



Appendix 4E
Preliminary final report

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1. Name of entity	Financial year ended ("current year")
Eagle Health Holdings Limited	31 December 2019
ABN	Comparative prior year ended ("prior year")
62 616 382 515	31 December 2018

2. Results for announcement to the market

				\$'000
2.1	Revenue from ordinary activities	Down	7.04%	to 103,302
2.2	Profit from ordinary activities after tax attributable to members	Down	54.6%	to 8,510
2.3	Net profit for the period attributable to members	Down	54.6%	to 8,510
2.4	Dividends (see section 7)	Amount per security	Franked amount per security	
	Final dividend	0.12 cents	Nil	
	Interim dividend	Nil	Nil	
2.5	Record date for determining entitlements to the dividends	31 March 2020		
2.6	Brief explanation of any of the figures reported above:			
	<p>The Group recorded revenue of \$103,302,210 which was a decrease of \$7,811,372 or 7.04% from the corresponding year ended 31 December 2018. The Group recorded a pre-tax profit of \$12,891,280 (December 2018 profit of \$25,625,978). Profit after tax decreased to \$8,510,052 for the full year ended 31 December 2019 (down from \$18,734,771 for the 31 December 2018 financial year). Factors contributing to this result include:</p> <ul style="list-style-type: none"> • Lower revenue realised through traditional sales channels (minor stores, pharmacies etc) due to economic downturn across China retail markets and changes to consumer habits and competition from online sales. • Cost of goods sold increasing, as a percentage of sales (slightly lower gross margin). In late 2018 the Company took steps to lock in fixed pricing for raw materials to help mitigate higher raw materials costs in future periods, and indeed to secure supply. The Company extended this initiative in 2019, resulting in a higher value of prepayments at 31 December 2019. • Other higher expenses for the year included research and development expenses and higher depreciation and amortisation charges than anticipated. The Company also recognised certain non-cash share-based payment expenses. 			



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3. Consolidated statement of comprehensive income

	<i>Note</i>	December 2019	December 2018
		\$000	\$000
Sales revenue	3a	103,202	111,014
Cost of sales		(53,737)	(54,236)
Gross profit		49,465	56,776
Other income	3a	214	293
Sales and marketing expenses		(19,546)	(19,256)
Distribution and freight expenses		(4,641)	(4,700)
Research and development expenses		(3,898)	(2,858)
Other expenses	3b	(7,206)	(4,982)
Foreign exchange gains		(150)	848
Share based payment		(708)	-
Finance costs	3c	(647)	(495)
Gain on disposal of a subsidiary		9	-
Profit before income tax		12,891	25,626
Income tax expense		(4,389)	(6,891)
Profit for the period		8,503	18,735
Total profit for the year attributable to:			
Owners of the parent		8,510	18,735
Non-controlling interest		(7)	-
		<u>8,503</u>	<u>18,735</u>
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		(646)	1,958
Other comprehensive income for the year, net of tax		<u>(646)</u>	<u>1,958</u>
		<u>7,857</u>	<u>20,693</u>
Total comprehensive income for the year attributable to			
Owners of the parent		7,864	20,693
Non-controlling interest		(7)	-
		<u>7,857</u>	<u>20,693</u>
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic loss per share	14.1	2.64 cents	5.92 cents
Diluted loss per share	14.1	2.45 cents	5.92 cents



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	December 2019 \$000	December 2018 \$000
(3a) Revenue		
Operating activities – sale of goods	103,202	111,014
Total sales revenue	<u>103,202</u>	<u>111,014</u>
Non-operating activities – other income		
- Interest received	56	118
- Government grants received	50	82
- Gain on modification of lease	108	-
- Other non-operating income	-	93
Total other income	<u>214</u>	<u>293</u>
(3b) Other expenses		
Consultant expenses	430	601
Depreciation expenses	1,835	271
Hospitality expenses	726	730
Rental expenses	(16)	343
Travelling expenses	183	300
Wages and salaries expenses	1,630	1,489
Welfare expenses	701	658
Other expenses	1,717	590
Total other expenses	<u>7,206</u>	<u>4,982</u>
(3c) Finance costs		
Interest expense	642	490
Other expenses	5	5
	<u>647</u>	<u>495</u>



4. Consolidated statement of financial position

	<i>Note</i>	December 2019	December 2018
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	5.2	8,571	32,687
Trade and other receivables		14,332	24,589
Inventories		2,843	3,317
Contract assets		12,287	-
Other assets		34,516	16,761
Total current assets		<u>72,549</u>	<u>77,354</u>
Non-current assets			
Contract assets		16,011	-
Property, plant and equipment		15,709	17,656
Land use rights		447	464
Intangible assets		-	917
Right-of-use assets		170	-
Total non-current assets		<u>32,337</u>	<u>19,037</u>
TOTAL ASSETS		<u>104,886</u>	<u>96,391</u>
LIABILITIES			
Current liabilities			
Trade and other payables		9,371	8,768
Borrowings		9,208	9,276
Current tax liabilities		1,120	2,677
Lease liabilities		167	-
Total current liabilities		<u>19,866</u>	<u>20,721</u>
Non-current liabilities			
Lease liabilities		10	-
Total non-current liabilities		<u>10</u>	<u>-</u>
TOTAL LIABILITIES		<u>19,876</u>	<u>20,721</u>
NET ASSETS		<u>85,010</u>	<u>75,670</u>
EQUITY			
Issued capital		29,355	26,419
Reserves		1,620	2,104
Retained earnings		54,035	47,147
TOTAL EQUITY		<u>85,010</u>	<u>75,670</u>



5. Consolidated statement of cash flows

	Note	December 2019 \$000	December 2018 \$000
Cash flows from operating activities			
Receipts from customers		130,506	124,521
Payments to suppliers and employees		(149,359)	(119,992)
Interest paid		56	118
Finance costs		(647)	(495)
Income taxes paid		(5,926)	(5,693)
Receipt from grants		369	82
Net cash flows used in operating activities	5.1	(25,001)	(1,458)
Cash flows from investing activities			
Purchase of property, plant and equipment		(32)	(5,721)
Net cash outflow from on disposal of subsidiary		(2)	-
Net cash flows used in investing activities		(34)	(5,721)
Cash flows from financing activities			
Proceeds from issue of shares		1,000	-
Proceeds from loans		530	-
Proceeds from borrowings		241	9,113
Repayment of borrowings		(241)	(5,954)
Dividends paid		(114)	(30)
Net cash flows from financing activities		1,416	3,129
Net decrease in cash and cash equivalents held		(23,619)	(4,050)
Cash and cash equivalents at beginning of the year		32,687	34,909
Effects of exchange rate changes on cash and cash equivalents		(497)	1,828
Cash and cash equivalents at end of the year	5.2	8,571	32,687



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5.1 Reconciliation of net profit after tax to net cash flows from operations

	December 2019	December 2018
	\$000	\$000
Net profit	8,503	18,735
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Depreciation and amortisation	2,788	1,355
Foreign exchange losses/(gain)	150	(848)
Share based payments	599	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	10,077	(5,456)
(Increase) in other assets	(169)	-
(Increase) in prepayments	(17,877)	(16,760)
Decrease/(Increase) in inventories	450	(882)
(Increase) in contract assets	(28,298)	-
Increase in trade and other payables	313	1,200
(Decrease)/Increase in income taxes payable	(1,537)	1,198
Cashflows from operations	(25,001)	(1,458)

5.2 Reconciliation of cash

	\$000	\$000
Cash on hand	17	17
Cash at bank	8,554	32,670
Cash at bank and on hand	8,571	32,687

5.3 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

Nil

5.4 Financing facilities available

Bank loans of \$9,208,170 (2018: \$9,275,760) are secured by buildings owned by the Group. 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.

5.5 Financing facilities used

N/A



6. Consolidated statement of changes in equity

	Ordinary shares	Reserves	Retained earnings	Non- controlling interests	Total
	\$000	\$000	\$000	\$000	\$000
At 31 December 2018	26,419	2,104	47,147	-	75,669
Restatement due to AASB16	-	-	(21)	-	(21)
Profit for the period	-	-	8,510	(7)	8,503
Other comprehensive income	-	(646)	-	-	(646)
Share based payment	480	162	-	-	642
Disposal of subsidiary	-	-	(7)	7	-
Issue of capital, share based payment	60	-	-	-	60
Issue of capital, net of costs	1,000	-	-	-	1,000
Issue of capital, dividend reinvestment	1,396	-	-	-	1,396
Dividends paid or provided	-	-	(1,592)	-	(1,592)
At 31 December 2019	29,355	1,620	54,035	-	85,010
At 1 January 2018	24,889	146	29,975	-	55,010
Profit for the period	-	-	18,734	-	18,734
Other comprehensive income	-	1,958	-	-	1,958
Issue of shares, net of costs	1,529	-	-	-	1,529
Dividends paid or provided	-	-	(1,562)	-	(1,562)
At 31 December 2018	26,418	2,104	47,147	-	75,669

7. Dividends

Date dividend is payable	30 April 2020
Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules – securities are CHESS approved)	31 March 2020
If it is a final dividend, has it been declared	Yes



7.1 Amount per security

		Amount per security	Franked amount per security at 30% tax
Final dividend:	Current year	0.12 cents	Nil
	Prior year	0.5 cents	Nil
Interim dividend:	Current year	Nil	Nil
	Prior year	Nil	Nil

7.2 Total dividend per security (interim plus final)

	Current year	Prior year
Ordinary securities	0.12 cents	0.5 cents

7.3 Preliminary final report – final dividend on all securities

Ordinary securities	0.12 cent	0.5 cent
Total	0.12 cent	0.5 cent

Any other disclosures in relation to dividends

Nil

8. Dividend plan

Details of the dividend reinvestment plan are as follows:

The Dividend Reinvestment Plan (DRP) remains active. Eligible shareholders may participate in the DRP in respect of all or part of their shareholding. DRP price is calculated in accordance with the DRP Rules, which is calculated as 5 percent discount to the average of the VWAP (rounded to the nearest cent) on each date during the ten consecutive trading days commencing on the third day after the Record Date.

The last date for receipt of election notices for participation in the dividend reinvestment plan

1 April 2020

9. NTA backing

	31 December 2019 Current year	31 December 2018 Prior year
Net tangible asset backing per ordinary security	25.04 cents	23.33 cents



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

On 30 May 2019, the Company disposed its 55% interest in Zhang Lao San (Fujian) Biotechnology Co., Limited. Zhang Lao San (Fujian) Biotechnology Co., Limited was incorporated in PRC 13 December 2018 as a subsidiary of Enjoyhu International Co., Limited.

The entity contributed a loss from ordinary activities after tax of \$7k for the period ended 31 December 2019 (31 December 2018: nil)

11. Details of associates and joint venture entities

N/A

12. Other significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position. +

N/A

13. Foreign entities

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Accounting Standards).

The Group has adopted the International Financial Reporting Standards for preparing and reporting all its local and foreign operations.

14. Commentary on results

A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results.

Refer to section 2.6 above for additional comments regarding the results for the year.

On a cash flow basis, the Company recorded a net cash outflow from operations of \$25 million. This is in relation to the opening of 100 ZLS experience stores and increased prepayment for raw materials, net of operating profit.

Cash at the end of the period was \$8,571,000 (December 2018: \$32,687,000).



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14.1 Earnings per security (EPS)

	Current year	Prior year
	\$'000	\$'000
Basic earnings / (loss):	8,510	18,734
Diluted earnings / (loss):	8,510	18,734
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS:	322,603,345	316,377,287
Weighted average number of ordinary shares used in the calculation of diluted EPS:	347,603,354	316,377,287
Basic earnings / (loss) per security:	2.64 cents	5.92 cents
Diluted earnings / (loss) per security:	2.45 cents	5.92 cents

14.2 Returns to shareholders

N/A

14.3 Significant features of operating performance

Refer above.

14.4 Segment report

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 predominantly in one geographical area where sales revenue is generated and non-current assets are located, being the People's Republic of China.

14.5 Trends

Refer above.



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14.6 Other factors

Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

Nil

15. Status of audit or review

This report is based on accounts to which one of the following applies:

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

16. Dispute or qualification – accounts not yet audited or subject to review

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

The financial information provided in this report remains subject to finalisation for the audit process. The Company expects to receive an unqualified (“clean”) audit opinion.

17. Dispute or qualification – accounts audited or subject to review

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A