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Stemcell United Limited

ACN 009 104 330

2022 ANNUAL REPORT

For the year ended 30 June 2022



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 2022.

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

Philip Huanqing Gu

Mr Gu is the inventor of SCU's Dendrobium Officinale orchid plant (a Traditional Chinese Medicine (TCM) 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 also specialises in the production of various other TCM products like 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.

Other directorships in past 3 years: None.

Chow Yee Koh

Mr Chow Yee Koh graduated from the University of Strathclyde, Scotland and is a fellowship member of the Association of Chartered Certified Accountants (ACCA). Mr Koh has over 20 years' accounting, finance and corporate experience in Australia, China, Singapore and Malaysia, which are accumulated from working in accounting firms and in listed companies.

Other directorships in past 3 years:

- Invitrocue Limited (ASX) (Resigned).

Yanhua Huang (resigned 19 September 2022)

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.

Other directorships in past 3 years: None.

Qi Lu (resigned 19 September 2022)

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 advice 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 advice to clients in China and overseas.

Other directorships in past 3 years: None.



Paul Stephenson

Mr Paul Stephenson was a partner in the Sydney Office of HWL Ebsworth Lawyers (HWLE) for thirteen years before retiring from the partnership in 2017. Mr Stephenson remains a consultant with HWLE and is also a foreign (Australian) lawyer consultant with Israeli law firm Afik & Co. Mr Stephenson specialises in public and private equity fundraising, initial public offerings, backdoor listings and reverse mergers (both in Australia and the United States), and mergers and acquisitions involving both private and listed companies. Mr Stephenson has experience in a large number of industry sectors including resources, oil and gas, retailing, financial markets, and cannabis. Mr Stephenson has acted on many cross border transactions and has expertise in equity capital markets and M&A transactions involving the USA, UK, China, Indonesia, Singapore, Malaysia, Hong Kong and Israel.

Other directorships in past 3 years: None.

Paul Rosen

Mr Rosen is a career entrepreneur and one of Canada's most active and diversified investors in the emerging cannabis industry. Mr Rosen is currently Executive Chairman of Global Go, an international advisory firm with offices in 6 countries focusing on the global regulated cannabis industry and the emerging psychedelic industry. Mr Rosen was a co-founder of PharmaCan Capital, now Cronos Group Inc (TSX:CRON), where he served as President and CEO for four years during which he was instrumental in leading the company's growth trajectory. Mr Rosen is a member of the Law Society in Upper Canada and holds both a B.A. in economics from the University of Western Ontario and an LL.B. from the University of Toronto.

Other directorships in past 3 years:

- Delic Holdings Inc. (CSE)
- 1933 Industries Inc (CSE)
- Tidal Royalty Corp (CSE) (Resigned)
- High Tide Inc. (TSX) (Resigned)

Francesco Cannavo (appointed 21 July 2021)

Mr Cannavo is an experienced public company director with significant business and investment experience working with companies operating across various industry sectors. Mr Cannavo is the founder of Golden Venture Capital, a corporate advisory firm based out of Melbourne, Australia. He has been instrumental in assisting many listed and unlisted companies achieve their growth potential by providing strategic advice on raising investment capital and completing strategic acquisitions. He is an entrepreneur with a strong network of investors and industry contacts in the public company sector in Australia and throughout the Asia-Pacific region. He has extensive experience in capital raisings, investment activities and IPOs.

Other directorships in past 3 years:

- Western Mines Group Ltd (ASX)
- Lifespot Health Ltd (ASX) (resigned)

Company Secretaries

Chow Yee Koh (resigned 3 August 2021)

Elizabeth Spooner (appointed 3 August 2021)

Belinda Cleminson (Joint Company Secretary, appointed 4 March 2022)



Principle activities

Stemcell United Limited is a plant-focused biotechnology company with focus on producing foods and products which delivers Traditional Chinese Medicine-based health outcomes. It focuses on the research & development, production and commercialisation of plant-based products, including seaweed and sea plants to produce sustainable plant-based protein foods and nutraceutical and pharmaceutical ingredients (including CBD extracted from Hemp) for utilisation in the food, nutrition, healthcare, health supplements, cosmetics and personal care industries. SCU's principal business focus is on the Singapore, Australia, Southeast Asia and Chinese markets.

Review of Operations

Revenue from ordinary activities was \$14,352,570, an increase from the prior corresponding period (FY2021: \$8,495,417). The increase in revenue is mainly contributed by the full 12 months results of subsidiary, Shenzhen Lantene Dingzhi Biotechnology Co Ltd (compared to 8 months in FY2021).

The Group recorded a net loss of \$2,945,052 (FY2021: net loss \$2,536,512). Included in the net loss are non-cash expenses relating to share based payments of \$1,221,848 (FY2021: \$1,129,835). At year end, Stemcell United retained a cash balance of \$624,962 (FY2021: \$5,255,274).

Voluntary Suspension

The Company's securities have remained in voluntary suspension throughout most of the year.

ASX has raised concerns regarding SCU's compliance with Listing Rules 3.1, 12.2 and 12.5, which SCU has replied to. SCU has completed the following actions to further satisfy the requirements of ASX:

1. as directed by ASX pursuant to Listing Rule 18.8(l), SCU has engaged an independent expert law firm (Thomson Geer) to conduct a review of the Company's policies and processes with regards to compliance with the Listing Rules and to produce a report with findings that can be released to market. The report has been completed and provided to ASX, with summary of the findings released to the market on 20 September 2022;
2. as directed by ASX pursuant to Listing Rule 18.8(m), all of the directors of SCU have now successfully completed an ASX Listing Rules compliance education course with the Governance Institute of Australia; and
3. SCU had made an application to the Federal Court to rectify the inadvertent issuance of a cleansing notice 3 days later than is required under the Corporations Act, in respect of the issuance of consideration shares to Lantene's vendor in October 2020. The Company applied to the Federal Court of Australia under section 1322 of the Corporations Act seeking relevant orders for an extension of time to the deadline in the Corporations Act for the lodgement of the cleansing notice (to rectify the late lodgement) and an order validating any on-sale of such shares and relieving the seller of any liability for breaching the on-sale provisions in the Corporations Act. The sought order was granted by the Federal Court on 18 August 2022.

Dendrobium and resina

The company continues to utilise existing channels for the sales of these products, recording a revenue of \$493,898.

Singapore Aquafarm

Having successfully completed its Singapore-based pilot program for the commercialisation of the cultivation and harvesting of seaweeds, SCU is now developing on-shore and off-shore sites in Singapore for the cultivation and harvesting of seaweeds on a commercial scale. SCU also conducts extensive research & development.

On shore at its dedicated R&D facility on St John's Island, Singapore, SCU has developed a Vertically Integrated Smart Seaweed Cultivation and Activation System (VISSCAS™) as its business model blueprint. The VISSCAS system developed by SCU is a technology platform that uses data for efficient growing of seaweed, providing precision cultivation systems and facilitating the best environments for seaweed's growth.

Off shore at the seaweed island floating platform, the Company is upgrading platform to become a multi-tropic aquafarm which will simulate the natural growing environment for seaweed.

Significant changes in state of affairs

Proposed sale of Lantene shareholding

During the year, SCU sought ASX guidance on the proposed sale of the Company's 50.1% shareholding interest in Shenzhen Lantene Dingzhi Biotechnology Co Ltd ('Lantene') to Mr Cao, the other shareholder in Lantene. ASX confirmed that the transaction would constitute the disposal of SCU's main undertaking in terms of Listing Rule 11.2 and Guidance Note 12 and that SCU will be required:

- (a) to obtain shareholder approval of the transaction per Listing Rule 11.2; and
- (b) to comply with any requirements of ASX in relation to the notice of meeting.

ASX also advised that SCU must not enter into an agreement to dispose of its interest in Lantene unless the agreement is conditional on SCU obtaining the abovementioned approvals.

Following receipt of ASX's guidance, SCU resumed discussions with Mr Cao in relation to the proposed sale, and on 20 July 2022, SCU signed the share sale agreement for the sale of its 50.1% shareholding interest in Lantene to Mr Cao subject to relevant SCU shareholder approvals being obtained. SCU is currently preparing the notice of meeting for the purposes of calling an extraordinary general meeting for the purposes of obtaining the abovementioned shareholder approvals, and anticipates being in a position to hold such meeting in October 2022.

Other than as mentioned, no significant changes in the Group's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting date

Refer Note 26 to the Financial Statements

Future development, prospects and business strategies

For the near future, emphasis will be on the commercialisation of the Singapore Seaweed island, while exploring opportunities in Australia on the seaweed business.

The Company has been maintaining close relationship with the partners in China, and will reconnect with its dendrobium, resina and hemp partners in China once the Covid restrictions are lifted.

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.

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 to directors, exercisable at \$0.01 per option and expiring on 05 Dec 2028	18,600,000
Options to directors, exercisable at \$0.01 per option and expiring on 16 Dec 2024	10,500,000
Options to directors, exercisable at \$0.01 per option and expiring on 18 Dec 2025	27,000,000
Options to placement manager, exercisable at \$0.025 per option and expiring on 09 Apr 2023	5,000,000
Options to director, exercisable at \$0.017 per option and expiring on 09 Apr 2026	25,000,000
Options to director, exercisable at \$0.05 per option and expiring on 01 Nov 2027	25,000,000
Options to director, exercisable at \$0.10 per option and expiring on 01 Nov 2028	25,000,000
Options to placement investors, exercisable at \$0.04 per option and expiring on 23 Apr 2024	100,000,000
Options to placement manager, exercisable at \$0.04 per option and expiring on 23 Apr 2024	10,000,000
Options to director, exercisable at \$0.02 per option and expiring on 28 February 2027	5,000,000
Options to director, exercisable at \$0.017 per option and expiring on 28 February 2027	5,000,000
Options to consultant, exercisable at \$0.025 per option and expiring on 28 February 2025	15,000,000
Options to consultant, exercisable at \$0.05 per option and expiring on 28 February 2025	7,500,000
Options to consultant, exercisable at \$0.075 per option and expiring on 28 February 2025	2,500,000
Options to directors, exercisable at \$0.01 per option and expiring on 28 February 2027	30,500,000
TOTAL	311,600,000

Meetings of directors

The number of Director 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
Philip Huanqing Gu	6	6
Chow-Yee Koh	6	6
Yanhua Huang	6	5
Qi Lu	6	6
Paul Stephenson	6	6
Paul Rosen	6	6
Francesco Cannavo	6	6



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 arrangements 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), 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.

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 2022 and 30 June 2021 are shown in the tables below:

2022 Director Remuneration									
Directors	Short Term Employee Benefits		Post-Employment Benefits: Superannuation (\$)	Other short-Term Benefits Annual Leaves (\$)	Termination Benefits (\$)	Cash bonus (\$)	Share-Based Payments (\$)	Total (\$)	Performance Based pay as a Percentage of Remuneration
	Cash Salary & Fees (\$)	Non-Monetary Benefits (\$)							
Philip Huanqing Gu	303,120	-	29,235	31,666	-	20,260	116,400	500,681	23%
Chow-Yee Koh*	280,500	-	7,500	13,640	-	-	58,200	359,840	16%
Yanhua Huang	60,000	-	-	-	-	-	58,200	118,200	49%
Qi Lu	36,000	-	-	-	-	-	5,820	41,820	14%
Paul Stephenson~	166,000	-	-	-	-	-	233,200	399,200	58%
Paul Rosen	72,000	-	-	-	-	-	612,678	684,678	89%
Francesco Cannavo^	190,053	-	1,500	-	-	-	151,990	343,543	44%
TOTAL	1,107,673	-	38,235	31,666	-	20,260	1,236,488	2,447,962	51%

2021 Director Remuneration									
Directors	Short Term Employee Benefits		Post-Employment Benefits: Superannuation (\$)	Other short-Term Benefits Annual Leaves (\$)	Termination Benefits (\$)	Cash bonus (\$)	Share-Based Payments (\$)	Total (\$)	Performance Based pay as a Percentage of Remuneration
	Cash Salary & Fees (\$)	Non-Monetary Benefits (\$)							
Philip Huanqing Gu	215,100	-	28,716	14,246	-	29,850	180,000	467,912	38%
Chow-Yee Koh*	140,000	-	-	-	-	-	6,000	146,000	4%
Yanhua Huang	60,300	-	-	-	-	-	72,000	132,300	54%
Qi Lu	36,000	-	-	-	-	-	60,000	96,000	63%
Paul Stephenson	36,000	-	-	-	-	-	30,000	66,000	45%
Paul Rosen	24,000	-	-	-	-	-	720,835	744,835	97%
TOTAL	511,400	-	28,716	14,246	-	29,850	1,068,835	1,653,047	65%

*Included in the cash salary and fees are professional fees of \$40,500 (2021: \$104,000) paid to director related companies.

~Included in the cash salary and fees are professional fees of \$130,000 (2021: Nil) paid to director related companies.

^ Included in the cash salary and fees are professional fees of \$156,053 (2021: Nil) paid to director related companies.

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	Terms of agreement	Notice Period
<u>Executive directors</u>			
Philip Huanqing Gu	SGD240,000 + AUD60,000	*	1 month
Chow Yee Koh	AUD180,000 + AUD60,000	**	1 month
<u>Non-executive directors</u>			
Yanhua Huang	AUD60,000	**	None
Qi Lu	AUD36,000	**	None
Paul Stephenson	AUD60,000	**	None
Paul Rosen	AUD72,000	**	None
Francesco Cannavo	AUD60,000		None

* Initially 3 years to 24 February 2018, then automatically renewed every 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 2022.

Shareholding

Director	Balance at start of the year or at date of appointment	Changes during the year	Balance at end of the year	%
Philip Huanqing Gu	108,500,000	-	108,500,000	10.3%
Chow Yee Koh	3,000,000	-	3,000,000	0.3%
Yanhua Huang	78,947,368	-	78,947,368	7.5%
Qi Lu	-	-	-	-
Paul Stephenson	2,010,203	3,802,325*	5,812,528	0.6%
Paul Rosen	-	-	-	-
Francesco Cannavo	-	1,661,366*	1,661,366	0.2%

* Granted as part of director remuneration as approved during the AGM of 31 January 2022.

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)	%
Philip Huanqing Gu	34,000,000	10,000,000*	44,000,000	14.1%
Chow-Yee Koh	5,000,000	5,000,000*	10,000,000	3.2%
Yanhua Huang	6,000,000	5,000,000*	11,000,000	3.5%
Qi Lu	5,000,000	500,000*	5,500,000	1.8%
Paul Stephenson	500,000	10,000,000*	10,500,000	3.4%
Paul Rosen	75,000,000	5,000,000*	80,000,000	25.7%
Francesco Cannavo	-	5,000,000*	5,000,000	1.6%

* Granted as part of director options as approved during the AGM of 31 January 2022 (see below share based remuneration).

Share based remuneration

The following options of the Company were issued to directors during the year ended 30 June 2022

Approved at the AGM of 31 January 2022.

Grant date	Option number	Exercise price	Vesting and exercise date	Expiry date	Share price at grant date	Value per option	Vesting conditions	% vested
28 Feb 22	30,500,000	A\$0.01	28 Feb 22	28 Feb 27	A\$0.014	A\$0.0116	-	100%
28 Feb 22	5,000,000	A\$0.017	28 Feb 22	28 Feb 27	A\$0.014	A\$0.0162	-	100%
28 Feb 22	5,000,000	A\$0.02	28 Feb 22	28 Feb 27	A\$0.014	A\$0.0159	-	100%

End of remuneration report

Non-Audit Services

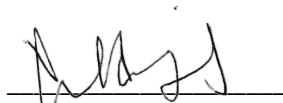
During the year HLB Mann Judd provided taxation services to Stemcell United Limited in addition to their statutory audit duties. Fees of \$3,500 (2021: \$3,500) were paid for the provision of taxation services by an Australian based HLB Mann Judd network firm. Subsequently to the year end, HLB Mann Judd also provided services in relation to review of Pro Forma Statement of Financial Position for a fee of \$9,500. 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 2022 has been received and can be found on page 12 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



Philip Huanqing Gu
Director

Dated: 30 September 2022

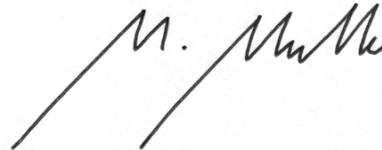
Auditor's Independence Declaration

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 2022, 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 year.

A handwritten signature in black ink, appearing to read 'M. Muller', written over a faint circular stamp.

Sydney, NSW
30 September 2022

M D Muller
Director

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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 4th edition (“Principles and Recommendations”).

The Company has followed each recommendation where the board has considered the recommendation to be the 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 2022 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 2022

		2022 \$	2021 \$
Revenue	3	14,352,570	8,495,417
Cost of Sales		(12,065,530)	(6,951,070)
Gross profit		2,287,040	1,544,347
Other revenue and income		69,763	142,787
Staff costs and directors' fees		(2,687,842)	(2,066,668)
Professional fees		(1,390,040)	(542,222)
Research expenses		(279,320)	(270,508)
Depreciation and amortisation		(235,165)	(420,640)
Impairment of inventory and receivables		(13,676)	-
Impairment of goodwill	11	-	(248,108)
Marketing and travel		(177,882)	(135,666)
Finance cost		(62,643)	(24,123)
Administrative expenses		(455,287)	(515,711)
Loss before income tax expense	5	(2,945,052)	(2,536,512)
Income tax expense	5	-	-
Loss for the year		(2,945,052)	(2,536,512)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiary		82,697	(95,096)
Total comprehensive loss for the year		(2,862,355)	(2,631,608)
Loss attributable to:			
Owners		(3,690,107)	(2,813,566)
Non-controlling interest		745,055	277,054
		(2,945,052)	(2,536,512)
Total comprehensive loss attributable to:			
Owners		(3,607,410)	(2,908,662)
Non-controlling interest		745,055	277,054
		(2,862,355)	(2,631,608)
Loss per share			
Basic (cents per share)	6	(0.35)	(0.36)
Diluted (cents per share)	6	(0.35)	(0.36)

The 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 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		624,962	5,255,274
Trade and other receivables	7	3,292,479	1,769,775
Other assets	8	698,219	517,146
Inventory	9	1,320,933	713,481
TOTAL CURRENT ASSETS		5,936,593	8,255,676
NON CURRENT ASSETS			
Plant and equipment	10	1,006,264	234,996
Intangible assets	11	1	1
Right of use assets	12	681,660	740,417
Investment in associate	13	1	1
TOTAL NON CURRENT ASSETS		1,687,926	975,415
TOTAL ASSETS		7,624,519	9,231,091
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,652,435	1,783,774
Bank loans	15	1,089,340	793,100
Lease liabilities	12	70,495	64,398
TOTAL CURRENT LIABILITIES		2,812,270	2,641,272
NON CURRENT LIABILITIES			
Bank loans	15	43,400	-
Lease liabilities	12	48,526	112,989
TOTAL NON CURRENT LIABILITIES		91,926	112,989
TOTAL LIABILITIES		2,904,196	2,754,261
NET ASSETS		4,720,323	6,476,830

Statement of Financial Position as at 30 June 2022

(continued)

	Note	2022 \$	2021 \$
EQUITY			
Contributed equity	16	76,875,145	76,934,855
Option reserve	17	4,203,993	3,038,435
Retained earnings		(78,119,379)	(74,429,272)
Foreign currency translation reserve		84,323	1,626
EQUITY ATTRIBUTABLE TO SHAREHOLDERS		3,044,083	5,545,644
Non-controlling interest		1,676,241	931,186
TOTAL EQUITY		4,720,323	6,476,830

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 2022

	<---Attributable to owners of Stemcell United Ltd--->					
	Contributed Equity	Option reserve	Retained Earnings	Foreign currency translation reserve	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2020	71,371,829	588,600	(71,615,706)	96,722	318,585	760,030
<i>Transactions with equity holders in their own capacity</i>						
Placement issue	5,521,496	1,200,000	-	-	-	6,721,496
Capital raising costs	(638,470)	-	-	-	-	(638,470)
Shares issued to acquired subsidiary	585,000	-	-	-	-	585,000
Shares issued to director	14,000	-	-	-	-	14,000
Shares/options issued to advisors	81,000	205,000	-	-	-	286,000
Options issued to directors	-	1,044,835	-	-	-	1,044,835
	5,563,026	2,449,835	-	-	-	8,012,861
Non-controlling interest of acquired subsidiary	-	-	-	-	335,547	335,547
Total comprehensive loss	-	-	(2,813,566)	(95,096)	277,054	(2,631,608)
Balance at 30 June 2021	76,934,855	3,038,435	(74,429,272)	1,626	931,186	6,476,830
<i>Transactions with equity holders in their own capacity</i>						
Capital raising costs	(160,350)	-	-	-	-	(160,350)
Shares/options issued to director	84,640	1,069,848	-	-	-	1,154,488
Shares/options issued to advisors	16,000	95,710	-	-	-	111,710
	(59,710)	1,165,558	-	-	-	1,105,848
Total comprehensive loss	-	-	(3,690,107)	82,697	745,055	(2,862,355)
Balance at 30 June 2022	76,875,145	4,203,993	(78,119,379)	84,323	1,676,241	4,720,323

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 2022

	2022 \$	2021 \$
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipts from customers	12,644,788	7,771,718
Payment to suppliers and employees	(16,646,776)	(9,214,486)
Other income	17,778	142,781
Interest income	247	6
Interest paid	(56,980)	(21,799)
Interest paid on lease liabilities	(5,663)	(2,324)
Total cash used in operating activities	19 (4,046,606)	(1,324,104)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
Payment for plant and equipment	(888,137)	(447,450)
Cash acquired on acquisition of subsidiary	-	12,983
Total cash used in investing activities	(888,137)	(434,467)
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Proceeds from issue of shares and other equity securities, net of costs	-	6,288,026
Repayment of lease liabilities	(58,366)	(20,922)
Proceeds from borrowings	1,132,740	151,500
Repayment of borrowings	(793,100)	(193,000)
Total cash from financing activities	281,274	6,225,604
Net (decrease)/increase in cash and cash equivalents	(4,653,469)	4,467,033
Cash and cash equivalents at beginning of financial year	5,255,274	866,830
Foreign currency translation differences	23,157	(78,589)
Cash and cash equivalents at end of financial year	624,962	5,255,274

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 2022

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.

The Company’s registered office is at Level 5, 126 Phillip Street, Sydney NSW, Australia. The principal place of business is at No.6, Defu Lane 2, Singapore 539466.

(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 Group 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.

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 9, 11 and 17 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 adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

(d) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. 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.

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

(e) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

(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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

(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.

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) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

Trade and other receivables, which generally have 60 day terms, are recognised and carried at original invoice amount less any allowance for expected credit losses. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables have been grouped based on days overdue. Trade and other receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

(l) 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 selling expenses.

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

(m) 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.

(n) 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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

(o) 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.

(p) 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.

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.

(q) 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.

(r) Interest bearing borrowings

Interest-bearing borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(s) 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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

(t) 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.

(u) Earnings/(Loss) per share

Basic earnings/(Loss) per share

Basic earnings per share is calculated by dividing the profit (loss) 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.

Diluted earnings/(Loss) 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.

(v) Intangible assets

Intellectual property

Intellectual property assets 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 arises on the 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 units 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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

(w) Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of products or goods

Revenue from goods or product sales is recognized when the Group transfers control of the product. Control of the product transfers upon shipment of the product to the customer or when the product is made available to the customer, provided transfer of title to the customer occurs and the Group has not retained any significant risks of ownership or future obligations with respect to the product shipped.

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 revenue 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.

(x) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

(y) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

(z) Right of use assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from one to twenty-three years. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(aa) Lease liabilities

A lease liability is recognised at the commencement date of the lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future leased payments arising from a change in an index or a rate used; lease term; certainty of termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(ab) Share based payments

Equity-settled share-based compensation is provided to employees and non-employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and non-employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date for employees and measurement date for non-employees. Fair value is determined using Black-Scholes option pricing model.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 2: GOING CONCERN

During the year ended 30 June 2022, the consolidated entity incurred a loss after income tax of \$2,945,052 (2021: \$2,536,512) and had net cash outflows from operating activities of \$4,046,606 (2021: \$1,324,104). At 30 June 2022, the consolidated entity had \$624,962 (2021: \$5,255,274) in cash, and net assets of \$4,720,323 (2021: \$6,476,830).

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

- Generating sufficient revenue in excess of expenses from sales of resina, dendrobium, industrial hemp or aquatic 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: REVENUE

	2022 \$	2021 \$
Revenue from contracts with Customers		
Sale of resina related products	450,886	-
Sale of dendrobium related products	43,012	99,337
Sale of hemp related products	107	164
Sale of seaweed and aquaculture related products	13,858,565	8,395,916
	<u>14,352,570</u>	<u>8,495,417</u>

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time for all its revenue lines.

NOTE 4: SHARE BASED PAYMENT

	2022 \$	2021 \$
Amounts included in Profit or Loss:		
810,203 shares to director	-	24,000
4,000,000 shares to advisors	-	61,000
102,000,000 options to directors	-	1,044,835
30,500,000 options to directors	355,020	-
Vested portion of 75,000,000 options to a director	554,478	-
Vested portion of 25,000,000 options to an advisor	95,710	-
3,436,723 shares to directors	50,000	-
Shares to be issued to directors	116,640	-
Shares to be issued to advisor	50,000	-
	<u>1,221,848</u>	<u>1,129,835</u>

The options were valued based on Black Scholes option pricing model at the date of issue (refer note 17 for more details).

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 5: INCOME TAX

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

	2022 \$	2021 \$
Numerical reconciliation of income tax income to prima facie tax payable		
Net loss before tax	(2,945,052)	(2,536,512)
Tax at the Australian tax rate of 25% (2021: 27.5%)	(736,263)	(697,541)
Effect of different tax rate of subsidiaries operating in other jurisdictions	102,380	76,222
Tax effect of amounts that are not deductible / taxable in calculating taxable income	307,787	372,732
Tax losses and temporary differences not brought to account	326,096	248,587
Income Tax Expense	-	-

Total unrecognised deferred tax asset relating to losses carried forward is \$6,234,257 (2021: \$4,746,219).

NOTE 6: LOSS PER SHARE

	2022 \$	2021 \$
(a) Reconciliation of Earnings to Net Profit or Loss		
Net loss for the year	(2,945,052)	(2,536,512)
Earnings attributable to owners of Stemcell United Limited used in the calculation of basic EPS	(3,690,107)	(2,813,566)
Earnings attributable to owners of Stemcell United Limited used in the calculation of dilutive EPS	(3,690,107)	(2,813,566)
	Number	Number
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,047,617,947	784,902,598
Weighted average number of options*	289,646,703	82,061,538
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	1,047,617,947	784,902,598

*Options are considered anti-dilutive as at 30 June 2022 and 30 June 2021 and therefore are not included in the computation of the dilutive EPS

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 7: TRADE AND OTHER RECEIVABLES

	2022 \$	2021 \$
CURRENT		
Trade receivables	4,736,003	3,379,001
Less: allowance for expected credit losses	(1,718,287)	(1,706,905)
	3,017,716	1,672,096
Other receivables	274,763	97,679
	<u>3,292,479</u>	<u>1,769,775</u>

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

	2022 \$	2021 \$
Not past due	1,323,449	2,430,949
Past due 1 – 12 months	2,594,021	901,778
> 12 months	818,533	46,274
	<u>4,736,003</u>	<u>3,379,001</u>

The average credit period on sale of goods is 60 days (2021: 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.

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. The aging profile of the trade receivables has deteriorated compared to the prior year mainly because the recovery slowed due to COVID-19 associated lock downs in China during the year. The management believes that there is no credit provision required in excess of any allowance for expected credit losses.

The Group does not hold any collateral over any receivable 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: OTHER ASSETS

	2022 \$	2021 \$
CURRENT		
Prepayments made to suppliers	637,617	517,146
Deposits	60,602	-
	<u>698,219</u>	<u>517,146</u>

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Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 9: INVENTORY

	2022 \$	2021 \$
CURRENT		
Finished goods	32,382	19,502
Biological goods	1,297,987	713,481
Less provision for stock obsolescence	(9,436)	(19,502)
	1,320,933	713,481

Obsolete inventory provision

Provision is made for anticipated obsolete and redundant inventories. This requires an estimation to be made based on expected sales volumes and current inventory levels.

NOTE 10: PLANT AND EQUIPMENT

	Office equipment \$	Machines \$	Capital Work in Progress \$	TOTAL \$
Cost				
At 30 June 2020	2,987	187,037	-	190,024
Addition on acquisition of subsidiary	-	412,820	-	412,820
Addition during the year	-	447,450	-	447,450
Foreign exchange translation	-	(16,425)	-	(16,425)
At 30 June 2021	2,987	1,030,882	-	1,033,869
Addition during the year	-	395,457	492,680*	888,137
Foreign exchange translation	159	55,260	-	55,419
At 30 June 2022	3,146	1,481,599	492,680	1,977,425
Accumulated depreciation				
At 30 June 2020	2,986	53,063	-	56,049
Addition on acquisition of subsidiary	-	379,985	-	379,985
Addition during the year	-	372,915	-	372,915
Foreign exchange translation	-	(10,076)	-	(10,076)
At 30 June 2021	2,986	795,887	-	798,873
Addition during the year	-	126,968	-	126,968
Foreign exchange translation	159	45,161	-	45,320
At 30 June 2022	3,145	968,016	-	971,161
Carrying amount				
At 30 June 2021	1	234,995	-	234,996
At 30 June 2022	1	513,583	492,680	1,006,264

*The Capital Work in Progress addition during the year relates to work done to an aquaculture platform in Singapore.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 11: INTANGIBLE ASSETS

	Dendrobium officinale IP
	\$
Cost	
At 30 June 2021	202,588
At 30 June 2022	202,588
Accumulated amortisation	
At 30 June 2020	202,587
Amortisation	-
At 30 June 2021	202,587
Amortisation	-
At 30 June 2022	202,587
Carrying amount	
At 30 June 2021	1
At 30 June 2022	1

	2022	2021
	\$	\$
Balance at beginning of the year	1	1
Goodwill recognised on acquisition of subsidiary	-	248,108
Impairment of goodwill	-	(248,108)
Balance at end of the year	1	1

Goodwill

The goodwill of \$248,108 was fully impaired in year ended 30 June 2021 as the Company was unable to quantify the synergy or future cash inflows from having the aquaculture company in China.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 12: RIGHT OF USE ASSETS AND LEASE LIABILITIES

	2022 \$	2021 \$
Amounts recognised in the balance sheet		
Right-of-use assets – Land	641,236	608,730
Right-of-use assets – Building	208,898	198,309
Accumulated depreciation – Land	(75,629)	(44,588)
Accumulated depreciation – Building	(92,845)	(22,034)
Right-of-use asset at cost less accumulation depreciation	<u>681,660</u>	<u>740,417</u>
Amounts recognised in profit and loss		
Depreciation charge of right-of-use assets – Land	39,847	26,119
Depreciation charge of right-of-use assets – Building	68,350	21,606
Interest expenses	<u>5,663</u>	<u>2,324</u>

The Group leases land and buildings for its offices, warehouses and sales outlets under agreements of between 1 to 23 years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Lease liability shown as:

Current	70,495	64,398
Non-current	48,526	112,989
	<u>119,021</u>	<u>177,387</u>

Within the Statement of Cash Flows, interest and principle payments made to lessors in respect to lease liabilities were \$5,663 (2021: \$2,324) and \$58,366 (2021: \$20,922) respectively.

NOTE 13: INVESTMENT IN ASSOCIATE

	2022 \$	2021 \$
Carrying amount of immaterial associate accounted for using the equity method	<u>1</u>	<u>1</u>
Amounts of the group's share of:		
- Profit from continuing operations	-	-
- Other comprehensive income	-	-
- Total comprehensive income	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 14: TRADE AND OTHER PAYABLES

	2022 \$	2021 \$
CURRENT		
Trade payables	368,067	8,384
Other payables	710,035	1,042,191
Accrued expenses	542,698	290,750
GST payable	-	10,590
Contract liabilities	31,635	431,859
	1,652,435	1,783,774

Included in other payables and accrued expenses are related party balances as disclosed in note 21.

NOTE 15: BORROWINGS

	2022 \$	2021 \$
Bank loans		
Current	1,089,340	793,100
Non-current	43,400	-
	1,132,740	793,100

The bank loans are for a period of 12 to 24 months (2021: 12 months), with floating interest rate ranging from 3.85% to 18% (2021: 3.85%) per annum and are secured by personal guarantee of a subsidiary's director.

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Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 16: CONTRIBUTED EQUITY

	2022 \$	2021 \$
Issued and fully paid ordinary shares	76,875,145	76,934,855
Movements in ordinary shares	Number of shares	A\$
At 30 June 2020	641,608,364	71,371,829
Shares issued for acquisition of subsidiary	30,000,000	585,000
Shares issued to directors	810,203	14,000
Shares issued to advisors	3,000,000	81,000
Shares issued on placement	367,902,091	5,521,496
Fund raising costs	-	(638,470)
At 30 June 2021	1,043,320,658	76,934,855
Shares issued to directors	5,463,691	84,640
Shares issued to advisor	1,000,000	16,000
Fund raising costs	-	(160,350)
At 30 June 2022	1,049,784,349	76,875,145

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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 17: OPTION RESERVE

	2022 \$	2021 \$
Option Reserve	4,203,993	3,038,435
Movements in Option Reserve		
	Number of options	\$
At 30 June 2020	29,100,000	588,600
Options issued to directors ^{1,2}	102,000,000	1,044,835
Options issued on placement managers ^{3,4}	15,000,000	205,000
Options issued to placement ⁴	100,000,000	1,200,000
At 30 June 2021	246,100,000	3,038,435
Options issued to directors ⁵	30,500,000	355,020
Options issued to directors ⁶	5,000,000	79,350
Options issued to directors ⁷	5,000,000	81,000
Options issued to advisor ⁸	25,000,000	95,710
Vested portion of director options issued in previous year ²	-	554,478
At 30 June 2022	311,600,000	4,203,993

¹ On 18 December 2020, 27,000,000 options were issued to directors as approved at the AGM held on 30 November 2020. The assessed fair value at grant date of options issued to directors was A\$324,000. 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: 18 December 2020
- (c) expiry date: 18 December 2025
- (d) share price at grant date: A\$0.012
- (e) expected price volatility of the Company's shares: 107.7%
- (f) risk-free interest rate: 0.45%

² On 09 April 2021, 75,000,000 options were issued to a director as approved at the shareholders' meeting held on 26 March 2021. The options will be vested over 3 tranches of 25,000,000 options each. The 1st tranche is vested immediately upon issued. The 2nd and 3rd tranche will be vested on the second and third anniversary of the director's appointment, provided the said director is still a director at the Company at the respective vesting dates. The assessed fair value at grant date of the 1st, 2nd and 3rd tranche options were A\$575,000, A\$550,000 and A\$550,000 respectively. The fair value at grant date is determined using the Black Scholes Model. The amount recognised at 30 June 2021 for the 1st, 2nd and 3rd tranche options were A\$575,000, A\$90,256 and A\$55,579 respectively. The amount recognised for the year ended 30 June 2022 for the 2nd and 3rd tranche options were A\$343,162 and A\$211,316 respectively.

The model inputs for the 1st tranche options granted and vested included:

- (a) exercise price: A\$0.017
- (b) grant date: 26 March 2021
- (c) vesting date: 09 April 2021
- (d) expiry date: 09 April 2026
- (e) share price at grant date: A\$0.027
- (f) expected price volatility of the Company's shares: 112.5%
- (g) risk-free interest rate: 0.81%

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 17: OPTION RESERVE (continued)

The model inputs for the 2nd tranche options granted included:

- (a) exercise price: A\$0.05
- (b) grant date: 26 March 2021
- (c) vesting date: 01 November 2022
- (d) expiry date: 01 November 2027
- (e) share price at grant date: A\$0.027
- (f) expected price volatility of the Company's shares: 112.5%
- (g) risk-free interest rate: 0.81%

The model inputs for the 3rd tranche options granted included:

- (a) exercise price: A\$0.10
- (b) grant date: 26 March 2021
- (c) vesting date: 01 November 2023
- (d) expiry date: 01 November 2028
- (e) share price at grant date: A\$0.027
- (f) expected price volatility of the Company's shares: 112.5%
- (g) risk-free interest rate: 0.81%

³ On 09 April 2021, 5,000,000 options were issued to a placement manager. The assessed fair value at grant date of options issued was A\$100,000. 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\$0.025
- (b) grant date: 09 April 2021
- (c) expiry date: 09 April 2023
- (d) share price at grant date: A\$0.027
- (e) expected price volatility of the Company's shares: 112.5%
- (f) risk-free interest rate: 0.07%

⁴ On 23 April 2021, 100,000,000 options were issued to placement investors and 10,000,000 options to placement manager. The assessed fair value at grant date of options issued were A\$1,200,000 and A\$120,000. 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\$0.04
- (b) grant date: 23 April 2021
- (c) expiry date: 23 April 2024
- (d) share price at grant date: A\$0.02
- (e) expected price volatility of the Company's shares: 112.5%
- (f) risk-free interest rate: 0.34%

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 17: OPTION RESERVE (continued)

⁵ On 28 February 2022, 30,500,000 options were issued to directors as approved at the AGM of 31 January 2022. The assessed fair value at grant date of options issued were A\$355,020. 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: 28 February 2022
- (c) expiry date: 28 February 2027
- (d) share price at grant date: A\$0.014
- (e) expected price volatility of the Company's shares: 112%
- (f) risk-free interest rate: 1.83%

⁶ On 28 February 2022, 5,000,000 options were issued to directors for services performed as approved at the AGM of 31 January 2022. The assessed fair value at grant date of options issued were A\$79,350. 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\$0.02
- (b) grant date: 28 February 2022
- (c) expiry date: 28 February 2027
- (d) share price at grant date: A\$0.02
- (e) expected price volatility of the Company's shares: 112.5%
- (f) risk-free interest rate: 0.75%

⁷ On 28 February 2022, 5,000,000 options were issued to directors for services performed as approved at the AGM of 31 January 2022. The assessed fair value at grant date of options issued were A\$81,000. 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\$0.017
- (b) grant date: 28 February 2022
- (c) expiry date: 28 February 2027
- (d) share price at grant date: A\$0.02
- (e) expected price volatility of the Company's shares: 112.5%
- (f) risk-free interest rate: 0.75%

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 17: OPTION RESERVE (continued)

⁸On 28 February 2022, 25,000,000 options were issued to an advisor as approved at the AGM of 31 January 2022. The options can be exercised at different price of 15,000,000 options at \$0.025, 7,500,000 options at \$0.05 and 2,500,000 options at \$0.075 respectively. 1/5 of the total options are vested immediately upon engagement and subsequently every half yearly another 1/5 will be vested. The assessed fair value at grant date of the 15,000,000, 7,500,000 and 2,500,000 options were A\$152,400, A\$66,675 and A\$20,200 respectively. The fair value at grant date is determined using the Black Scholes Model. The amount recognised at 30 June 2022 for the options were A\$95,710.

The model inputs for the 15,000,000 options granted at exercise price of A\$0.025 included:

- (a) exercise price: A\$0.025
- (b) grant date: 28 February 2022
- (c) expiry date: 28 February 2025
- (d) share price at grant date: A\$0.014
- (e) expected price volatility of the Company's shares: 145%
- (f) risk-free interest rate: 0.28%

The model inputs for the 7,500,000 options granted at exercise price of A\$0.05 included:

- (a) exercise price: A\$0.05
- (b) grant date: 28 February 2022
- (c) expiry date: 28 February 2025
- (d) share price at grant date: A\$0.014
- (e) expected price volatility of the Company's shares: 145%
- (f) risk-free interest rate: 0.28%

The model inputs for the 2,500,000 options granted at exercise price of A\$0.075 included:

- (a) exercise price: A\$0.075
- (b) grant date: 28 February 2022
- (c) expiry date: 28 February 2025
- (d) share price at grant date: A\$0.014
- (e) expected price volatility of the Company's shares: 145%
- (f) risk-free interest rate: 0.28%

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 18: 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	
			2022	2021
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%	51%
SCU Southeast Asia Sdn Bhd	Malaysia	Ordinary	70%	70%
SCU Lab Pty Ltd	Australia	Ordinary	51%	51%
Shenzhen Lantene Dingzhi Biotechnology Co Ltd	China	Ordinary	50.1%	50.1%
Hainan SCU Biotechnology Co Ltd	China	Ordinary	100%	100%
SCU-RY Farm Pte Ltd	Singapore	Ordinary	70%	30%

NOTE 19: RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES

	2022	2021
	\$	\$
Loss for the year	(2,945,052)	(2,536,512)
Impairment	13,676	248,108
Depreciation of right of use assets	108,197	47,725
Depreciation of plant and equipment	126,968	372,915
Share based payment expenses	1,221,848	1,129,835
Changes in receivables	(1,536,380)	(704,468)
Changes in other assets	(181,073)	(517,146)
Changes in inventory	(607,451)	318,220
Changes in payables	(247,339)	317,219
Total cash used in operating activities	(4,046,606)	(1,324,104)

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of key management personnel	2022	2021
	\$	\$
Short-term employee benefits	826,426	421,646
Fees paid to a director related company	326,553	104,000
Post-employment benefits	38,235	28,716
Cash bonus	20,260	29,850
Share-based payments	1,236,488	1,068,835
	2,447,962	1,653,047

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 21: RELATED PARTY DISCLOSURES

	2022 \$	2021 \$
Related party balances		
Fees and salaries payable to directors at year end	(236,829)	(125,445)
Annual leave accrued by directors	(84,273)	(36,060)
Amount owed to a related party*	(93,295)	(55,268)

* The amount owed to a related party is interest free, unsecured and repayable on demand.

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 information of the group is as follows:

2022	Australia \$	Singapore \$	Greater China \$	Malaysia \$	Total \$
Revenue	-	493,898	13,858,672	-	14,352,570
Profit / (Loss)	(2,889,898)	(1,270,541)	1,272,893	(57,506)	(2,945,052)
Total assets	444,930	792,505	6,335,956	51,128	7,624,519
Total liabilities	(552,847)	(151,031)	(2,198,497)	(1,821)	(2,904,196)
Interest revenue	-	-	247	-	247
Interest expense	-	-	(62,643)	-	(62,643)
Depreciation for right-of-use assets	-	-	(108,197)	-	(108,197)
Depreciation	-	(18,148)	(108,820)	-	(126,968)
Impairment	-	(13,676)	-	-	(13,676)
Income tax expense	-	-	-	-	-

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 22: SEGMENT INFORMATION (continued)

2021	Australia	Singapore	Greater China	Malaysia	Total
	\$	\$	\$	\$	\$
Revenue	-	99,337	8,396,080	-	8,495,417
Profit / (Loss)	(2,021,090)	(775,847)	368,944	(108,519)	(2,536,512)
Total assets	4,484,636	827,448	3,820,316	98,690	9,231,090
Total liabilities	(247,902)	(528,376)	(1,968,410)	(9,573)	(2,754,261)
Interest revenue	3	-	3	-	6
Interest expense	-	-	(24,123)	-	(24,123)
Depreciation for right-of-use assets	-	-	(47,725)	-	(47,725)
Depreciation	-	(17,826)	(355,089)	-	(372,915)
Impairment	-	-	(248,108)	-	(248,108)
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 Group'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 A-. All bank balances of the Company at 30 June 2022 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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 23: FINANCIAL INSTRUMENTS RISK (continued)

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.

2022	Weighted average effective interest rate %	Interest bearing maturing within 1 year \$	Interest bearing maturing between 2 year and 5 years \$	Non interest bearing maturing within 1 year \$	TOTAL \$
Financial assets					
- Cash and cash equivalents	0.008%	624,962	-	-	624,962
- Trade and other receivables		-	-	3,292,479	3,292,479
Total financial assets		624,962	-	3,292,479	3,917,441
Financial liabilities					
- Trade and other payables		-	-	(1,652,435)	(1,652,435)
- Borrowings	6.054%	(1,089,340)	(43,400)	-	(1,132,740)
- Lease liability	3.85%	(70,495)	(48,526)	-	(119,021)
Total financial liabilities		(1,159,835)	(91,926)	(1,652,435)	(2,904,196)
2021					
2021	Weighted average effective interest rate %	Interest bearing maturing within 1 year \$	Interest bearing maturing between 2 year and 5 years \$	Non interest bearing maturing within 1 year \$	TOTAL \$
Financial assets					
- Cash and cash equivalents	0.002%	5,255,274	-	-	5,255,274
- Trade and other receivables		-	-	1,769,775	1,769,775
Total financial assets		5,255,274	-	1,769,775	7,025,049
Financial liabilities					
- Trade and other payables		-	-	(1,783,774)	(1,783,774)
- Borrowings	3.85%	(793,100)	-	-	(793,100)
- Lease liability	3.85%	(177,387)	-	-	(177,387)
Total financial liabilities		(970,487)	-	(1,783,774)	(2,754,261)

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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 23: FINANCIAL INSTRUMENTS RISK (continued)

Interest rate sensitivity

Year ended	Profit and loss		Equity	
	+0.5%	-0.5%	+0.5%	-0.5%
30 June 2022	+14,701	-14,701	+14,701	-14,701
30 June 2021	+15,305	-15,305	+15,305	-15,305

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	Net profit or loss attributable to owner		Equity	
	+10%	-10%	+10%	-10%
30 June 2022	-80,026	+80,026	-482,735	+482,735
30 June 2021	-54,443	+54,443	-224,010	+224,010

Foreign Exchange Exposure

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

2022	SGD \$	CNY \$	HKD \$	MYR \$
Cash and cash equivalents	107,302	15,526	65,419	51,128
Receivables	73,103	3,856,993	-	-
Payables	(151,031)	(2,198,497)	-	(1,821)
2021	SGD \$	CNY \$	HKD \$	MYR \$
Cash and cash equivalents	316,370	292,354	63,275	98,690
Receivables	401,880	1,884,991	-	-
Payables	(528,375)	(1,968,410)	-	(9,573)

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

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 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.

The Group does not hold any other financial assets or liabilities carried at fair value as at 30 June 2022 and 30 June 2021.

NOTE 25: AUDITOR'S REMUNERATION

	2022 \$	2021 \$
Amount received or due and receivables by HLB Mann Judd or its associated entities for:		
An audit and review of financial report of the consolidated group	133,232	149,963
Amount received or due and receivable by Shanghai ThinkBridge Certified Public Accountants (HLB International network firm) for:		
An audit of financial report of a subsidiary	21,000	17,000
	<u>154,232</u>	<u>166,963</u>
Other services from HLB Mann Judd		
Tax advisory – Australian based HLB Mann Judd network firm	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 26: SUBSEQUENT EVENTS

The Company has on:

Sales of Lantene

20 July 2022 announced of its proposal to dispose all of its 50.1% interest in subsidiary Shenzhen Lantene Dingzhi Biotechnology Co Ltd ("Lantene"). The Company has entered into a Share Sale Agreement to sell back to Mr Cao its entire interest in Lantene for the total cash consideration of \$700,000, the completion of which remains subject to shareholder approvals. The Company and Lantene have also at the same time entered into a Distribution Agreement, and an Intellectual Property (IP) Licence Agreement with respect to the Company's ongoing development and distribution of Lantene's products in China post completion of the sale.

The IP Licencing would allow the Group to have exclusive (exclusivity is worldwide, with the exception of China) use of Lantene's intellectual properties, including patents and software registrations covering Sea Grape cultivation technique and applications developed by Lantene for 15 years. The \$1,010,559 intercompany loan previously extended to Lantene in its capacity as subsidiary of the Company will be treated as the consideration for the licence granted to the Company under the IP Licence. The \$1,010,559 consideration will be treated as an expense of the Company in the profit or loss. For more details on the transaction refer to the respective announcement on Australian Securities Exchange.

Shareholders' approval for the above transaction has been included as one of the proposed resolutions of Extraordinary General Meeting scheduled to be held on 19 October 2022.

For the year ended 30 June 2022, Lantene's profit was \$1,272,893 (before excluding minority interest). As at 30 June 2022, Lantene's net asset position was \$3,060,820.

Placements and Entitlement Offer

25 July 2022 announced a proposed capital raising of up to \$2,952,517 (before costs) consisting of a placement of \$1,062,906 lead by Spark Plus Pte Ltd to sophisticated and professional investors, and a non-renounceable entitlement offer to eligible shareholders of \$1,889,611, with any shortfall to be placed by Sanlam Private Wealth Pty Ltd.

4 August 2022 announced that it has received total placement commitments of \$1,062,906 to issue a total of 118,100,669 shares. \$747,000 has been received and 83,000,002 new fully paid ordinary shares with 27,666,664 attaching options has been issued. The attaching options are exercisable at A\$0.018 and have an expiry date of 1 September 2025. The remaining \$315,906 in commitments is conditional upon the Company's securities being reinstated to Official Quotation on ASX.

29 August 2022 announced that it has received applications from eligible shareholders for 24,803,141 new shares with 8,267,806 attaching options totalled \$223,229. In addition, application for 16,392,706 shortfall shares amounting to \$147,535 has also been received.

16 September 2022 announced the holding of an Extraordinary General Meeting to seek shareholder approval, amongst other things, for issue of up to 500,000,000 shares, issue of shares and options to placement advisor Spark Plus Pte Ltd, and rectification of shares issued previously.

Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 26: SUBSEQUENT EVENTS (continued)

Other subsequent events

19 August 2022 announced that it has been granted orders by the Federal Court of Australia under S1322(4) of the *Corporations Act 2001* (Cth) in relation to the Company's inadvertent administrative error in not lodging an cleansing notice pursuant to S708A(5)(e) of the *Corporations Act 2001* (Cth) in the required timeframe for shares issued on 21 October 2020.

20 September 2022 announced the resignation of directors Mr Yanhua Huang and Mr Qi Lu effective from 19 September 2022.

27 September 2022 announced the signing of a Memorandum of Understanding with Baker's Oven Food Services Pte Ltd and a Shareholders' Agreement with Rong Yao Fisheries Pte Ltd.

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 28: COMMITMENTS

In June 2021, the Group entered into a Collaboration Agreement with Temasek Polytechnic, an institute of higher learnings in Singapore, to collaboratively research on Sea Grapes and other seaweeds development for urban aquaculture solution. Under the Collaboration Agreement, the Company committed to provide in-kind contribution of man-power SG\$250,000 (approx. A\$247,250) and consumables SG\$30,000 (approx. A\$29,670). As at balance date, the Group has made in-kind contribution of about SG\$148,000 on man-power and about SG\$31,000 on consumables.

Other than the above, no other commitments are noted as at 30 June 2022.



Notes to the Financial Statements for the Financial Year Ended 30 June 2022

NOTE 29: PARENT ENTITY INFORMATION

Statement of Profit or Loss and Other Comprehensive Income	2022	2021
	\$	\$
Revenue	-	-
Other income	-	3
Expenses	(2,889,839)	(2,020,983)
Loss for the year	(2,889,839)	(2,020,980)
Statement of financial position	2022	2021
	\$	\$
Total assets	1,762,130	4,936,098
Total liabilities	(552,847)	(286,902)
Net assets	1,209,283	4,649,196
<u>Equity</u>		
Contributed equity	76,875,145	76,934,855
Option reserve	4,203,993	3,038,435
Retained earnings	(79,869,855)	(75,324,094)
	1,209,283	4,649,196

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

Refer to Note 27 for contingent liabilities or contingent assets at reporting date of the parent entity.

The registered office of Stemcell United Limited is Level 5, 126 Phillip Street, Sydney NSW, Australia.

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2022**

In the directors' opinion:

1. The financial statements and notes set out on pages 14 to 47 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 2022 and of its performance for the financial year ended on that date.
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements.
3. 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.
4. 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 2022.

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



Philip Huanqing Gu
Director

30 September 2022

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 2022, the consolidated statement of profit or loss and other 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 2022 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 \$2,945,052 during the year ended 30 June 2022 and had net cash outflows from operating activities of \$4,046,606. As stated in Note 2, these events or conditions, 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*, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Sale of Lantene	
<p>As described in Note 26 “Subsequent Events”, on 20 July 2022, the Company announced that it has entered into a Share Sale Agreement to sell its entire interest in the subsidiary, Shenzhen Lantene Dinghzi Biotechnology Co Ltd (“Lantene”) subject to and conditional upon the Company obtaining ASX and shareholder approval. Lantene is a material subsidiary of the Group. Assessment of appropriate accounting treatment in line with the requirements of the Australian Accounting Standards, and adequacy of relevant disclosures in the financial report required special audit attention.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtained understanding of the conditions leading to Share Sale Agreement. • Assessed whether it constitutes a subsequent adjusting event or a disclosing event. • Assessed the impact on the presentation of the financial statements. • Assessed the adequacy of the disclosures in the financial statements.

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 annual report for the year ended 30 June 2022, 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.

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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 7 to 10 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Stemcell United Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

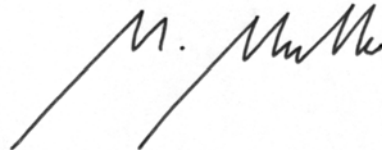
Responsibilities

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 2022



M D Muller
Director

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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 2022.

Substantial Shareholders

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

	Number Held	% of issued shares
1 MR HUANQING GU	108,500,000	9.58%
2 MR YANHUA HUANG	78,947,368	6.97%
3 CITICORP NOMINEES PTY LIMITED	72,523,112	6.40%
4 MR JIMMY THOMAS & MS IVY RUTH PONNIAH <THOMAS SUPER FUND A/C>	40,000,000	3.53%
5 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	30,774,241	2.72%

Distribution of equity security holders

Holding	Ordinary shares Holders
1 – 1,000	1,694
1,001 – 5,000	253
5,001 – 10,000	262
10,001 – 100,000	1,402
100,001 and over	891
	4,502

The number of shareholdings held in less than marketable parcel is 2,946.

Twenty largest shareholders

	Ordinary Shares Number Held	% of issued shares
1 MR HUANQING GU	108,500,000	9.58%
2 MR YANHUA HUANG	78,947,368	6.97%
3 CITICORP NOMINEES PTY LIMITED	72,523,112	6.40%
4 MR JIMMY THOMAS & MS IVY RUTH PONNIAH <THOMAS SUPER FUND A/C>	40,000,000	3.53%
5 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	30,774,241	2.72%
6 MR YIHUA HUANG	26,315,790	2.32%
7 BNP PARIBAS NOMS PTY LTD <DRP>	20,724,042	1.83%
8 MS LI ZHANG	20,000,000	1.77%
9 MR NAVEEN DANDA	18,000,000	1.59%
10 ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	17,126,571	1.51%
11 MS BENYING ZHU	15,000,000	1.32%
11 MR ZIYUE HUANG	15,000,000	1.32%
12 ZIHANG YANG	14,506,483	1.28%
13 SCINTILLA STRATEGIC INVESTMENTS LIMITED	12,500,000	1.10%
14 SPARK PLUS PTE LTD	11,111,111	0.98%
15 IBT MAMMON PTY LTD <MAMMON FAMILY A/C>	10,000,000	0.88%
15 NG HEANG SEANG	10,000,000	0.88%
15 CHONG SIONG HIN	10,000,000	0.88%
16 MR MALCOLM DOUGLAS PAIN	6,100,000	0.54%
17 MR ANDREW JOHN FLECK	6,000,000	0.53%
18 ATIDIM INVESTMENTS PTY LTD	5,812,528	0.51%
19 CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	5,555,556	0.49%
20 BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	5,341,151	0.47%
	559,837,953	49.40%



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

Securities exchange

The Company is listed on the Australian Securities Exchange.

On-market buy-back

The Company does not have a current on-market buy-back

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.

Address and telephone number of registered office

Level 5, 126 Phillip Street, Sydney NSW 2000, Australia
Tel: +61(2) 8072 1400

Address and telephone number of Company's share registry

Automic Pty Ltd, Level 5, 126 Phillip Street, Sydney NSW 2000
Tel 1300 288 664

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