

Stemcell United Limited

ACN 009 104 330

2019 ANNUAL REPORT

For the year ended 30 June 2019

Stemcell United Limited

DIRECTORS' REPORT

The directors present their report, together with the financial statements, of Stemcell United Limited ("the Company") and the entities it controlled (together referred to as "the Group") for the year ended 30 June 2019.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Directors

Gu Huan Qing, Philip

Mr Gu is the inventor of SCU's Dendrobium Officinale orchid plant stem cell products. He holds a Master of Science degree in Biology, majoring in plant physiology from South China Teachers University (renamed South China Normal University) and a Diploma in Business Management from Australian Academy of Business Studies. Mr. Gu has more than 20 years experience in the food and agricultural technology industry and previously served as a consultant to Food and Agriculture Organization (FAO) of the United Nations before launching his entrepreneurial journey in the 1990s. Mr Gu specialises in the production of canned abalone, bottled bird's nest, cordyceps extract and ginseng extract. His in-depth industry knowledge and well-established business network has firm foundations in the manufacturing industry.

Khoo Gee Choo, Jamie (Resigned 22 October 2018)

Ms Khoo has a Master of Business Studies and is a member of the Institute of Singapore Chartered Accountants. Ms Khoo has over 20 years experience in accounting and corporate finance and extensive experience in company funding, investment evaluation, due diligence and structuring. She is presently a Senior Executive with a China based info technology company.

Chow-Yee Koh

Mr Koh has a Bachelor of Commerce and is a fellowship member of the Association of Chartered Certified Accountants (UK). Mr Koh has over 18 years experience in accounting, auditing and corporate finance. Mr Koh is also the Company's joint company secretary and is a company secretary of ASX listed Sunbridge Group Limited. Mr Koh is also a director of ASX listed Invitrocue Limited.

Savio Ka Lung Cheung

Mr Cheung graduated with Bachelor of Business Administration (Finance) from The Hong Kong University of Science and Technology and is a holder of Chartered Financial Analyst. He has over 18 years of experience in corporate finance and private equity investment industry. He is experienced in various corporate actions such as IPO, mergers & acquisitions, corporate restructuring, etc. and possesses extensive network in the capital market.

Ee Ting Ng (appointed 22 October 2018)

Ms Ng has a Bachelor of Science with Honours and over 10 years of research experience in the fields of developmental and evolutionary biology. Ms Ng specialises in laboratory management and in a wide range of experimental techniques in molecular biology, histology, tissue culture (including stem cells), microbiology and molecular diagnostic science. Ms Ng is also a cosmetic chemist with over 8 years of formulation experience, holding a Diploma in Cosmetic Science. Ms Ng is also a director of an ASX listed company Invitrocue Limited.

Yanhua Huang (appointed 27 May 2019)

Mr Huang is a seasoned businessman and management consultant with almost 20 years of experience, accumulated from working in management consulting firm Accenture and audit firm KPMG, and also from managing companies in the construction, manufacturing and trading industries. Mr Huang graduated from the Lancaster University with a Bachelor degree and from the London School of Economics with a Master's degree.

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Qi Lu (appointed 27 May 2019)

Mr Lu graduated from University of Shanghai for Science and Technology with bachelor's degree in Business Administration and has worked in financial institutions, namely, China Bank of Communications and Shanghai Overseas Chinese Exit-Entry Service Co., Ltd for almost 20 years, providing financial services and advices on corporate activities and investments to high net worth individuals and family offices. With the experience gained, Mr Lu set up his own financial consulting company in Shanghai, offering a variety of services and financial advices to clients in China and overseas.

Glenn Davies (appointed 22 October 2018, Resigned 01 July 2019)

Mr Davies is a seasoned CEO & Board Director with 25 years of experience leading private & public organizations. He is the Founder & Group CEO of Cannacubed Private Limited, a globally diversified Cannabis Company with operations in China, Israel, Los Angeles & Africa. Mr Davies is also the director general of Asian Federation of Corporate Football, a non-profit organization governing corporate football in Asia. Prior to founding Cannacubed, he had been the Chief Operating Officer of YuuZoo Corporation Pte Ltd (a SGX mainboard listed company), Asia Regional Director of Talent International Limited, country manager with Kelly Services in Malaysia.

Review of Operations

The group's traditional medicine business helped improve the group's overall result. The group continued to reduce its losses, with 2019 loss of \$2,267,112 (2018 loss of \$3,353,398), while increasing its revenue (2019: \$1,561,429; 2018: \$290,680).

In addition, the group has finally completed the acquisition of 51% Yunnan Hua Fang Industrial Hemp Co Ltd (HFIH), thereby allowing SCU to entered into China's hemp market.

Significant changes in state of affairs

Other than that as was mentioned in the "Review of Operations" above, there are no significant changes in the Group's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

Future development, prospects and business strategies

The Group will continue to place its focus on its TCM businesses. The Group is also intending to leverage on the industrial hemp licence in China by cooperating with other companies in the business of industrial hemp.

Environmental issues

The Group is not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

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Dividends paid, recommended or declared

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Options

The terms and conditions of each grant of options affecting the current or a future reporting period are as follows:

Options	Number
Options issued to directors, exercisable at \$0.01 per option and expiring on 05 Dec 2028	18,600,000
TOTAL	18,600,000

Meetings of directors

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

Directors' Name	Board Meetings	
	Number of meetings the Director was eligible to attend	Number of meetings the Director attended
Khoo Gee Choo, Jamie	2	2
Chow-Yee Koh	4	4
Gu Huan Qing, Philip	4	4
Savio Ka Lung Cheung	4	4
Ee Ting Ng	3	2
Yanhua Huang	1	1
Qi Lu	1	1
Glenn Davies	3	1

Indemnifying directors, officers or auditor

During the year, the Company paid a premium to insure officers of the Group. The officers covered by the insurance policy include all directors. The Contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

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

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

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Remuneration Report (Audited)

This report outlines the remuneration arrangement in place for directors and key management personnel of Stemcell United Limited.

Principles of compensation

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration of directors and executives is referred to as compensation as defined in AASB 124.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the Group's performance including:
 - the Group's earnings;
 - the growth in share price and delivering constant returns on shareholder wealth; and
 - The amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual, segment and overall performance of the Group.

Performance-linked remuneration

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Group under the rules of the Employee Share Option Plan.

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Long-term incentive

Options may be issued under the Employee Share Option Plan and it provides for key management personnel to receive options over ordinary shares for no consideration.

The ability to exercise the options may be conditional on the Group achieving certain performance hurdles. The performance hurdles comprise the Group reaching and exceeding its budgeted profit forecast.

Short-term incentive bonus

Financial and non-financial objectives are used to determine key management personnel performance.

The financial performance objectives are “sales increase percentage”, “profit after tax” and “return on capital employed” compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer satisfaction and staff development.

Directors’ and key managements’ remuneration

Details of the nature and amount of each element of the remuneration of each director and key management of the Company as at 30 June 2019 and 30 June 2018 are shown in the table below:

Director Remuneration										
Non-executive directors	Year	Short Term Employee Benefits		Post-Employment Benefits	Other short-Term Benefits	Termination Benefits	Cash bonus	Share-Based Payments	Total (\$)	Performance Based pay as a Percentage of Remuneration (\$)
		Cash Salary & Fees (\$)	Non-Monetary Benefits (\$)	Superannuation (\$)	(\$)	(\$)	(\$)	(\$)		
Gu Huan Qing, Philip	2019	246,354	-	-	-	-	-	247,000	493,354	50%
	2018	208,980	-	-	9,610	-	28,830	98,000	345,420	37%
Khoo Gee Choo, Jamie	2019	14,000	-	1,330	-	-	-	117,000	132,330	87%
	2018	42,000	-	3,990	-	-	-	98,000	143,990	68%
Chow-Yee Koh*	2019	90,000	-	-	-	-	-	104,000	194,000	53%
	2018	82,800	-	3,420	-	-	-	84,000	170,220	49%
Savio Ka Lung Cheung	2019	36,000	-	-	-	-	-	15,600	51,600	30%
	2018	36,000	-	-	-	-	-	14,000	50,000	28%
Ee Ting Ng	2019	16,000	-	1,520	-	-	-	-	17,520	0%
	2018	-	-	-	-	-	-	-	-	-
Glenn Davies	2019	16,000	-	-	-	-	-	-	16,000	0%
	2018	-	-	-	-	-	-	-	-	-
Yanhua Huang	2019	3,000	-	-	-	-	-	-	3,000	0%
	2018	-	-	-	-	-	-	-	-	-
Qi Lu	2019	3,000	-	-	-	-	-	-	3,000	0%
	2018	-	-	-	-	-	-	-	-	-
TOTAL	2019	424,354	-	2,850	-	-	-	483,600	910,804	55%
	2018	369,780	-	7,410	9,610	-	28,830	294,000	709,630	45%

*Included in the cash salary and fees are professional fees of \$54,000 (2018: \$46,800) paid to director related company.

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Service agreements

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

Director	Base Salary/Fees	Term of agreement	Notice Period
Gu Huan Qing, Philip	SGD180,000 + AUD36,000	*	1 month
Chow-Yee Koh	AUD36,000	**	None
Savio Ka Lung Cheung	AUD36,000	**	None
Ee Ting Ng	AUD24,000	**	None
Yanhua Huang	AUD36,000	**	None
Qi Lu	AUD36,000	**	None

* Initially 3 years to 24 February 2018, then automatically renewed annually for a further 2 years.

**Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting.

Directors' shareholdings and option holding

The table below shows the holdings of each director in number and percentage as at 30 June 2019.

Shareholding

Director	Balance at start of the year or at date of appointment	Changes during the year	Balance at end of the year	%
Gu Huan Qing, Philip	108,500,000	-	108,500,000	16.9%
Chow-Yee Koh	3,000,000	-	3,000,000	0.5%
Savio Ka Lung Cheung	4,075,000	-	4,075,000	0.6%
Ee Ting Ng	-	-	-	-
Yanhua Huang	78,947,368	-	78,947,368	12.3%
Qi Lu	-	-	-	-
Khoo Gee Choo, Jamie [^]	9,564,740	(9,564,740)	-	-
Glenn Davies [^]	-	-	-	-

[^] Khoo Gee Choo, Jamie resigned as a director during the year and Glenn Davies resigned as director on 1 July 2019.

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Option holding

Director	Balance at start of the year or at date of appointment	Changes during the year	Balance at end of the year (vested and exercisable)	%
Gu Huan Qing, Philip	-	9,500,000*	9,500,000	51.1%
Chow-Yee Koh	-	4,000,000*	4,000,000	21.5%
Savio Ka Lung Cheung	-	600,000*	600,000	3.2%
Ee Ting Ng	-	-	-	-
Yanhua Huang	-	-	-	-
Qi Lu	-	-	-	-
Khoo Gee Choo, Jamie [^]	-	4,500,000	-	-
Glenn Davies [^]	-	-	-	-

* Granted as part of director options as approved during the AGM of 30 November 2019 (see below share based remuneration).

[^] Khoo Gee Choo, Jamie resigned as a director during the year and Glenn Davies resigned as director on 1 July 2019.

Share based remuneration

The following options of the Company were issued during the year ended 30 June 2019 as approved during the AGM of 30 November 2018.

Grant date	Exercise price	Vesting and exercise date	Expiry date	Value per option at grant date	Vesting conditions	% vested
5 Dec 2018	A\$0.01	5 Dec 2018	5 Dec 2028	A\$0.026	-	100%

End of remuneration report

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Non-Audit Services

During the year HLB Mann Judd provided taxation services to Stemcell United Limited in addition to their statutory audit duties. Fees of \$14,672 (2018: \$11,607) were paid for the provision of taxation services, which included \$3,500 paid to an Australian based HLB Mann Judd network firm. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 9 of the Annual Report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Signed by



Gu Huan Qing, Philip
Director

Dated: 30 September 2019

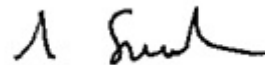
Auditor's Independence Declaration

To the directors of Stemcell United Limited:

As lead auditor for the audit of the consolidated financial report of Stemcell United Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Stemcell United Limited and the entities it controlled during the period.



Sydney, NSW
30 September 2019

A G Smith
Director

Stemcell United Limited

CORPORATE GOVERNANCE STATEMENT

The board of directors is responsible for the corporate governance of Stemcell United Limited (“the Company”). The board of directors has established a corporate governance framework which follows the recommendations as set out in the ASX Corporate Governance Council’s Principles and Recommendations 3rd edition (“Principles and Recommendations”).

The Company has followed each recommendation where the board has considered the recommendation to be appropriate benchmark for the Company’s corporate governance practises. Where the Company’s corporate governance practises follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the “if not, why not” reporting regime, where the Company’s corporate governance practises do not follow a recommendation, the board explained its reasons for not following the recommendation and disclosed what, if any, alternative practises the Company has adopted instead of those in the recommendation.

The Company’s corporate governance framework is dated and approved by the board on 30 September 2019 and can be viewed on the Company’s website <http://scu.com.sg/corporate-governance/>.

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Statement of Profit or Loss and Other Comprehensive Income for the Year ended 30 June 2019

		2019 \$	2018 \$
Revenue	4	1,561,429	290,680
Cost of sales		(1,446,783)	(224,771)
Gross profit		114,646	65,909
Other revenue and income		28,564	2,463
Staff costs and directors' fees		(880,066)	(705,258)
Professional fees		(297,355)	(779,286)
Depreciation and amortisation		(18,327)	(102,457)
Impairment of intangibles	10	(725,790)	(1,445,409)
Administrative expenses		(488,784)	(389,360)
Profit/(Loss) before income tax expense		(2,267,112)	(3,353,398)
Income tax expense	5	-	-
Profit/(Loss) for the year		(2,267,112)	(3,353,398)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiary		63,229	(24,888)
Total comprehensive income (loss) for the year		(2,203,883)	(3,378,286)
(Loss) attributable to:			
Owners		(2,265,790)	(3,353,398)
Non-controlling interest		(1,322)	-
		(2,267,112)	(3,353,398)
Total comprehensive (loss) attributable to:			
Owners		(2,202,561)	(3,378,286)
Non-controlling interest		(1,322)	-
		(2,203,883)	(3,378,286)
Loss per share			
Basic (cents per share)	6	(0.42)	(0.77)
Diluted (cents per share)	6	(0.42)	(0.77)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,901,250	1,086,365
Trade and other receivables	7	334,688	88,863
Inventory	8	41,225	243,568
TOTAL CURRENT ASSETS		2,277,163	1,418,796
NON CURRENT ASSETS			
Plant and equipment	9	154,290	162,845
Intangible assets	10	1	1
TOTAL NON CURRENT ASSETS		154,291	162,846
TOTAL ASSETS		2,431,454	1,581,642
LIABILITIES			
Trade and other payables	11	349,941	353,684
Income tax payable		-	27,285
TOTAL CURRENT LIABILITIES		349,941	380,969
TOTAL LIABILITIES		349,941	380,969
NET ASSETS		2,081,513	1,200,673
EQUITY			
Contributed equity	14	71,371,829	68,966,829
Option reserve	15	483,600	148,000
Other equity	16	-	50,000
Retained earnings		(70,225,764)	(67,959,974)
Foreign currency translation reserve		59,047	(4,182)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS		1,688,712	1,200,673
Non-controlling interest		392,801	-
TOTAL EQUITY		2,081,513	1,200,673

The Statement of Financial Position should be read in conjunction with the accompanying notes.

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Statement of Changes in Equity for the year ended 30 June 2019

	<-----Attributable to owners of Stemcell United Limited ----->						
	Contributed Equity	Option reserve	Other Equity	Retained Earnings	Foreign currency translation reserve	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2017	66,094,036	148,000	468,000	(64,606,576)	20,706	-	2,124,166
<i>Transactions with equity holders in their own capacity</i>							
Placement issue	600,000	-	-	-	-	-	600,000
Entitlement issue	1,664,151	-	-	-	-	-	1,664,151
Fair value of shares issued to directors and advisors	762,000	-	(468,000)	-	-	-	294,000
Fair value of shares to be issued to advisor	-	-	50,000	-	-	-	50,000
Capital raising costs	(153,358)	-	-	-	-	-	(153,358)
	2,872,793	-	(418,000)	-	-	-	2,454,793
Total comprehensive income/(loss)	-	-	-	(3,353,398)	(24,888)	-	(3,378,286)
Balance at 30 June 2018	68,966,829	148,000	50,000	(67,959,974)	(4,182)	-	1,200,673
<i>Transactions with equity holders in their own capacity</i>							
Placement issue	2,000,000	-	-	-	-	-	2,000,000
Capital raising costs	(150,000)	-	-	-	-	-	(150,000)
Fair value of shares issued to advisors	50,000	-	(50,000)	-	-	-	-
Fair value of shares issued to acquired subsidiary	357,000	-	-	-	-	-	357,000
Fair value of options issued to directors	-	483,600	-	-	-	-	483,600
Expiry of options	148,000	(148,000)	-	-	-	-	-
	2,405,000	335,600	(50,000)	-	-	-	2,690,600
Non-controlling interest	-	-	-	-	-	394,123	394,123
Total comprehensive income/(loss)	-	-	-	(2,265,790)	63,229	(1,322)	(2,203,883)
Balance at 30 June 2019	71,371,829	483,600	-	(70,225,764)	59,047	392,801	2,081,513

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2019

	2019 \$	2018 \$
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipts from customers	1,476,306	265,949
Payment to suppliers and employees	(2,363,999)	(1,828,616)
Interest income	426	2,463
Total cash used in operating activities	17 (887,267)	(1,560,204)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
Purchase of plant and machinery	-	(137,628)
Cash used in acquisition of subsidiary, net of cash acquired	(202,361)	-
Total cash used in investing activities	(202,361)	(137,628)
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Proceeds from issue of shares	2,000,000	2,127,055
Payment of share issue costs	(150,000)	(16,262)
Repayment of loans	-	(202,990)
Repayment of director loan	-	(141,600)
Total cash from financing activities	1,850,000	1,766,203
Net increase in cash and cash equivalents	760,372	68,371
Cash and cash equivalents at beginning of financial year	1,086,365	1,042,558
Foreign currency translation differences	54,513	(24,564)
Cash and cash equivalents at end of financial year	1,901,250	1,086,365

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements consist of Stemcell United Limited (“the Company”) and its controlled entities (“the Group” or “the consolidated entity”).

The Company is a company domiciled in Australia, and is a listed public and for-profit Company trading on the Australian Securities Exchange.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. International Financial Reporting Standards (‘IFRSs’) form the basis of Australian Accounting Standards (‘AASBs’) adopted by the AASB. The financial report of the Company complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of Presentation

The financial report is presented in Australian dollars, which is the Company’s functional currency.

The financial report has been prepared on an accruals basis and is based on historical cost convention except for certain assets which are stated at fair value as described in the accounting policies.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Details of key accounting estimates and judgements are in Notes 10 and 15 to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) New, revised or amending Accounting Standards and Interpretations adopted

The Group has applied all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The main new Accounting Standards and Interpretations that became effective during the current reporting period are as follows:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018 which replaces AASB 139 Financial Instruments: Recognition and Measurement. The standard introduced new classification and measurement models for financial assets.

The Group’s financial instruments include cash and cash equivalents, trade and other receivables and trade and other payables. The Group does not apply hedge accounting. On initial application of AASB 9, the Group determined that its financial assets and liabilities continue to be measured at amortised cost and the Group has applied the simplified approach to measuring expected credit losses of its trade and other receivables. The adoption of AASB 9 has not had a significant effect on the Group’s accounting policies relating to financial instruments or a material impact on the financial performance or position of the Group. Comparatives were not

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

required to be restated and no differences were required to be recognised to the opening balance of retained earnings at 1 July 2018 as a result of the adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers

From 1 July 2018 the Group has adopted AASB 15 which replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue related Interpretations. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

Since the 1 July 2018, the Group recognises revenue as follows, which has not changed from prior periods:

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

The adoption of AASB 15 has not had any effect on the financial performance or position of the Group. No adjustment was required to be recognised to the opening balance of retained earnings at 1 July 2018 as a result of the adoption of AASB 15.

Other amending Accounting Standards and interpretations

Several other amending Accounting Standards and Interpretations apply for the first time for the reporting period commencing 1 July 2018. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the interim financial report.

(d) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When a subsidiary makes a new issue of capital and the consolidated entity's percentage ownership changes, the share of retained profits and reserves is attributed to the Company and outside equity interest reflecting the new ownership interest. The adjustment is not reflected in net profit but as a direct adjustment to the specific equity accounts.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Business Combinations

The acquisition method of accounting is used to account for all the business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the group
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition relation costs are expensed as incurred.

The excess of the:

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(f) Provisions

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

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and at call deposits.

(j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

(l) Plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

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

(m) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Machines are depreciated over their estimated useful life, being 10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

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

(n) Impairment

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(o) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Financial instruments are classified and measured as set out below.

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

- Financial Liabilities
Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

(p) Trade and other payables

Trade and other payables are stated at their fair value at inception. Trade payables are non-interest bearing and are normally settled according to term.

(q) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(r) Share capital

Ordinary share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(s) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(t) Earnings per share

Basic earnings per share

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Diluted earnings per share

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

(u) Intangible assets

Intellectual property

Intellectual property are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over their useful lives of 10 years.

Goodwill

Goodwill is measured as described in note 1(e). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating unites for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or group of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the half-year reporting period. The Director's assessment of the impact of these new standards and interpretations (to the extent relevant to the Group) is set out below.

Australian Accounting Standard AASB 16: Leases will apply to the Group for the first time for the year ending 30 June 2020. This Standard will change how the Group accounts for its current operating leases. All such leases (other than leases with lease terms for 1 year or less and leases of low value items, i.e. for around \$10,000 or less) will be brought onto the Statement of Financial Position by the recognition of a "Right-of-Use" asset, together with a liability for the present value of the lease payments for the life of the lease.

The future recognition of lease expenses will change, with more expenses recognised in the early periods of a lease, and less in later periods, as there will be a change from the straight-line expense currently recognised to front-ended finance charges. There will also be a change in lease expense classification from recognising operating expenses to recognising financing costs and amortisation.

The Group is reviewing all of its leasing arrangements in light of the new lease accounting rules in AASB 16.

The Group has not calculated the financial impact of these changes at 30 June 2019. The Directors anticipate that the impact of AASB 16 will be determined prior to the release of the Group's half year financial statements for the period ending 31 December 2019.

There are no other Standards that have been issued that are not yet effective and that are expected to have a material impact on financial reports of the Group in the current or future reporting periods.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 2: GOING CONCERN

During the year ended 30 June 2019, the consolidated entity incurred a loss after income tax of \$2,267,112 (2018: \$3,353,398) and net cash outflows from operating activities of \$887,267 (2018: \$1,560,204). At 30 June 2019, the consolidated entity had \$1,901,250 (2018: \$1,086,365) in cash, which included cash raised from issuing shares, net of capital raising costs, of \$1,850,000.

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

- Generating sufficient revenue in excess of expenses from sales of Resina, Dendrobium or new products;
- The receipt of debt funding; or
- The receipt of equity funding

Accordingly, there is material uncertainty that may cast doubt on the consolidated entity'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 consolidated entity not continue as a going concern.

NOTE 3: SHARE BASED PAYMENT

Amounts included in Profit or Loss:

	2019	2018
	\$	\$
Issuance of 18,600,000 options to directors*	483,600	-
Contracted 3,600,000 shares to advisors^	-	50,000
Issuance of 10,500,000 shares to directors*	-	294,000
	<u>483,600</u>	<u>344,000</u>

The shares were valued based upon the value of shares at the date of contract. The options were valued based on black scholes option pricing model at the date of issue (refer note 15 for more details).

^Included in administrative expenses

*Included in staff costs and directors fees

NOTE 4: REVENUE

	2019	2018
	\$	\$
Sale of resina related products	1,469,808	-
Sale of dendrobium related products	91,303	290,680
Sale of hemp related products	318	-
	<u>1,561,429</u>	<u>290,680</u>

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 5: INCOME TAX

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	2019 \$	2018 \$
Numerical reconciliation of income tax income to prima facie tax payable		
Net profit/(loss) before tax	(2,267,112)	(3,353,398)
Tax at the Australian tax rate of 27.5% (2018: 30%)	(623,456)	(1,006,020)
Effect of different tax rate of subsidiaries operating in other jurisdictions	135,017	42,378
Tax effect of amounts that are not deductible / taxable in calculating taxable income	111,045	461,100
Tax losses and temporary differences not brought to account	377,394	502,542
Income Tax Expense	-	-

Total unrecognised deferred tax asset relating to losses carried forward is \$5,070,109 (2018: \$3,527,321).

NOTE 6: EARNINGS PER SHARE

	2019 \$	2018 \$
(a) Reconciliation of Earnings to Net Profit or Loss		
Net profit/(loss)	(2,265,790)	(3,353,398)
Earnings used in the calculation of basic EPS	(2,265,790)	(3,353,398)
Earnings used in the calculation of dilutive EPS	(2,265,790)	(3,353,398)
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	535,733,238	438,031,964
Weighted average number of options*	10,548,493	2,000,000
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	535,733,238*	438,031,964*

*Options are considered anti-dilutive as at 30 June 2019 and 30 June 2018 and therefore are not included in the computation of the dilutive EPS.

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Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 7: TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
CURRENT		
Trade receivables	109,589	32,735
Other receivables	*225,099	-
GST receivables	-	56,128
	<u>334,688</u>	<u>88,863</u>

*Included in other receivables is an amount of \$208,000 (RMB1,000,000) held in trust by a director of the Company's subsidiary, Yunnan Huafang Industrial Hemp Co Ltd ("HFIH") in China while waiting for the opening of the subsidiary's bank account in China. This amount was deposited into HFIH's bank account on 23 August 2019.

The ageing of trade receivables at the reporting date is as follows:

	2019	2018
	\$	\$
Not past due	89,856	32,735
Past due < 6 months	-	-
Past due 6 – 12 months	19,733	-
> 12 months	-	-
	<u>109,589</u>	<u>32,735</u>

The average credit period on sale of goods is 60 days (2018: 60 days). The trade receivables are interest-free and unsecured. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

As at balance date, all of the Group's trade and other receivables that are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy. Accordingly, management believes that there is no credit provision required in excess of any allowance for doubtful debts.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$19,733 (2018: Nil) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The Group's other receivables are interest-free and repayable on demand and the average age of these receivables is less than 30 days. The Group has not recognised any allowance as the directors are of the view that these receivables are recoverable.

NOTE 8: INVENTORY

	2019	2018
	\$	\$
CURRENT		
Raw Materials	8,303	5,246
Finished goods	32,922	27,311
Goods in transit	-	211,011
	<u>41,225</u>	<u>243,568</u>

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 9: PLANT AND EQUIPMENT

	Office equipment \$	Machines \$	TOTAL \$
Cost			
At 30 June 2017	-	40,093	40,093
Additions	-	137,628	137,628
At 30 June 2018	-	177,721	177,721
Additions	3,016	-	3,016
Foreign exchange translation	-	11,107	11,107
At 30 June 2019	3,016	188,828	191,844
Accumulated depreciation			
At 30 June 2017	-	4,009	4,009
Depreciation	-	10,867	10,867
At 30 June 2018	-	14,876	14,876
Depreciation	2,865	19,813	22,678
At 30 June 2019	2,865	34,689	37,554
Carrying amount			
At 30 June 2018	-	162,845	162,845
At 30 June 2019	151	154,139	154,290

NOTE 10: INTANGIBLE ASSETS

	Goodwill \$	Dendrobium officinale IP \$	TOTAL \$
Cost			
At 30 June 2017	-	1,647,997	1,647,997
Impairment	-	(1,445,409)	(1,445,409)
At 30 June 2018	-	202,588	202,588
Addition (note 12)	725,790	-	725,790
Impairment (note 12)	(725,790)	-	(725,790)
At 30 June 2019	-	202,588	202,588
Accumulated amortisation			
At 30 June 2017	-	110,997	110,997
Amortisation	-	91,590	91,590
At 30 June 2018	-	202,587	202,587
Amortisation	-	-	-
At 30 June 2019	-	202,587	202,587
Carrying amount			
At 30 June 2018	-	1	1
At 30 June 2019	-	1	1

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 10: INTANGIBLE ASSETS (continued)

	2019 \$	2018 \$
Balance of intangible assets at beginning of the year	1	1,537,000
Acquired during the year (refer note 12)	725,790	-
Impairment of intangible assets during the year	(725,790)	(1,445,409)
Amortisation during the period	-	(91,590)
Balance of intangible assets at reporting date	1	1

Dendrobium officinale IP

Intangible assets were fully impaired in the year ended 30 June 2018 as the actual results for the year ended 30 June 2018 were below those forecasted. If the actual results are used as an estimate of future earnings in the impairment assessment prepared by management, this results in the intangible asset being impaired in full. Accordingly, the directors have decided to take a prudent stance and have impaired the intangible asset in full. This has resulted in an impairment charge of \$1,445,409 being recorded for the year ended 30 June 2018. Should the revenues increase in future, the impairment may be reversed. Any reversal of impairment would result in an increase of the carrying value of the intangible asset equal to the amount of the impairment reversal.

Goodwill

The goodwill acquired during the year of \$725,790 is fully impaired at balance date as the Company is unable to quantify the synergy or future cash inflows from having the industrial hemp licence in China.

NOTE 11: TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
CURRENT		
Trade payables	93,365	7,792
Other payables*	79,917	253,038
Accrued expenses	159,171	92,854
GST payable	17,488	-
	349,941	353,684

*Included in other payables is a prepayment of NIL (2018: \$134,273) received from the sale of resina which was awaiting China custom's clearance at 30 June 2018.

NOTE 12: ACQUISITION OF SUBSIDIARY

On 20 May 2019, the Group acquired 51% of the issued shares in Yunnan Huafang Industrial Hemp Co. Ltd ("HFH"), an industrial hemp company incorporated in the People's Republic of China, for a consideration of \$1,136,000. The acquisition will allow the Group to expand and develop its industrial hemp business in China.

Details of the purchase consideration and the net assets acquired are as follows

Purchase consideration	2019 \$
Cash paid or payable	779,000
Fair value of shares issued	357,000
Total consideration	1,136,000

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Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 12: ACQUISITION OF SUBSIDIARY (continued)

Fair value of assets and liabilities acquired	2019
	\$
Cash and cash equivalents	2,639
Receivables	790,830
Inventory	11,327
Plant and equipment	149
Payables	(612)
Net identifiable assets acquired	804,333
Non-controlling interest	(394,123)
Goodwill	725,790
	<u>1,136,000</u>

Cashflow effect of acquisition	2019
	\$
Cash paid	205,000
Cash acquired	(2,639)
Cash paid for acquisition of subsidiary in current year, net of cash acquired	202,361
Cash to be paid by SCU to HFIH	574,000
Total cash to be paid for acquisition of subsidiary, net of cash acquired	<u>776,361</u>

Goodwill

Goodwill arises due to payment in excess of the fair value of assets acquired, with expectation of synergy from having the licence to operate in China's tightly controlled industrial hemp market. The goodwill is fully impaired at balance date as the Company is unable to quantify the synergy or future cash inflows from having the industrial hemp licence in China.

Acquisition related costs

There are no direct acquisition related costs.

Contingent consideration

There are no contingent consideration arrangements.

Non-controlling interest

The Group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Revenue and profit contribution

The acquired entity contributed \$318 revenue and a net loss of \$2,698 to the Group for the period from date of acquisition to 30 June 2019.

If the acquisition had occurred on 1 July 2018, the acquired entity would have contributed \$4,567 revenue and a net loss of \$93,275 to the Group.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 13: SUBSIDIARIES

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group unless otherwise stated. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of subsidiary	Principal place of business and incorporation	Class of shares	Ownership interest held	
			2019	2018
Stemcell United Pte Ltd	Singapore	Ordinary	100%	100%
Stemcell Essential Pte Ltd	Singapore	Ordinary	100%	100%
SCU (HK) Ltd	Hong Kong	Ordinary	100%	100%
Yunnan Huafang Industrial Hemp Co Ltd	China	Ordinary	51%	-

NOTE 14: CONTRIBUTED EQUITY

	2019 \$	2018 \$
Issued and fully paid ordinary shares	71,371,829	68,966,829
Movements in ordinary shares	Number of shares	A\$
At 30 June 2017	386,037,672	66,094,036
Placement issues	30,000,000	600,000
Entitlement issues	83,207,534	1,664,151
Issue of shares to directors and advisors	14,100,000	762,000
Fundraising costs	-	(153,358)
At 30 June 2018	513,345,206	68,966,829
Placement issues	105,263,158	2,000,000
Fund raising costs	-	(150,000)
Issue of shares to advisors	2,000,000	50,000
Shares issued to acquire subsidiary	21,000,000	357,000
Expiry of options	-	148,000
At 30 June 2019	641,608,364	71,371,829

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital Management

The management's objectives when managing capital are to ensure that the Company can fund its operations, meet any debt obligations and continue as a going concern.

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

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

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Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 15: OPTION RESERVE

	2019 \$	2018 \$
Option Reserve	483,600	148,000
Movements in Option Reserve	Number of options	\$
At 1 July 2017	2,000,000	148,000
At 30 June 2018 and 1 July 2018	2,000,000	148,000
^Expiry of option	(2,000,000)	(148,000)
*Issue of director options	18,600,000	483,600
At 30 June 2019	18,600,000	483,600

*On 5 December 2018, 18,600,000 options were issued to directors as approved at the AGM held on 30 November 2018. The assessed fair value at grant date of options issued to directors was A\$483,600. The fair value at grant date is determined using the Black Scholes Model.

The model inputs for the options granted included:

- (a) exercise price: A\$0.01
- (b) grant date: 05 December 2018
- (c) expiry date: 5 Dec 2028
- (d) share price at grant date: A\$0.027
- (e) expected price volatility of the Company's shares: 104%
- (f) risk-free interest rate: 3.5%

^On 14 September 2018, the options issued to nominees of APP Securities Pty Ltd as lead manager of the prospectus fund raising expired.

NOTE 16: OTHER EQUITY

	2019 \$	2018 \$
Balance at beginning of the year	50,000	468,000
Shares payable upon fulfilment of conditions, but not yet issued	-	50,000^
Issue of shares to advisors	(50,000)	(468,000)*
Balance of intangible assets at reporting date	-	50,000

*The \$468,000 relates to the 3.6 million shares payable upon execution of an agreement to introduce and facilitate a deal with iCAN Israel Cannabis Limited, but not yet issued at balance date of 30 June 2017, valued at \$0.13 per share. The shares were issued during the year ended 30 June 2018.

^The \$50,000 relates to 2 million shares payable to an advisor for introducing and facilitating a deal to collaborate with Yunnan Huafang Industrial Hemp Co Ltd, but not yet issued at balance date of 30 June 2018, valued at \$0.025 per share. The shares were issued during the year ended 30 June 2019.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 17: RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES

	2019	2018
	\$	\$
Profit/(loss) for the year	(2,267,112)	(3,353,398)
Share based payment expenses	483,600	344,000
Impairment	725,790	1,445,409
Depreciation and amortisation	18,327	102,457
Changes in receivables	(113,261)	(71,974)
Changes in inventory	213,625	(243,568)
Changes in payables	51,764	216,870
Total cash used in operating activities	(887,267)	(1,560,204)

NOTE 18: COMMITMENTS

At 30 June 2019 the company had the following commitments:

Operating leases contracted for but not recognised in the financial statements

	2019	2018
	\$	\$
Within than 12 month	20,419	57,545
Between 12 month and 5 years	-	19,182
More than 5 years	-	-
	20,419	76,727

NOTE 19: AUDITOR'S REMUNERATION

	2019	2018
	\$	\$
HLB Mann Judd Audit and review of financial report	45,500	44,300
Other services from HLB Mann Judd Tax advisory – HLB Mann Judd Assurance (NSW) Pty Ltd Tax advisory – Australian based HLB Mann Judd network firm	11,172 3,500	11,607 -

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of key management personnel	2019	2018
	\$	\$
Short-term employee benefits	370,354	322,980
Post-employment benefits	2,850	7,410
Long term benefits	-	9,610
Cash bonus	-	28,830
Share-based payments	483,600	294,000
Fees paid to a director related company	54,000	46,800
	910,804	709,630

Refer to the remuneration report set out within the Directors' Report for individual details of key management personnel remuneration.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 21: RELATED PARTY DISCLOSURES

	2019 \$	2018 \$
Related party balances		
Salary paid to director in advance at year end	4,216	-
Fees payable to directors at year end	(72,000)	(59,370)
Held in trust by a director [^]	208,000	-
Transactions		
Receipts and payments processed through a director bank account*	-	186,163

*Receipts and payments were processed through a director bank account in China as the Group do not have a China bank account.

[^]\$208,000 (RMB1,000,000) held in trust by a director of the Company's subsidiary, Yunnan Huafang Industrial Hemp Co Ltd ("HFIH") in China while waiting for the opening of the subsidiary's bank account in China. This amount was deposited into HFIH's bank account on 23 August 2019.

NOTE 22: SEGMENT INFORMATION

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are received by the Board in allocating resources and have concluded at this time that there are no separately identifiable segments as the consolidated group operated in one business segment of sourcing, producing, marketing and selling of traditional medicines.

The geographical segment information of the group is as follows:

2019	Australia \$	Singapore \$	Hong Kong \$	China \$	Total \$
Revenue	-	1,561,111	-	318	1,561,429
Profit / (Loss)	(1,132,198)	(1,132,075)	(141)	(2,698)	(2,267,112)
Total assets	177,853	430,216	1,591,798	231,587	2,431,454
Total liabilities	(115,023)	(234,297)	-	(621)	(349,941)
Interest revenue	423	-	-	3	426
Interest expense	-	-	-	-	-
Depreciation and amortisation	-	(18,327)	-	-	(18,327)
Impairment	-	(725,790)	-	-	(725,790)
Income tax expense	-	-	-	-	-

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 22: SEGMENT INFORMATION (continued)

2018	Australia \$	Singapore \$	Hong Kong \$	Total \$
Revenue	-	257,185	33,495	290,680
Profit / (Loss)	(3,028,353)	(300,667)	(24,378)	(3,353,398)
Total assets	820,707	750,857	10,078	1,581,642
Total liabilities	(109,279)	(271,690)	-	(380,969)
Interest revenue	2,454	9	-	2,463
Interest expense	-	-	-	-
Depreciation and amortisation	(91,590)	(10,867)	-	(102,457)
Impairment	(1,445,409)	-	-	(1,445,409)
Income tax expense	-	-	-	-

NOTE 23: FINANCIAL INSTRUMENTS RISK

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The Group's risk management is undertaken by the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets.

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

Credit risk

Credit risk is managed and reviewed regularly by the management. It arises from exposures to customers as well as through deposits with financial institutions. Management requires that all surplus funds are only invested with financial institutions with a Standard and Poor's rating of at least AA-. All bank balances of the Company at 30 June 2019 were held with a bank with this rating.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for financial liabilities.

Maturity analysis table

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 23: FINANCIAL INSTRUMENTS RISK (continued)

Maturity analysis table

2019	Weighted average effective interest rate %	Interest bearing maturing within 1 year \$	Non interest bearing maturing within 1 year \$	Non-interest bearing between 2 year and 5 years \$	TOTAL \$
Financial assets					
- Cash and cash equivalents	0.03%	1,901,250	-	-	1,901,250
- Trade and other receivables		-	334,688	-	334,688
Total financial assets		1,901,250	334,688	-	2,235,938
Financial liabilities					
- Trade and other payables		-	(349,941)	-	(349,941)
Total financial liabilities		-	(349,941)	-	(349,941)
2018					
2018	Weighted average effective interest rate %	Interest bearing maturing within 1 year \$	Non interest bearing maturing within 1 year \$	Non-interest bearing between 2 year and 5 years \$	TOTAL \$
Financial assets					
- Cash and cash equivalents	0.2%	1,086,365	-	-	1,086,365
- Trade and other receivables	-	-	88,863	-	88,863
Total financial assets		1,086,365	88,863	-	1,175,228
Financial liabilities					
- Trade and other payables	-	-	(353,684)	-	(353,684)
Total financial liabilities		-	(353,684)	-	(353,684)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its short-term deposits placed with financial institutions.

The Group has performed sensitivity analysis relating to its financial instrument's exposure to interest rate at reporting date.

The following table illustrates the sensitivity of loss and equity to a reasonably possible change in interest rates of +/- 0.5%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Interest rate sensitivity

Year ended	Profit and loss \$		Equity \$	
	+0.5%	-0.5%	+0.5%	-0.5%
30 June 2019	+7,467	-7,467	+7,467	-7,467
30 June 2018	+5,322	-5,322	+5,322	-5,322

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 23: FINANCIAL INSTRUMENTS RISK (continued)

Foreign Exchange Risk

The Group's exposure to foreign currency risk is on the financial assets and liabilities of the Group's operations, denominated in currencies other than the functional currency of operations. Cash, receivables, fixed assets and trade and other creditors have been converted to Australian dollars.

Foreign exchange sensitivity

The following table illustrates the sensitivity of loss and equity to a reasonably possible change in foreign exchange rates of +/- 10%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average foreign exchange for each period. All other variables are held constant.

Year ended	Profit and loss		Equity	
	+10%	\$	-10%	\$
30 June 2019	-40,779		+40,779	+168,988
30 June 2018	-32,508		+32,508	+48,923

Foreign Exchange Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2019			2018	
	SGD \$	CNY \$	HKD \$	SGD \$	HKD \$
Cash and cash equivalent	131,274	326	1,591,798	308,928	10,078
Receivables	114,859	219,829	-	35,516	-
Payables	(234,297)	(621)	-	(244,406)	-

NOTE 24: FAIR VALUE MEASUREMENT

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The Group does not hold any financial assets or liabilities carried at fair value as at 30 June 2019.

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is not significant.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

NOTE 25: SUBSEQUENT EVENTS

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

NOTE 26: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company is not aware of any other Contingent Assets or Liabilities that should be disclosed in accordance with AASB 137.

NOTE 27: PARENT ENTITY INFORMATION

Statement of Profit and Loss and Other Comprehensive Income	2019	2018
	\$	\$
Revenue	-	-
Other income	423	2,454
Impairment of investment in subsidiary	-	(1,445,409)
Expenses	(1,132,620)	(1,585,398)
Profit/(loss) for the year	(1,132,197)	(3,028,353)
Statement of financial position	2019	2018
	\$	\$
Total assets	2,458,642	5,749,732
Total liabilities	(115,023)	(159,279)
Net assets/(liabilities)	2,343,619	5,590,453
Equity		
Contributed equity	71,371,829	68,966,829
Option reserve	483,600	148,000
Retained earnings	(69,511,810)	(63,524,376)
	2,343,619	5,590,453

No guarantee was provided by parent entity in relation to debts of its legal subsidiary at reporting date.

Refer to Note 26 for contingent liabilities or contingent assets at reporting date of the parent entity.

The registered office of Stemcell United Limited is Level 12, 680 George Street, Sydney NSW, Australia.

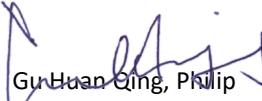
Stemcell United Limited

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2019

In the directors' opinion:

1. The financial statements and notes set out on pages 11 to 35 are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date.
2. There are reasonable grounds to believe that Stemcell United Limited will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

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


Gu Huan Qing, Philip
Director

30 September 2019

Independent Auditor's Report to the Members of Stemcell United Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Stemcell United Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$2,267,112 during the year ended 30 June 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Intangible Assets (Note 10)	
<p>The impairment assessment made by the Group over its intangible balance is a key audit matter as intangible assets, prior to impairment, were the largest asset on the statement of financial position. In addition, any impairment assessment incorporates significant judgments in respect of factors such as forecasted cash flows, growth rates and discount rates.</p>	<p>Our audit considered whether the methodology and principles applied by the Group to their value in use impairment model met the requirements of Australian Accounting Standard AASB 136 Impairment of Assets.</p> <p>We assessed the determination of the Group's cash generating units ("CGU") based on our understanding of the nature of the Group's business and the economic environment in which it operates</p> <p>We reviewed management's key assumptions, used, including comparing prior year forecasts to actual results to assess actual performance vs forecast performance.</p> <p>For intangibles acquired during the year, we discussed with management what cash flows were expected to be generated, and assessed whether any impairment was required.</p> <p>We assessed whether the Group's disclosures met the requirements of relevant Accounting Standards.</p>
Business Combinations (Note 12)	
<p>During the year, the Company entered into a business combination, and accounted for this under AASB 3 <i>Business Combinations</i>.</p> <p>We consider this to be a key audit matter as it was a significant transaction that the Company entered into, and which resulted in a material amount of goodwill being recognised.</p>	<p>We reviewed the Asset Purchase Agreement and other correspondence with the vendor of the acquired company to assess the amount of the purchase consideration, including the fair value of shares issued, and any amounts payable at year end.</p> <p>We obtained copies of the acquired company's balance sheet to assess if there were any material assets acquired or liabilities assumed and, for any such material assets or liabilities, we assessed whether the values recorded were in accordance with Australian Accounting Standards.</p> <p>We assessed whether the Group's disclosures met the requirements of relevant Accounting Standards.</p>
Revenue recognition	
<p>The Group has applied Accounting Standard AASB 15 Revenue for the first time in preparing its financial statements for the year ended 30 June 2019.</p> <p>We focussed on this area as a key audit matter due to the judgements involved in applying AASB 15, and as this is the first time the Group has applied this Standard.</p>	<p>We reviewed management's revenue recognition accounting policy to assess whether it complied with AASB 15.</p> <p>We reviewed a sample of contracts and/or documentation to assess whether revenue recognised was in accordance with the requirements of AASB 15.</p> <p>We also reviewed disclosures in the financial statements to assess whether these were in accordance with AASB 15.</p>

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

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

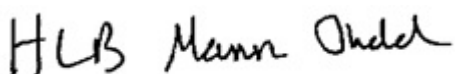
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 7 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Stemcell United Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

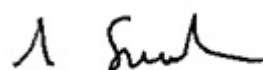
Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
30 September 2019



A G Smith
Director

Stemcell United Limited (formerly On Q Group Limited)

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 26 September 2019.

Substantial Shareholders

The number of substantial shareholders and their associates are set out below:

<u>Shareholders</u>	<u>Number of Shares</u>	<u>% of issued shares</u>
GU HUANQING	108,500,000	16.91%
HUANG YANHUA	78,947,368	12.30%
CITICORP NOM PL	54,579,820	8.51%
BNP PARIBAS NOM PL	37,007,104	5.77%
THOMAS J + PONNIAH I R	36,238,455	5.65%

Voting Rights

Ordinary shares On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote

Distribution of equity security holders

Holding	Ordinary shares Holders
1 – 1,000	1,661
1,001 – 5,000	284
5,001 – 10,000	310
10,001 – 100,000	1,073
100,001 and over	417
	3,745

The number of shareholdings held in less than marketable parcel is 2,845.

Twenty largest shareholders

	Ordinary Shares	
	Number Held	% of issued shares
GU HUANQING	108,500,000	16.91%
HUANG YANHUA	78,947,368	12.30%
CITICORP NOM PL	54,579,820	8.51%
BNP PARIBAS NOM PL	37,007,104	5.77%
THOMAS J + PONNIAH I R	36,238,455	5.65%
HUANG YIHUA	26,315,790	4.10%
ZHANG LI	20,000,000	3.12%
HUANG ZIYUE	15,000,000	2.34%
ZHU BENYING	15,000,000	2.34%
ZHANG LIN	14,506,483	2.26%
EMERALD CHARM INV PTE LTD	4,564,740	0.71%
BNP PARIBAS NOMS PL	4,245,680	0.66%
HSBC CUSTODY NOM AUST LTD	3,654,667	0.57%
AM PTNRS CAP CO LIMITED	3,575,000	0.56%
PORAT HLDG PL	3,143,610	0.49%
CHEN HAIYANG	3,000,000	0.47%
RIGBY P M + GERMAIN-RIGBY	3,000,000	0.47%
KOH CHOW YEE	3,000,000	0.47%
KEONG LOO SEI	2,811,671	0.44%
PRIMSTON PL	2,750,000	0.43%
	439,840,388	68.57%

Stemcell United Limited

(formerly On Q Group Limited)

Securities exchange

The Company is listed on the Australian Securities Exchange.

Difference in results reported to Australian Securities Exchange

The results reported to the ASX in the preliminary final report do not differ significantly from those reported in the annual report.