to 7.2% p.a.).



**Notes to the Consolidated Financial Statements (Cont'd)**

**14. Issued capital**

	<b>30 June 2018</b>	<b>31 December 2017</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>\$ <sup>(6)</sup></b>	<b>\$ <sup>(6)</sup></b>
<u>Fully paid ordinary shares <sup>(1)</sup></u>				
Balance at beginning of the period/incorporation <sup>(2)</sup>	312,548,397	1	24,889,436	1
Acquisition of Enjoyhu International <sup>(2)</sup>	-	249,999,999	-	1,999,000
Shares issue, net of related issuance expenses <sup>(3)</sup>	-	62,531,500	-	22,884,683
Shares issued through dividend reinvestment plan <sup>(4)</sup>	-	16,897	-	5,752
Shares issued through dividend reinvestment plan <sup>(5)</sup>	5,881,439	-	1,529,187	-
<b>End of the period</b>	<b>318,429,836</b>	<b>312,548,397</b>	<b>26,418,623</b>	<b>24,889,436</b>

- (1) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) Eagle Health Holdings Limited issued 1,587,211 ordinary shares on 30 April 2018 and 4,294,228 ordinary shares on 11 May 2018 pursuant to the Company's Dividend Reinvestment Plan.
- (6) Note represents movement in the legal parent company's issued capital.

**15. Reserves**

	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Statutory reserve	999,500	999,500
Share option reserve	47,969	-
Foreign currency translation reserve	1,044,952	(853,903)
<b>Total</b>	<b>2,092,421</b>	<b>145,597</b>

***Foreign Currency Translation Reserve***

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

***Share Option Reserve***

The share option reserve is used to recognise the value of equity benefits provided to directors as part of their remuneration and compensation for services.

***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.



## Notes to the Consolidated Financial Statements (Cont'd)

### 16. Related party transactions

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

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

	30 June 2018	30 June 2017
<b>Mingwang Zhang (Executive Director)</b>	\$	\$
Cash advanced from the related party	40,000	49,962
Cash repaid to the related party	-	(50,348)
<b>Linxiang Chen (Executive Director)</b>	\$	\$
Cash advanced from the related party	-	965
Cash repaid to the related party	-	(965)
<b>Polaroid Pty Ltd<sup>(1)</sup></b>	\$	\$
Sales made to the related party	47,464	-
<b>Xiamen Eagledon Health Product Co., Ltd<sup>(2)</sup></b>	\$	\$
Sales made to the related party	76,999	-

(1) Polaroid Pty Ltd is a related entity of Director Mr Mingwang Zhang where Mr Zhang holds a 40% direct shareholding interest.

(2) Xiamen Eagledon Health Product Co., Ltd is a related entity of Director Mr Zhang and Mrs Linxiang Chen in China that distributes product Hutang 1.

On 8 June 2018, Rodney Hannington (Executive Director) was issued 1,000,000 unlisted options with an exercise price of \$0.50 expiring 30 September 2019. The options were issued in accordance with Resolution 8 as approved by shareholders at the Group's Annual General Meeting held on 16 May 2018. Options issued during the period to Rodney Hannington will be forfeited on the 31 August 2018 on resignation of Rodney Hannington as an Executive Director.

#### b) Related party balances

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

	30 June 2018	31 December 2017
	\$	\$
Mingwang Zhang (Executive Director)	-	40,000
Xiamen Eagledon Health Product Co., Ltd	10,778	-

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.

### 17. Dividends

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.

The Board does not recommend the payment of any dividend for the half year ended 30 June 2018.



## Notes to the Consolidated Financial Statements (Cont'd)

### 18. 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 30 June 2018, the Group is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137.

### 19. Share-based payments

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Volatility is calculated as the average historical volatility of the Company share price for the period of the option life.

No other features of options granted were incorporated into the measurement of fair value.

### Director options

The Company issues options to Directors in order to retain their services and provide incentive linked to the performance of the Company. Shareholder approval is sought for all options issued to Directors in accordance with applicable legislation.

During the period, 1,000,000 (2017: Nil) share options were issued to Rodney Hannington (Executive Director) with an exercise price of \$0.50 expiring 30 September 2019. The options were issued in accordance with Resolution 8 as approved by shareholders at the Group's Annual General Meeting held on 16 May 2018. Options issued during the period to Rodney Hannington will be forfeited on the 31 August 2018 on resignation of Rodney Hannington as an Executive Director.

### 20. Controlled Entities

Details of subsidiaries controlled by the Company as at 30 June 2018 are as follows:

	Country of Incorporation	Percentage Owned (%) <sup>(1)</sup>	
		30 June 2018	31 December 2017
<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%	100%
Australia Ecological Valley Pty Ltd <sup>(3)</sup>	Australia	100%	100%
Xiamen Olibo Trade Co., Limited <sup>(4)</sup>	People's Republic of China	100%	100%
Xiamen Eagle Don Pharmaceuticals Co., Ltd	People's Republic of China	100%	100%

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

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

(3) Australia Ecological Valley Pty 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., Ltd. 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.



## Notes to the Consolidated Financial Statements (Cont'd)

### 21. Commitments

#### (a) Capital commitments

The following capital commitments exist as at 30 June 2018.

	30 June 2018	31 December 2017
	\$	\$
- Not later than 12 months	4,387,877	3,136,091
- Between 12 months and 5 years	-	-
- Greater than 5 years	-	-
<b>Total</b>	<b>4,387,877</b>	<b>3,136,091</b>

Capital commitment relates to the construction of a new production facility to facilitate production of Hutang 1.  
(Refer to Note 11)

#### (b) Operating Commitments

The following operating commitments exist as at 30 June 2018.

	30 June 2018	31 December 2017
	\$	\$
<b>Office Leases</b>		
- Not later than 12 months	319,215	288,532
- Between 12 months and 5 years	1,351,329	1,365,605
- Greater than 5 years	-	-
<b>Total</b>	<b>1,670,544</b>	<b>1,654,137</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 \$305,918 (RMB1.5 million) is payable within 12 months (31 December 2017: \$492,168 (RMB2.5 million)).

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 \$80,000 is payable within 12 months (31 December 2017: \$200,000).

In March 2018, the Group entered into an agreement with an university in Victoria, Australia, for research services. A further \$28,250 is payable within 12 months.

### 22. Events after the reporting date

The Company announced on 20 August 2018 that Rodney Hannington will resign as Executive Director effective 31 August 2018 but will remain on the Board as a Non-Executive Director. Options issued during the period to Rodney Hannington will be forfeited on the 31 August 2018 (Refer to Note 16 and Note 19).

There are no other matters or circumstances that have arisen since the end of the period 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.





## Directors' Declaration

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 30 June 2018 and of its performance for the half-year ended on that date; and
  - ii.** Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- b.** There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

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Non-Executive Chairman  
Andrew Thomson

Dated on 24 August 2018

# Independent Auditor's Review Report

## To the Members of Eagle Health Holdings Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Eagle Health Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Eagle Health Holdings Limited does not give a true and fair view of the financial position of the Group as at 30 June 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Directors' responsibility for the half year financial report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Eagle Health Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



D Chau  
Partner – Audit & Assurance

Adelaide, 24 August 2018