

10-Q 1 f10q1017_eternityhealth.htm QUARTERLY REPORT

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **October 31, 2017**

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **000-53376**

ETERNITY HEALTHCARE INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

75-3268426

(IRS Employer
Identification No.)

c/o Team Youn Bio Medicine International Corp. Limited
Flat/Rm 1006 10/F, Hang Seng Tsim Sha Tsui Bldg
18 Carnarvon Road
Tsim Sha Tsui, KL, Hong Kong

(Address of principal executive offices)

N/A

(Zip Code)

+8613691884662

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
 PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of December 29, 2017, we had outstanding 70,929,868 shares of common stock.

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Forward-Looking Statements

This quarterly report on Form 10-Q and other reports filed by our company from time to time with the United States Securities and Exchange Commission (the “SEC”) contain or may contain forward-looking statements (collectively the “Filings”) and information that are based upon beliefs of, and information currently available to, our company’s management as well as estimates and assumptions made our company’s management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” or the negative of these terms and similar expressions as they relate to our company or our company’s management identify forward-looking statements. Such statements reflect the current view of our company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the “Risk Factors” section of our company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2017, relating to our company’s industry, our company’s operations and plan of operations, and any businesses that our company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, our company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, our company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the interim consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our interim consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application. There are also areas in which management’s judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars unless otherwise stated. All references to “common stock” refer to the common shares in our capital stock.

As used in this quarterly report, the terms, “we”, “us”, “our” and “our company” refer to Eternity Healthcare Inc., unless the context clearly requires or states otherwise.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Eternity Healthcare Inc.
Consolidated Balance Sheet
 (Expressed in U.S. Dollars)

	October 31, 2017 \$ (Unaudited)	April 30, 2017 \$
Assets		
Current assets		
Current assets of discontinued operations (note 10)	-	203,980
Total assets	-	203,980
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	16,579	-
Due to related parties (Note 7)	842,663	851,787
Current liabilities of discontinued operations (Note 10)	-	128,607
	<u>859,242</u>	<u>980,394</u>
Shareholders' equity (deficit)		
Capital stock (Note 8)		
Authorized 300,000,000 common shares, par value \$ 0.001 Issued and outstanding		
October 31, 2017 – 70,929,868 common shares		
April 30, 2017 – 70,929,868 common shares	70,930	70,930
Additional paid-in capital	1,946,740	1,946,740
Accumulated other comprehensive gain	-	52,809
Accumulated deficit	<u>(2,876,912)</u>	<u>(2,846,893)</u>
Total stockholders' (deficit)	<u>(859,242)</u>	<u>(776,414)</u>
Total liabilities and stockholders' equity (deficit)	<u>-</u>	<u>203,980</u>

The accompanying notes are an integral part of these consolidated financial statements.

Eternity Healthcare Inc.
Consolidated Statements of Operations and Comprehensive Income
(Expressed in U.S. Dollars)
(Unaudited)

	For the three months ended October 31, 2017 \$	For the three months ended October 31, 2016 \$	For the six months ended October 31, 2017 \$	For the six months ended October 31, 2016 \$
Sales				
Product sales	-	-	-	-
Cost of goods sold	-	-	-	-
Gross margin	-	-	-	-
Operating Expenses				
General and administrative	2,448	1,683	9,898	3,588
Professional fees	18,305	9,396	25,546	27,706
Total operating expenses	20,753	11,079	35,444	31,294
Net loss from continued operations	(20,753)	(11,079)	(35,444)	(31,294)
Other income (expenses)				
Interest expense	(9,000)	(11,026)	(17,737)	(22,124)
Interest income	-	94	-	620
Foreign exchange gain	75,284	-	75,284	-
Gain on sale of intellectual property	31,836	-	31,836	-
	98,120	(10,932)	89,383	(21,504)
Net income (loss) for the period from continued Operations	77,367	(22,011)	53,939	(52,798)
Net income (loss) for the period from discontinued Operations (Note 10)	-	(94,163)	(83,957)	(166,809)
Total income (loss) for the period	77,367	(116,174)	(30,018)	(219,607)
Other comprehensive income (loss)	35,581	20,842	(52,809)	46,094
Comprehensive income (loss) for the period	112,948	(95,332)	(82,827)	(173,513)
Net loss per share - basic and diluted				
Continued Operations	0.001	(0.000)	0.001	(0.001)
Discontinued operation	0.000	(0.002)	(0.001)	(0.002)
Total	0.001	(0.002)	0.000	(0.003)
Weighted average number of common shares				
Outstanding - basic	70,929,868	66,429,868	70,929,868	66,429,868
Weighted average number of common shares				
Outstanding - diluted	72,929,868	66,429,868	70,929,868	66,429,868

The accompanying notes are an integral part of these consolidated financial statements

Eternity Healthcare Inc.
Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	For the six months ended October 31, 2017	For the six months ended October 31, 2016
	\$	\$
Operating activities		
Net income (loss) for the period from continued operations	53,939	(52,798)
Adjustments to reconcile to net loss to net cash used in operating activities		
Foreign exchange adjustment	51,151	-
Gain on sale of intellectual property	(31,836)	-
Impairment of inventory	55,210	-
Expenses paid on behalf of the Company by related parties	-	8,695
Changes in operating assets and liabilities		
GST/HST receivable	1,258	
Inventory	(9,454)	(26,645)
Prepaid expenses	24,230	10,270
Accounts payable and accrued liabilities	(112,029)	14,465
Accounts receivable	-	1,376
Net cash from (used in) operating activities	<u>32,469</u>	<u>(44,637)</u>
Investing activities		
Short-term investments	-	306,739
Net cash from investing activities	<u>-</u>	<u>306,739</u>
Financing activities		
Proceeds from related party payables	-	99,690
Repayments on related party payables	-	(113,784)
Net cash used in financing activities	<u>-</u>	<u>(14,094)</u>
Effect of exchange rate changes on cash	<u>-</u>	<u>(14,549)</u>
Increase (decrease) in cash from continued operations	<u>32,469</u>	<u>233,459</u>
Increase (decrease) in cash from discontinued operations		
Net income (loss) for period from continued operations	(83,957)	(166,809)
Adjustment for cash balance of subsidiary	(96,631)	-
Net cash from discontinued operations	<u>(180,588)</u>	<u>(211,446)</u>
Cash, beginning of period	<u>148,119</u>	<u>259,040</u>
Cash, end of period	<u>-</u>	<u>325,690</u>

The accompanying notes are an integral part of these consolidated financial statements

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

1. Nature and continuance of operations

Eternity Healthcare Inc. (the “Company”) was incorporated under the laws of the State of Nevada on October 24, 2007 under the name Kid’s Book Writer, Inc. On September 23, 2010, the Company changed its name to Eternity Healthcare Inc., and affected a reverse stock split of the issued and outstanding common stock at a factor of 10 old shares for 1 new share. The Company is focused on offering a range of medical devices and diagnostics.

On December 13, 2010, pursuant to the terms of a share exchange agreement, the Company acquired 100% of the issued and outstanding common stock of Eternity Healthcare Inc., a company incorporated under the laws of the Province of British Columbia on December 10, 2009 (“Eternity BC”), for 60,000,000 shares of its own common stock, which were distributed to the shareholders of Eternity BC (the “Share Exchange Agreement”).

The Share Exchange Agreement, which represents a majority of the then issued and outstanding shares of the Company, constituted a change in control of the Company. The acquisition of Eternity BC was accounted for as a reverse acquisition in accordance with Accounting Standards Codification (“ASC”) 805-40, “Business Combinations”. The Company determined for accounting and reporting purposes that Eternity BC is the acquirer because of the significant holdings and influence of the control group of the Company before and after the acquisition. As a result of the transaction, Eternity BC shareholders own approximately 94.4% of issued and outstanding common stock of the Company on a diluted basis.

On June 25, 2012, the Company entered into a marketing agreement with Mika Medical Company of Korea to be the sole marketer of a new line of needle-free injection product for North America. Furthermore, the marketing agreement was extended to some European countries (German, France, and Spain) in December 2012. Additionally, the Company obtained the rights to market the products throughout the world with an amendment dated December 20, 2012.

Since signing the Distribution Agreement with Mika Medicals, the Company has emerged in organizational and start up activities, including developing a new business plan, making arrangements for office space and raising additional capital.

On June 5, 2014 the Company registered to operate within the state of Arizona with the intention to take over operations within the United States from the Canadian subsidiary. Beginning January 1, 2016 the Company took over operations within the United States from the BC Company.

On August 23, 2017, the Company disposed of its intellectual property and its subsidiary, Eternity Healthcare Inc. (British Columbia). The Company received gross proceeds of \$ 31,836 (\$ 40,000 CAD) in relation to the intellectual property and \$ 47,754 (\$ 60,000 CAD) for the shares of the subsidiary. The proceeds were paid by a reduction in the amount owed to a related party.

The Company has net loss of \$ 30,018 for the six months ended October 31, 2017 (October 31, 2016 - net loss of \$ 219,607) and has a working capital deficit of \$ 859,242 as at October 31, 2017 (April 30, 2017 - \$ 776,414).

2. Condensed financial statements

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, result of operations, and cash flows at October 31, 2017, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s April 30, 2017 audited financial statements. The results of operations for the period ended October 31, 2017 and 2016 are not necessarily indicative of the operating results for the full year.

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

3. **Going concern**

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on its obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

4. **Significant accounting policies**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are expressed in U.S. dollars.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Eternity Healthcare Inc. (BC) until the date of sale on August 23, 2017 and Eternity Healthcare Inc. (Arizona). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Inventory

Inventory is stated at the lower of cost or market with cost determined under the weighted average cost method.

Revenue

Revenue is recognized at the point of sale and includes shipping revenue for the delivery to the purchaser. Total revenues do not include sales taxes as we serve as a pass-through conduit for collecting and remitting sales taxes. We recognize retail sales returns as they occur as historical returns have been negligible. In accordance with SAB 104, revenue is recognized when (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

4. **Significant accounting policies - continued**

Foreign currency translation

The Company's functional and presentational currency is the U.S. dollar. All transactions initiated in other currencies are translated into the reporting currency in accordance with ASC 830, "Foreign Currency Matters" as follows:

- i) Assets and liabilities at the rate of exchange in effect at the balance sheet date; and
- ii) Revenue and expense items at rate of exchange at the dates on which those elements are recognized.

Gains and losses on translation are included in other comprehensive income (loss) in stockholders' deficiency for the period.

Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

Interest rate risk

The company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounting receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is remote.

Currency risk

The Company's operating expenses are primarily incurred in Canadian dollars, and fluctuation of the Canadian dollar in relation to the United States dollar will have an impact upon the profitability of the Company and may also have an effect of the value of the Company's. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk. At October 31, 2017 1 United States dollar was equal to 1.3403 Canadian dollars.

Basic and diluted net income (loss) per share

The Company computes net income (loss) per share in accordance with ASC 260, "Earnings per Share". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As at October 31, 2017 there were outstanding stock options and warrants totaling 2,200,000 common shares (Notes 9 and 10).

Research and development

The Company recognizes research and development costs in accordance with ASC 730, "Research and Development", which requires the Company to expense research and development costs as they are incurred.

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

4. **Significant accounting policies - continued**

Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with ASC 740, "Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

Comprehensive loss

ASC 22, "Comprehensive Income", establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at October 31, 2017, the Company has items that represent a comprehensive income (loss) and, therefore, has included a schedule of comprehensive income (loss) in the financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Segments of an enterprise and related information

ASC 280, "Segment Reporting" establishes guidance for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. ASC 280 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has evaluated this Codification and does not believe it is applicable at this time.

Recently Enacted Accounting Standards

Our company does not expect the adoption of any other recent accounting pronouncements to have a material impact on its financial statements.

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

5. Inventory

Inventory consists of needle free injection products that are held for resale. Inventory is stated at the lower of cost or market with cost determined under the weighted average cost method. As of October 31, 2017 and April 30, 2017 inventory consisted of the following:

	October 31, 2017	April 30, 2017
	\$	\$
Raw Material	-	-
Work in progress	-	-
Finished goods	-	30,283
Reserve for obsolescence	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>30,283</u>

During the period ending October 31, 2017, the Company recognized a \$ 55,210 write-down of inventory.

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are non-interest bearing, unsecured, and have settlement dates within one year.

7. Due to related parties and related party transactions

During the period-ended October 31, 2017, the Company sold its wholly owned subsidiary, Eternity Healthcare Inc. (BC), and certain intellectual property owned by the Company to a related party for \$100,000 Canadian Dollars. In addition, the Company received \$ Nil in additional cash loans from related parties of the Company and made repayments to related parties of \$ Nil. Total related party notes payable as of October 31, 2017 were \$ 842,663. \$ 698,040 (\$ 900,000 CAD) of this balance is interest bearing at 5% per year on the principle balance, unsecured and has no fixed terms of repayment. Effective May 1, 2016, the excess over \$ 900,000 CAD is a non-interest bearing balance, unsecured with no fixed terms of repayment. During the period- ended October 31, 2017, the Company recorded interest expense of \$ 9,000 with regard to the outstanding related party loans.

8. Capital stock

Authorized

The total authorized capital is 300,000,000 common shares with a par value of \$ 0.001 per common share.

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
 (Expressed in U.S. Dollars)
 (Unaudited)

9. **Warrants**

During the year-ended April 30, 2017, the Company granted 2,000,000 warrants for services. The fair value of the stock warrants granted was estimated at \$ 119,649 on the date granted using the Black-Scholes pricing model, with the following assumptions used for the valuation: exercise price of \$ 0.001 per share, average risk-free interest rate of 0.573%, expected dividend yield of zero, expected lives of three years and an average expected volatility of 247.04%. As at October 31, 2017, \$nil remained as a prepaid expense.

A summary of the status of the Company's warrants as of October 31, 2017 is presented below:

	<u>Number of warrants</u>
Warrants as at April 30, 2017	2,000,000
Warrants granted	-
Exercised, forfeited or expired	-
Outstanding at October 31, 2017	2,000,000
Exercisable at October 31, 2017	2,000,000

The following table summarizes information about the warrants as of October 31, 2017:

<u>Exercise price</u>	<u>Warrants outstanding</u>			<u>Warrants exercisable</u>	
	<u>Number outstanding</u>	<u>Weighted average remaining contractual life (in years)</u>	<u>Weighted average exercise price</u>	<u>Number exercisable</u>	<u>Weighted average exercise price</u>
\$ 0.001	2,000,000	2.34	\$ 0.001	2,000,000	\$ 0.001

10. Stock options

During the fiscal year ended April 30, 2013, the Company granted 200,000 stock options for services. The fair value of the stock options granted were estimated on the date granted using the Black-Scholes pricing model, with the following assumptions used for the valuation: exercise price of \$0.55 per share, average risk-free interest rate of 0.79%, expected dividend yield of zero, expected lives of five years and an average expected volatility of 2.99%. During the six months ended October 31, 2017 and 2016, the Company recognized expense of nil and nil related to options that vested, respectively.

During the six-month period ended October 31, 2017, the Company issued no new stock options.

A summary of the status of the Company's stock options as of October 31, 2017 is presented below:

	Number of Shares
Balance of stock options as at April 30, 2017	200,000
Options granted	-
Exercised, forfeited or expired	-
Outstanding at October 31, 2017	<u>200,000</u>
Exercisable at October 31, 2017	<u>200,000</u>

The following table summarizes information about the stock options as of October 31, 2017:

Exercise Prices	Options and Warrants Outstanding			Options and Warrants Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 0.80	200,000	1.21	\$ 0.80	200,000	\$ 0.80	

Eternity Healthcare Inc.
Notes to the Consolidated Financial Statements
October 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

11. **Discontinued operations**

On August 23, 2017, the Company disposed of its intellectual property and its subsidiary, Eternity Healthcare Inc. (British Columbia). The following table presents summarized financial information related to the discontinued operations:

	October 31, 2017	April 30, 2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	-	148,119
Prepaid expenses	-	24,230
GST/HST receivable	-	1,258
Inventory (Note 5)	-	30,283
	<u>-</u>	<u>203,980</u>
Total assets from discontinued operations	-	203,980
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	-	128,607
Total liabilities from discontinued operations	-	128,607

	For the three months ended October 31, 2017	For the three months ended October 31, 2016	For the six months ended October 31, 2017	For the six months ended October 31, 2016
	\$	\$	\$	\$
Sales				
Product sales	-	560	-	2,733
Cost of goods sold	-	188	-	1,051
Gross margin	<u>-</u>	<u>372</u>	<u>-</u>	<u>1,682</u>
Operating Expenses				
General and administrative	-	45,434	-	64,995
Professional fees	-	-	-	-
Research and development	-	1,918	-	21,916
Salaries	-	47,183	28,747	81,580
Impairment of inventory	-	-	55,210	-
Total operating expenses	<u>-</u>	<u>94,535</u>	<u>83,957</u>	<u>168,491</u>
Net loss from discontinued operations	<u>-</u>	<u>(94,163)</u>	<u>(83,957)</u>	<u>(166,809)</u>

12. **Supplemental cash flow information**

During the period ended October 31, 2017, the Company conducted the following non-cash transaction:

October 31, 2017	April 30, 2017
\$	\$

Related party payable exchanged for intellectual property and shares of subsidiary	79,590	-
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13. **Subsequent Event**

The Company entered into a share exchange agreement (the "Exchange Agreement") dated December 13, 2017, with the equity holders of Guizhou Tongren Healthy China Biotechnology Co. Ltd., a company recently formed in China. Pursuant to the Exchange Agreement, in exchange for an aggregate of 17,181,769 shares of the common stock of the Company, Guizhou Tongren Healthy China Biotechnology Co. Ltd. will become a wholly-owned subsidiary of Eternity Healthcare. In addition, the Company has acquired all of the outstanding equity of a BVI Company named Trillion Enterprises Group Limited which owns all of the outstanding equity interests in HK Trillion Holdings Limited, a company formed under the laws of Hong Kong. When the acquisition of Guizhou Tongren Healthy China Biotechnology Co. Ltd. is completed, its shares will be held by the Hong Kong entity, HK Trillion Holdings Limited.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

Until the change in control described below, we were a medical device company that, subject to government approval, planned to manufacture and market medical devices. Our new controlling stockholder intends to build a cell storage, transformation and application facility in Tongren, Guizhou Province, China, which will utilize the proprietary biotechnology developed by Shenzhen Zoken Biotechnology Co. LTD. The Company intends to establish a facility in Tongren for the treatment of clients interested in the benefits of stem cell storage and applications, which will have a fully equipped stem cell laboratory, immune cell research room, and a genetics and gene research laboratory. It is estimated that construction of the facility, including acquisition of the equipment, and initial working capital, will require approximately \$20 million. It is anticipated that the funds will be provided by affiliates of one of the Company's shareholders, pursuant to a long-term loan. Pending receipt of the proceeds of such loan, the Company will be dependent upon advances from its shareholders and their affiliates to meet its cash needs.

In furtherance of our plan to construct a stem cell facility in China, we entered into a share exchange agreement (the "Exchange Agreement") dated December 13, 2017, with the equity holders of Guizhou Tongren Healthy China Biotechnology Co. Ltd., a company recently formed in China to engage in the business of providing stem cell storage and related medical therapies in China. Pursuant to the Exchange Agreement, in exchange for an aggregate of 17,181,769 shares of the common stock of the Company, Guizhou Tongren Healthy China Biotechnology Co. Ltd. will become a wholly-owned subsidiary of Eternity Healthcare. In addition, we have acquired all of the outstanding equity of a BVI Company named Trillion Enterprises Group Limited which owns all of the outstanding equity interests in HK Trillion Holdings Limited, a company formed under the laws of Hong Kong. When the acquisition of Guizhou Tongren Healthy China Biotechnology Co. Ltd. is completed, it will be held by the Hong Kong entity, HK Trillion Holdings Limited.

Change In Control and Sale of Subsidiary and Related Intellectual Property and Technology

In August 31, 2017, the owners of 53,933,373 shares, representing approximately 76.04% of our outstanding shares of common stock, including the president, chief executive officer and director of our company, sold their shares to Team Youn Bio Medecine International Corp. Limited, a China based company ("Team Youn"). Contemporaneously with the sale, we sold our wholly owned subsidiary, Eternity Health Care Inc., a Canadian Federal corporation, extra-provincially registered in British Columbia ("Eternity BC"), to our former president, chief executive officer and director of our company, and assigned to him certain intellectual property and technology owned by us related to the development, testing and manufacture of our medical device needle free injection technology, together with all "know-how" and other proprietary rights of our company related thereto (the "IP Rights") for a total purchase price of \$CDN100,000 (equivalent to \$US80,000). Payment of the purchase price for the shares of the subsidiary and the IP Rights was made by crediting an equal amount against the \$CDN1,163,966 (\$US941,303) indebtedness owed to our former president, chief executive officer and director for advances made to pay operating expenses. Our remaining \$CDN 1,063,966 (\$US 861,303) of indebtedness to our former president, chief executive officer and director was assigned to Team Youn.

Results of Operations

As a result of the transfer of Eternity BC as described above and the commencement of our plan to construct a stem cell facility in China, the results of our historical operations are not meaningful to an assessment of the likelihood of success of our future operations. Nevertheless, set forth below is a comparison of the results of our operations for the three and six months ended October 31, 2017 with those of the three and six months ended October 31, 2016.

We had no revenues in the three and six month periods ended October 31, 2017, as opposed to the minimal revenues of \$560 and \$2,733 in the three and six month periods ended October 31, 2016, all of which were generated by the discontinued operations of Eternity BC which we sold in August 2017.

In connection with the transfer of Eternity BC and the assignment of certain intellectual property and technology owned by us related to the development, testing and manufacture of our medical device needle free injection technology, in consideration for the forgiveness of debt, we generated non-cash gains on the sale of intellectual property of \$31,836, which combined with a foreign exchange gain of \$75,284, resulted in net income from continued operations for the three and six months ended October 31, 2017, of \$77,367 and \$53,939, respectively. This compares to net losses incurred in the three and six months ended October 31, 2016, of \$22,011 and \$53,939, respectively, due to the absence of a foreign exchange gain and a gain on the sale of intellectual property.

Liquidity and Capital Resources

As of October 31, 2017 we had \$0 in cash. We have financed our operations primarily with the proceeds of loans from related parties. During the six months ended October 31, 2017, in anticipation of the sale of the controlling interest in the Company, prior management used all of the \$148,119 the Company had on hand as of April 30, 2017, to maintain the Company's operations and satisfy accounts payable and accrued liabilities, other than amounts due to related parties assigned to Team Youn which was \$842,663 as of October 31, 2017. To satisfy our cash requirements for the next 12 months we need additional financing. We are currently in negotiations with an affiliate to one of our shareholders for a loan sufficient to enable us to construct a stem cell facility in Tongren, Guizhou Province, China. We may require additional funds to satisfy our day to day operations, including the cost of operating as a public company. We cannot assure investors that adequate financing will be available to enable us to move forward with our plans to construct a stem facility or to meet the regulatory obligations of a public company. In the absence of such financing, we may be unable to proceed with our plan of operations.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

Contractual Obligations

As a "smaller reporting company", we are not required to provide tabular disclosure obligations.

Going Concern

The interim consolidated financial statements accompanying this report have been prepared on a going concern basis, which implies that our company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. Our company has not yet established an ongoing source of revenues sufficient to cover our operating expenses and allow us to continue as a going concern. The continuation of our company as a going concern is dependent upon the continued financial support from our stockholders and the ability of our company to obtain adequate capital to fund operating losses until we becomes profitable. Our interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should our company be unable to continue as a going concern.

Our interim consolidated financial statements contain additional note disclosures describing the circumstances related to the uncertainty of our ability to continue as a going concern.

The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with the accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of our company and its wholly-owned subsidiary, Eternity Healthcare Inc. (B.C.) until the date of its sale on August 23, 2017. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Inventory

Inventory is stated at the lower of cost or market with cost determined under the weighted average cost method.

Revenue

Revenue is recognized at the point of sale and includes shipping revenue for delivery to the purchaser. Total revenues do not include sales taxes as we serve as a pass-through conduit for collecting and remitting sales taxes. We recognize retail sales returns as they occur as historical returns have been negligible.

Foreign Currency Translation

Our company's functional currency is the Canadian dollar and reporting currency is the U.S. dollar. All transactions initiated in other currencies are translated into the reporting currency in accordance with ASC 830, "Foreign Currency Matters" as follows:

- (i) Assets and liabilities at the rate of exchange in effect at the balance sheet date; and
- (ii) Revenue and expense items at rate of exchange at the dates on which those elements are recognized.

Gains and losses on translation are included in other comprehensive income (loss) in stockholders' deficiency for the period.

Fair Value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

Interest Rate Risk

Our company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Our company's credit risk is primarily attributable to cash and accounting receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is remote.

Currency Risk

Our company's operating expenses are primarily incurred in Canadian dollars, and fluctuation of the Canadian dollar in relation to the United States dollar will have an impact upon the profitability of our company and may also have an effect of the value of our company's. Our company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

Basic and diluted net income (loss) per share

The Company computes net income (loss) per share in accordance with ASC 260, "Earnings per Share". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As at October 31, 2017 there were outstanding stock options and warrants totaling 2,200,000 shares of common stock.

Income Taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with ASC 740, "Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Our company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

Comprehensive Loss

ASC 22, "Comprehensive Income", establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at April 30, 2017, our company has items that represent a comprehensive income (loss) and, therefore, have included a schedule of comprehensive income (loss) in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Segments of an Enterprise and Related Information

ASC 280, "Segment Reporting" establishes guidance for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. ASC 280 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our company has evaluated this Codification and does not believe it is applicable at this time.

Recent Accounting Pronouncements

Our company does not expect the adoption of any recent accounting pronouncements to have a material impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "small reporting company", we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principle accounting officer) to allow for timely decisions regarding required disclosure.

As of the end of our quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principle accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principle accounting officer) concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this quarterly report due to the material weaknesses in our internal controls over financial reporting identified in our Annual Report on Form 10-K for the year ended April 30, 2017. Moreover, as a result of the recent change in control and intent to commence operations in China, we will need to develop sufficient accounting controls and procedures with respect to such activities.

Changes in Internal Control over Financial Reporting

During the period covered by this report there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

Reference is made to the risks and uncertainties disclosed in Item 1A (“Risk Factors”) of our Annual Report on Form 10-K for the year ended April 30, 2017 (the “2017 Form 10-K”), which are incorporated by reference into this report. Prospective investors are encouraged to consider the risks described in our 2017 Form 10-K, our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in this report and other information publicly disclosed or contained in documents we file with the Securities and Exchange Commission before purchasing our securities.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mining Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Document Description
10.1	SHARE EXCHANGE AGREEMENT by and among Eternity Healthcare Inc., Hong Kong Trillion Holdings Limited, and the owners of Guizhou Tongren Healthy China Biotechnology Co. Ltd.
(31)	Rule 13a-14(a)/15d-14(a) Certifications
31.1	Section 302 Certifications under Sarbanes-Oxley Act of 2002
(32)	Section 1350 Certifications
32.1	Section 906 Certifications under Sarbanes-Oxley Act of 2002
101	Interactive Data Files
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: January 9, 2018

ETERNITY HEALTHCARE INC.

/s/ Weitao Wang

Weitao Wang

President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)