

# STEMCELL UNITED LIMITED

## APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2019

*The following information is given to ASX under listing rule 4.3A.*

### 1. Reporting period

Current Period 12 months ended 30 June 2019

Prior Period 12 months ended 30 June 2018

### 2. Results for announcement to the market

	2018		2019	% Change
	\$		\$	
2.1 Revenue from ordinary activities	290,680	to	1,561,429	Up 437%
2.2 Loss after tax attributable to members	(3,353,398)	to	(2,114,958)	Down 37%
2.3 Net loss attributable to members	(3,353,398)	to	(2,114,958)	Down 37%

#### 2.4 Dividend

N/A

#### 2.5 Record date for determining entitlements to the dividends

N/A

#### 2.6 Explanatory information

The group recorded a reduced loss of \$2,116,280 (2018 loss of \$3,353,398) against an increased revenue of \$1,561,429 (2018: \$290,680). The increase in revenue is mainly due to the re-starting of the resina business.

SCU has completed the acquisition of 51% Yunnan Hua Fang Industrial Hemp Co Ltd (HFIH), thereby allowing SCU to tap into the world largest hemp producing country.

### 3. Statement of Profit or Loss and Other Comprehensive Income

Refer accompanying preliminary financial report

### 4. Statement of Financial Position

Refer accompanying preliminary financial report

### 5. Statement of Cash Flow

Refer accompanying preliminary financial report

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**6. Dividends Paid or Recommended**

N/A

**7. Details of any Dividend or distribution reinvestment plans**

N/A

**8. Statement of movements in Retained Earnings**

Refer statement of changes in equity in the accompanying preliminary financial report

**9. Net tangible assets per security**

	<b>30 June 2019</b>	<b>30 June 2018</b>
Number of securities	641,608,364	513,345,206
Net tangible assets per security in cents	0.35	0.23

**10. Changes in controlled entities**

Refer accompanying preliminary financial report

**11. Details of associates and joint venture entities**

N/A

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

Refer accompanying preliminary financial report

**13. Foreign entities disclosures**

N/A

**14. Additional information**

**14.1 Earnings per Share**

Refer accompanying preliminary financial report

**14.2 Returns to Shareholders**

Refer accompanying preliminary financial report

**14.3 Significant features of operating performance**

Refer accompanying preliminary financial report

**14.4 Results of segments**

Refer accompanying preliminary financial report

**14.5 Trends in performance**

Refer accompanying preliminary financial report

**14.6 Subsequent events**

Refer accompanying preliminary financial report

**15. Compliance Statement**

The financial statements are in the process of being audited.

**16. If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph is described below**

During the year ended 30 June 2019, the consolidated entity incurred a loss after income tax of \$2,116,280 (2018: \$3,353,398) and net cash outflows from operating activities of \$888,264 (2018: \$1,560,204). At 30 June 2019, the consolidated entity had \$1,901,250 (2018: \$1,086,365) in cash.

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.

Given this, the auditors have advised that their audit report is likely to include an emphasis of matter paragraph in relation to the above.

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**Stemcell United Limited**

**ACN 009 104 330**

**PRELIMINARY FINAL REPORT**

For the year ended 30 June 2019

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

		2019 \$	2018 \$
Revenue		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		(370,251)	(411,258)
Professional fees		(257,620)	(779,286)
Depreciation and amortisation		(18,327)	(102,457)
Impairment of intangible assets	11	-	(1,445,409)
Impairment of goodwill	12	(725,790)	-
Administrative expenses		(887,502)	(683,360)
<b>Profit/(Loss) before income tax expense</b>		<b>(2,116,280)</b>	<b>(3,353,398)</b>
Income tax expense		-	-
<b>Profit/(Loss) for the year</b>		<b>(2,116,280)</b>	<b>(3,353,398)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiary		64,226	(24,888)
<b>Total comprehensive income (loss) for the year</b>		<b>(2,052,054)</b>	<b>(3,378,286)</b>
<b>(Loss) attributable to:</b>			
Owners		(2,114,958)	(3,353,398)
Non-controlling interest		(1,322)	-
		<b>(2,116,280)</b>	<b>(3,353,398)</b>
<b>Total comprehensive (loss) attributable to:</b>			
Owners		(2,050,732)	(3,378,286)
Non-controlling interest		(1,322)	-
		<b>(2,052,054)</b>	<b>(3,378,286)</b>
<b>Earnings per share</b>			
Basic (cents per share)	8	(0.39)	(0.77)
Diluted (cents per share)	8	(0.39)	(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 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,901,250	1,086,365
Trade and other receivables	2	402,082	88,863
Inventory	3	41,225	243,568
<b>TOTAL CURRENT ASSETS</b>		<b>2,344,557</b>	<b>1,418,796</b>
<b>NON CURRENT ASSETS</b>			
Plant and equipment	4	154,290	162,845
Intangible assets	11	1	1
<b>TOTAL NON CURRENT ASSETS</b>		<b>154,291</b>	<b>162,846</b>
<b>TOTAL ASSETS</b>		<b>2,498,848</b>	<b>1,581,642</b>
<b>LIABILITIES</b>			
Trade and other payables	5	265,506	353,684
Income tax payable		-	27,285
<b>TOTAL CURRENT LIABILITIES</b>		<b>265,506</b>	<b>380,969</b>
<b>TOTAL LIABILITIES</b>		<b>265,506</b>	<b>380,969</b>
<b>NET ASSETS</b>		<b>2,233,342</b>	<b>1,200,673</b>
<b>EQUITY</b>			
Contributed equity	6	71,371,829	68,966,829
Option reserve	7	483,600	148,000
Other equity	13	-	50,000
Retained earnings		(70,074,932)	(67,959,974)
Foreign currency translation reserve		60,044	(4,182)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,840,541</b>	<b>1,200,673</b>
Non-controlling interest		392,801	-
<b>TOTAL EQUITY</b>		<b>2,233,342</b>	<b>1,200,673</b>

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

# Stemcell United Limited

## 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 1 July 2017	66,094,036	148,000	468,000	(64,606,576)	20,706	-	2,124,166
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
Fund raising costs	(153,358)	-	-	-	-	-	(153,358)
Total comprehensive income	-	-	-	(3,353,398)	(24,888)	-	(3,378,286)
Balance at 30 June 2018 and 1 July 2018	68,966,829	148,000	50,000	(67,959,974)	(4,182)	-	1,200,673
Placement issue	2,000,000	-	-	-	-	-	2,000,000
Fund raising costs	(150,000)	-	-	-	-	-	(150,000)
Fair value of shares issued to advisors	50,000	-	(50,000)	-	-	-	-
Fair value of options issued to directors	-	483,600	-	-	-	-	483,600
Expiry of options	148,000	(148,000)	-	-	-	-	-
Fair value of shares issued to acquired subsidiary	357,000	-	-	-	-	-	357,000
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	394,123	394,123
Total comprehensive income	-	-	-	(2,114,958)	64,226	(1,322)	(2,052,054)
	71,371,829	483,600	-	(70,074,932)	60,044	392,801	2,233,342

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

	Note	2019 \$	2018 \$
<b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>			
Receipts from customers		1,476,306	265,949
Payment to suppliers and employees		(2,364,996)	(1,828,616)
Interest income		426	2,463
Total cash used in operating activities		(888,264)	(1,560,204)
<b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>			
Purchase of plant and machinery		-	(137,628)
Cash used in acquisition of subsidiary, net of cash acquired	12	(202,361)	-
Total cash used in investing activities		(202,361)	(137,628)
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>			
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) /proceeds from director loan		-	(141,600)
Total cash from financing activities		1,850,000	1,766,203
<b>Net increase in cash and cash equivalents</b>		759,375	68,371
<b>Cash and cash equivalents at beginning of financial year</b>		1,086,365	1,042,558
<b>Foreign currency translation differences</b>		55,510	(24,564)
<b>Cash and cash equivalents at end of financial year</b>		1,901,250	1,086,365

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



# Stemcell United Limited

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

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

This preliminary final report have been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies have been consistently applied by the entity and are consistent with those disclosed in 30 June 2018 annual financial report and the interim financial report for the half year ended 31 December 2018.

#### NOTE 2: TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
<b>CURRENT</b>		
Trade receivables	109,589	32,735
Other receivables	*225,099	-
GST receivables	67,394	56,128
	402,082	88,863

Included in other receivable 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.

#### NOTE 3: INVENTORY

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

The Goods in transit relates to a resina sale awaiting China custom clearance at 30 June 2018.

#### NOTE 4: PLANT AND EQUIPMENT

	Office equipment \$	Machines \$	TOTAL \$
<b>Cost</b>			
At 1 July 2017	-	40,093	40,093
Additions	-	137,628	137,628
At 30 June 2018 and 1 July 2017	-	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
<b>Accumulated depreciation</b>			
At 1 July 2017	-	4,009	4,009
Depreciation	-	10,867	10,867
At 30 June 2018 and 1 July 2018	-	14,876	14,876
Depreciation	2,865	19,813	22,678
At 30 June 2019	2,865	34,689	37,554
<b>Carrying amount</b>			
At 30 June 2018	-	162,845	162,845
At 30 June 2019	151	154,139	154,290

# Stemcell United Limited

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

### NOTE 5: TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
<b>CURRENT</b>		
Trade payables	93,365	7,792
Other payables*	79,917	253,038
Accrued expenses	92,224	92,854
	<u>265,506</u>	<u>353,684</u>

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

### NOTE 6: CONTRIBUTED EQUITY

	2019 \$	2018 \$
Issued and fully paid ordinary shares	<u>71,223,829</u>	<u>68,966,829</u>
<b>Movements in ordinary shares</b>	<b>Number of shares</b>	<b>A\$</b>
At 1 July 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
Fund raising costs	-	(153,358)
At 30 June 2018 and 1 July 2018	<u>513,345,206</u>	<u>68,966,829</u>
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
At 30 June 2019	<u>641,608,364</u>	<u>71,223,829</u>

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.

# Stemcell United Limited

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

### NOTE 7: OPTION RESERVE

	2019 \$	2018 \$
Option Reserve	483,600	148,000
<b>Movements in Option Reserve</b>	<b>Number of options</b>	<b>\$</b>
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 8: EARNINGS PER SHARE (EPS)

	2019 \$	2018 \$
(a) Reconciliation of Earnings to Net Profit or Loss		
Net loss for the year	(2,116,280)	(3,353,398)
Earnings attributable to owners of Stemcell United Limited used in the calculation of basic EPS	(2,114,958)	(3,353,398)
Earnings attributable to owners of Stemcell United Limited used in the calculation of dilutive EPS	(2,114,958)	(3,353,398)
	<b>Number</b>	<b>Number</b>
(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

# Stemcell United Limited

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

### NOTE 9: 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)	(1,014,300)	(1,099,141)	(141)	(2,698)	(2,116,280)
Total assets	262,735	412,728	1,591,798	231,587	2,498,848
Total liabilities	(82,007)	(182,878)	-	(621)	(265,506)

  

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)

### NOTE 10: SUBSEQUENT EVENTS

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

### NOTE 11: INTANGIBLE ASSETS

	2019 \$	2018 \$
Balance 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 at end of the year	1	1

The 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. There was no significant improvement in the results for the year ended 30 June 2019. 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.

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

# Stemcell United Limited

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

### 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

<b>Purchase consideration</b>	<b>2019</b>
	\$
Cash paid	779,000
Fair value of shares paid	357,000
Total consideration	<u>1,136,000</u>

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

<b>Cashflow effect of acquisition</b>	<b>2019</b>
	\$
Cash paid	205,000
Cash acquired	(2,639)
Cash paid for acquisition of subsidiary in current year, net of cash acquired	<u>202,361</u>
Cash to be paid by SCU to HFH	574,000
Total cash 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 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 1 June 2019 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: 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 <sup>^</sup>
Issue of shares to advisors	(50,000) <sup>^</sup>	(468,000) <sup>*</sup>
Balance at end of the year	-	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.

<sup>^</sup>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.

### NOTE 14: COMPANY DETAILS

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