Stemcell United Limited

ACN 009 104 330

INTERIM REPORT

For half year ended 31 December 2017

Appendix 4D

1. Company Details

Name of Entity

Stemcell United Limited

ABN	Half year ended ("current period")	Half year ended ("previous period")
009 104 330	31 December 2017	31 December 2016

2. Results for announcement to the market

			A$
2.1 Revenues from continuing operations	Up	100%	168,667
2.2 Profit / (loss) from continuing operations after tax attributable to members	Down	1,184%	(1,889,161)
2.3 Net profit / (loss) for the period attributable to members	Down	1,184%	(1,889,161)

2.4 Dividends	Amount per security	Franked amount per security
Interim dividend declared	N/A	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

The Group recorded a revenue of $168,667 (Dec 2016: Nil) from the sale of Dendrobium Officinale related products. A net loss of $(1,889,161) was recorded for the period, compared to a profit of $174,277 for the same 6 months period of 31 December 2016. The net profit of 31 December 2016 was due to waiver of amount due to a director and a company related to him amounting to $338,353. The net loss of 31 December 2017 is mainly due to impairment of intangible assets of $1,284,600.

3. Net tangible assets per security

	31 December 2017	30 June 2017
Net tangible (liability)/asset backing per ordinary security	0.16 cents	0.15 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
Interim dividend: 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.

N/A	
The last date(s) for receipt of election notices for the dividend or distribution plans.	N/A

7. Details of associates and joint entities

N/A

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

Sign here: Director Date: 28 February 2018

Print Name: Philip Gu Huan Qing

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2017.

Directors

The names of directors who held office during or since the end of the half-year are as follows:

Current Directors
Khoo Gee Choo (Jamie), Non-executive director
Chow Yee Koh, Non-executive director
Philip Gu Huan Qing, Executive director
Savio Ka Lung Cheung, Non-executive director

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The Group recorded a revenue of $168,667 (Dec 2016: Nil) from the sale of Dendrobium Officinale related products. A net loss of $1,889,161 was recorded for the period, compared to a profit of $174,277 for the same 6 months period of 31 December 2016. The net profit of 31 December 2016 was due to waiver of amount due to a director and a company related to the director amounting to $338,353. The net loss of 31 December 2017 is mainly due to impairment of intangible assets of $1,284,600.

Significant Events after Reporting Date

During January and February 2018, the Group offered a 5 shares to 1 non-renounceable entitlement issue at $0.02 per share to shareholders. A total of 83,207,534 entitlement issue shares were offered to shareholders to raise $1,664,151. The issue is fully underwritten.

During January 2018 the Company issued 3,600,000 shares to an advisor for introducing and facilitating a deal during the year ended 30 June 2017.

Other than the above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the option of the directors to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the entity.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 2 of the financial report for the half-year ended 31 December 2017.

Signed in accordance with a resolution of the directors:

Philip Gu Huan Qing
Director

28 February 2018

HLB Mann Judd Assurance

Quality Audit Services

STEMCELL UNITED LIMITED

ACN 009 104 330

AUDITOR'S INDEPENDENCE DECLARATION – REVIEW

As lead auditor for the review of the consolidated financial report of Stemcell United Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stemcell United Limited and the entities it controlled during the period.

Sydney, NSW	**A G Smith**
28 February 2018	**Director**

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STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half year 31 Dec 2017 $	Half year 31 Dec 2016 $
Revenue from sale of goods	168,667	-
Cost of sales	(121,734)	-
Gross profit	46,933	-
Other income	1,394	5,982
Waiver of amount due to a director and a related company of a director	-	338,353
Amortisation of intangible assets	(82,400)	-
Impairment of intangible assets	(1,284,600)	-
Administrative expenses	(570,488)	(170,058)
Profit (loss) before income tax expense	**(1,889,161)**	**174,277**
Income tax expense	-	-
Profit (loss) for the half-year	**(1,889,161)**	**174,277**
Other comprehensive income (loss) for the period		
Items that may be reclassified to profit or loss: Translation of foreign subsidiary	(11,749)	21,757
Total comprehensive income (loss) for the period	**(1,900,910)**	**196,034**
Earnings Per Share		
Basic earnings per share (cents per share)	(0.49)	0.048
Diluted earnings per share (cents per share)	(0.49)	0.048

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	As at 31 Dec 2017 $	As at 30 Jun 2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		779,465	1,042,558
Other receivables	3	126,186	17,213
Inventory		41,978	-
TOTAL CURRENT ASSETS		947,629	1,059,771
NON CURRENT ASSETS			
Property plant and equipment		34,182	36,084
Intangible assets	10	170,000	1,537,000
TOTAL NON CURRENT ASSETS		204,182	1,573,084
TOTAL ASSETS		1,151,811	2,632,855
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	302,178	157,327
Amount due to a director	7	-	141,600
Borrowings	11	-	202,990
Income tax payable		26,377	6,772
TOTAL CURRENT LIABILITIES		328,555	508,689
TOTAL LIABILITIES		328,555	508,689
NET ASSETS		823,256	2,124,166
EQUITY			
Issued capital	5	66,694,036	66,094,036
Option reserve	6	148,000	148,000
Other equity		468,000	468,000
Accumulated losses		(66,495,737)	(64,606,576)
Foreign exchange translation reserve		8,957	20,706
TOTAL EQUITY		823,256	2,124,166

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Option Reserve	Other equity	Accumulated Losses	Foreign exchange translation reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2016	64,984,036	148,000	-	(60,975,497)	(1,981)	4,154,558
Total comprehensive income for the period	-	-	-	174,277	21,757	196,034
Balance at 31 December 2016	64,984,036	148,000	-	(60,801,220)	19,776	4,350,592
Balance at 1 July 2017	66,094,036	148,000	468,000	(64,606,576)	20,706	2,124,166
Total comprehensive loss for the period	-	-	-	(1,889,161)	(11,749)	(1,900,910)
Shares issued	600,000	-	-	-	-	600,000
Balance at 31 December 2017	66,694,036	148,000	468,000	(66,495,737)	8,957	823,256

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half year 31 Dec 2017 $	Half year 31 Dec 2016 $
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipt from customer	72,899	5,804
Payments to suppliers and employees	(581,047)	(120,732)
Interest income received	1,394	178
Net cash (used in) operating activities	(506,754)	(114,750)
CASH FLOWS RELATING TO INVESTING ACTIVITIES	-	-
Net cash used in investing activities	-	-
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Proceeds from issue of shares	600,000	-
Proceeds from borrowings	-	206,640
Repayment of borrowings	(202,990)	(55,617)
Repayment of amount due to director	(141,600)	-
Net cash from financing activities	255,410	151,023
Net increase (decrease) in cash and cash equivalents	(251,344)	36,273
Cash and cash equivalents at beginning of half year	1,042,558	272,897
Foreign exchange translation	(11,749)	3,404
Cash and cash equivalents at end of half year	779,465	312,574

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

NOTE 1: BASIS OF PREPARATION

Stemcell United Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half-year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as "the consolidated group" or "the Group").

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including AASB 134 Interim Financial Reports and the Corporations Act 2001.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and with any public announcements issued during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Australian Securities Exchange.

Unless otherwise stated, the same accounting policies are followed in this half year report as compared with the most recent annual financial statements

NOTE 2: SUBSEQUENT EVENTS

During January and February 2018, the Group offered a 5 shares to 1 non-renounceable entitlement issue at $0.02 per share to shareholders. A total of 83,207,534 entitlement issue shares were offered to shareholders to raise $1,664,151. The issue is fully underwritten.

During January 2018 the Company issued 3,600,000 shares to an advisor for introducing and facilitating a deal during the year ended 30 June 2017.

Other than the above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the option of the directors to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the entity.

NOTE 3: OTHER RECEIVABLES

	31 Dec 2017 $	30 Jun 2017 $
CURRENT		
Trade receivables	101,772	6,004
GST receivable	22,414	9,209
Deposits	2,000	2,000
	126,186	17,213

NOTE 4: TRADE AND OTHER PAYABLES

	31 Dec 2017 $	30 Jun 2017 $
CURRENT		
Trade payables	7,533	7,415
Other payables	194,065	67,170
Accruals	100,580	82,742
	302,178	157,327

NOTE 5: ISSUED CAPITAL

	31 Dec 2017 $	30 June 2017 $
Issued and fully paid ordinary shares	66,694,036	66,094,036

Movements in ordinary shares	31 Dec 2017 **Number of shares**	31 Dec 2017 **A$**
At 1 July 2017	386,037,672	66,094,036
Issue of shares	30,000,000	600,000
At 31 December 2017	416,037,672	66,694,036

NOTE 6: OPTION RESERVE

	31 Dec 2017 $	30 Jun 2017 $
Option Reserve	148,000	148,000

Movements in Option Reserve	**Number of options**	**$**
Balance at 1 July 2016	2,000,000	148,000
Balance at 30 June 2017 and 31 December 2017	2,000,000	148,000

NOTE 7: RELATED PARTY BALANCES AND TRANSACTIONS

	31 Dec 2017 $	30 Jun 2017 $
BALANCES		
Amount due to a director	-	141,600
Fees and travel reimbursements owing to directors	61,658	7,410

	Half year period 31 Dec 2017 $	Half year period 31 Dec 2016 $
TRANSACTIONS		
Director fees and salaries	75,000	12,950
Corporate services rendered by director	19,800	9,000
Reimbursement to Director	29,496	-
Repayment of loan	141,600	-
Waiver of amount due to a director and related company of a director	-	(338,353)

NOTE 8: SEGMENT INFORMATION

	Half year period ended 31 Dec 2017			Half year period ended 31 Dec 2016		
	Australia	Singapore	Hong Kong	Australia	Singapore	Hong Kong
	$	$	$	$	$	$
Revenue	-	140,787	27,880	-	-	-
Profit / (Loss)	(1,872,161)	(10,703)	(6,297)	(159,268)	335,283	(1,738)

	As at 31 Dec 2017			As at 30 Jun 2017		
	Australia	Singapore	Hong Kong	Australia	Singapore	Hong Kong
	$	$	$	$	$	$
Total assets	911,391	207,465	32,955	2,453,629	144,767	34,459
Total liabilities	(188,564)	(134,579)	(5,412)	(170,129)	(338,560)	-

NOTE 9: GOING CONCERN

During the half year ended 31 December 2017, the Group incurred a loss of $1,889,161 and had net cash outflows from operating activities of $506,754 (Dec 2016: $114,750). At 31 December 2017 the Group had cash of $779,465 (June 2017: $1,042,558).

The ability of the Group to continue as a going concern depends on the Group generating additional cash inflows from:

- The receipt of debt funding;
- The receipt of equity funding; or
- Cash generated from future profits.

Accordingly, there is a material uncertainty that may cast doubt on the Group’s ability to continue as a going concern. No adjustments have been made in relation to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

NOTE 10: INTANGIBLE ASSETS

	31 Dec 2017 $	30 Jun 2017 $
Balance of intangible assets at beginning of period	1,537,000	4,439,871
Impairment of intangible assets during the period	(1,284,600)	(2,791,874)
Amortisation during the period	(82,400)	(110,997)
Balance of intangible assets at reporting date	170,000	1,537,000

The directors obtained an independent valuation of the intangibles from BMI Appraisals Limited in August 2017, and based on the valuation, the directors determined the fair value at 30 June 2017 to be $1,537,000. The valuation was completed on 25 September 2017 by BMI Appraisal Limited. As a result, an impairment charge of $2,791,874 was recorded for the year ended 30 June 2017.

For the period ended 31 December 2017, the directors re-assessed the valuation and determined the fair value to be $170,000 as a result of reducing the forecast sales and gross margin and increasing overheads based upon results to date.

Key Assumptions made by the directors in arriving at the fair value are:

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Group have been obtained or can be obtained upon request with an immaterial cost.
- The core operation of the Group will not differ materially from those of present or expected;
- The financial and operational information in respect of the Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- The Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Group , and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Group ;
- The Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of the Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Group ;
- The senior management of the Group has sufficient knowledge and experience in respect of the operation of the Group , and the turnover of any director, management or key person will not affect the operation of the Group ;
- The senior management of the Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Group ; and
- The senior management of the Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Group .

NOTE 10: INTANGIBLE ASSETS (cont)

- Adopted rates of valuation parameters:

a.	Risk-free Rate	3.58%
b.	Beta Coefficient	0.968
c.	Market Risk Premium	9.76%
d.	Size Premium	3.58%
e.	Company-specific Premium	5.00%
f.	Cost of Equity	21.61%
g.	Cost of Debt	4.90%
h.	After-tax Cost of Debt	4.07%
i.	Weight of Debt	0%
j.	Weight of Equity	100%
k.	Discount Rate	
	Post tax	21.61%
	Pre tax	24.4%
l.	Long-term Growth Rate	3.00%
m.	Discount for Lack of Marketability	16.10%
n.	Terminal value of approximate times EBIT	5 times

Sale of Dendrobium Masks

Year ended	Annual growth %	Gross profit %
31 December 2018	153*	30
31 December 2019	129	30
31 December 2020	10	30
31 December 2021	10	30
31 December 2022	10	30
31 December 2023	3	30

* based upon annualised results

Sensitivity analysis

The table below summarises the impact of the fair value of the consolidated entity's intellectual property if there is a change in forecast sales, with all other variants held constant.

Change in sales (%)	Change in Fair value $
-8%	(170,000)
+10%	220,000
+25%	550,000

NOTE 11: BORROWINGS

	31 Dec 2017 $	30 Jun 2017 $
Unsecured loans	-	202,990
	-	202,990

The unsecured loans were advances from shareholders. These loans were repayable on demand. $100,000 of the loan in the previous period attracted an interest at 5% per annum while the remaining amounts of the loan are interest free. All loans were repaid during the period.

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

In the directors' opinion:

1. The financial statements and notes set out on pages 3 to 11 are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standard 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Philip Gu Huan Qing
Director

Sydney
28 February 2018

STEMCELL UNITED LIMITED

ACN 009 104 330

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stemcell United Limited:

We have reviewed the accompanying half-year financial report of Stemcell United Limited ("the Company") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration for the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, 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*.

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STEMCELL UNITED LIMITED

ACN 009 104 330

INDEPENDENT AUDITOR'S REVIEW REPORT (Continued)

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 9 (Going Concern) in the financial report, which states that, during the half year to 31 December 2017, the consolidated entity incurred a loss $1,889,161, had net cashflows outflows from operating activities of $506,754 and at 31 December 2017 had cash of $779,465.

These conditions, along with other matters as set forth in Note 9 (Going Concern), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

A G Smith

A G Smith
Director

Sydney, NSW
28 February 2018