



Stemcell United Limited

ACN 009 104 330

INTERIM REPORT

For half year ended 31 December 2019

Appendix 4D

1. Company Details

Name of Entity

Stemcell United Limited

ABN

009 104 330

Half year ended ("current period")

31 December 2019

Half year ended ("previous period")

31 December 2018

2. Results for announcement to the market

			A\$
2.1 Revenues from continuing operations	Decrease	17%	722,675
2.2 (loss) from continuing operations after tax attributable to members	Decrease	20%	(699,936)
2.3 Net (loss) for the period attributable to members	Decrease	22%	(681,399)
2.4 Dividends	Amount per security	Franked amount per security	
Interim dividend declared	N/A	N/A	
2.5 Record date for determining entitlements to the dividend	N/A		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood			
Refer "Review of Operations" in Directors' Report			

3. Net tangible assets per security

Net tangible asset/(liability) backing per ordinary security

31 December 2019

0.23 cents

30 June 2019

0.33 cents

4. Details of entities over which control has been gained or lost

4.1. Control gained over entities

- SCU Lab Pty Ltd (A subsidiary newly incorporated in Australia on 6 August 2019) - SCU Southeast Asia Sdn Bhd (A subsidiary incorporated in Malaysia on 16 April 2019 and operational in October 2019)
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4.2. Control lost over entities

N/A

5. Dividends

Individual dividends per security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend: Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

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

7. Details of associates and joint entities

N/A

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

N/A

Sign here:


Director

Date:

28 February 2020

Print Name:

Philip Gu Huanqing

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2019.

Directors

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

Current Directors

Philip Gu Huan Qing, Executive chairman
Chow Yee Koh, Executive director
Ee Ting Ng, Non-executive director
Yanhua Huang, Non-executive director
Qi Lu, Non-executive director
Savio Ka Lung Cheung, Non-executive director (resigned 1 November 2019)
Glenn Davis, Non-executive director (resigned 1 July 2019)

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

Review of Operations

The Group recorded revenue of \$722,675 (Dec 2018: \$869,123), a gross profit of \$135,487 (Dec 2018: \$76,810) and a net loss of \$699,936 (Dec 2018: \$875,088).

During the period, the Group has established research collaborations with the University of Malaya and with Hongyi Agriculture Development Co Ltd, a wholly owned subsidiary of China Tobacco. It is hoped that the research will turn into a commercially viable product while the collaborations will assist the Group in opening up the highly regulated hemp market in Malaysia and China.

Since July 2019, the Company has participated and sponsored conferences in Yunnan, China; Davos, Switzerland; and Tel Aviv, Israel. Contacts and relationships have been established at these conferences. The Company is actively following up on the relationships to turn into business opportunities.

Significant Events after Reporting Date

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

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 2 of the financial report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the directors:



Philip Gu Huanqing
Director
28 February 2020

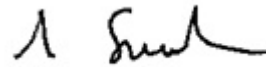
Auditor's Independence Declaration

To the directors of Stemcell United Limited:

As lead auditor for the review of the financial report of Stemcell United Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



**Sydney, NSW
28 February 2020**

**A G Smith
Director**

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Half year 31 Dec 2019 \$	Half year 31 Dec 2018 \$
Revenue from sale of goods	722,675	869,123
Cost of sales	(587,188)	(792,313)
Gross profit	<u>135,487</u>	<u>76,810</u>
Other income	14	283
Administrative expenses	(835,437)	(979,852)
Loss before income tax expense	(699,936)	(902,759)
Income tax credit	-	27,671
Loss for the half-year	(699,936)	(875,088)
Other comprehensive income/(loss) for the period		
Items that may be reclassified to profit or loss:		
Translation of foreign subsidiary	10,096	10,278
Total comprehensive loss for the period	(689,840)	(864,810)
Loss attributable to:		
Owners	(681,399)	(875,088)
Non-controlling interest	(18,537)	-
	<u>(699,936)</u>	<u>(875,088)</u>
Total comprehensive loss attributable to:		
Owners	(671,303)	(864,810)
Non-controlling interest	(18,537)	-
	<u>(689,840)</u>	<u>(864,810)</u>
Earnings Per Share		
Basic loss per share (cents per share)	(0.11)	(0.17)
Diluted loss per share (cents per share)	(0.11)	(0.17)
Earnings Per Share attributable to owners		
Basic loss per share (cents per share)	(0.11)	(0.17)
Diluted loss per share (cents per share)	(0.11)	(0.17)

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

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	As at 31 Dec 2019 \$	As at 30 Jun 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,485,614	1,901,250
Trade and other receivables	3	77,122	334,688
Inventory		55,822	41,225
TOTAL CURRENT ASSETS		1,618,558	2,277,163
NON CURRENT ASSETS			
Property plant and equipment		145,671	154,290
Intangible assets	10	1	1
TOTAL NON CURRENT ASSETS		145,672	154,291
TOTAL ASSETS		1,764,230	2,431,454
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	267,402	349,941
TOTAL CURRENT LIABILITIES		267,402	349,941
TOTAL LIABILITIES		267,402	349,941
NET ASSETS		1,496,828	2,081,513
EQUITY			
Issued capital	5	71,371,829	71,371,829
Option reserve	6	588,600	483,600
Other equity		-	-
Accumulated losses		(70,907,163)	(70,225,764)
Foreign exchange translation reserve		69,143	59,047
EQUITY ATTRIBUTABLE TO SHAREHOLDERS		1,122,409	1,688,712
Non-controlling interest		374,419	392,801
TOTAL EQUITY		1,496,828	2,081,513

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

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	<-----Attributable to owners of Stemcell United Limited----->						
	Issued Capital	Option Reserve	Other equity	Accumulated Losses	Foreign exchange translation reserve	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	68,966,829	148,000	50,000	(67,959,974)	(4,182)	-	1,200,673
Total comprehensive loss for the period	-	-	-	(875,088)	10,278	-	(864,810)
Expiry of options	148,000	(148,000)	-	-	-	-	-
Issue of options	-	483,600	-	-	-	-	483,600
Balance at 31 December 2018	<u>69,114,829</u>	<u>483,600</u>	<u>50,000</u>	<u>(68,835,062)</u>	<u>6,096</u>	<u>-</u>	<u>819,463</u>
Balance at 1 July 2019	71,371,829	483,600	-	(70,225,764)	59,047	392,801	2,081,513
Total comprehensive loss for the period	-	-	-	(681,399)	10,096	(18,537)	(689,840)
Issue of options	-	105,000	-	-	-	-	105,000
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	155	155
Balance at 31 December 2019	<u>71,371,829</u>	<u>588,600</u>	<u>-</u>	<u>(70,907,163)</u>	<u>69,143</u>	<u>374,419</u>	<u>1,496,828</u>

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

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Half year 31 Dec 2019 \$	Half year 31 Dec 2018 \$
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipts from customer	782,668	738,183
Payments to suppliers and employees	(1,415,670)	(1,238,769)
Interest income received	14	283
Net cash used in operating activities	(632,988)	(500,303)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
Proceeds from non-controlling interest	155	-
Payment of amount owing by related party	208,000	-
Net cash from investing activities	208,155	-
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(424,833)	(500,303)
Cash and cash equivalents at beginning of half year	1,901,250	1,086,365
Foreign exchange translation	9,197	10,278
Cash and cash equivalents at end of half year	1,485,614	596,340

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

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES

Stemcell United Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half-year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as “the consolidated group” or “the Group”).

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and with any public announcements issued during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Australian Securities Exchange.

The accounting policies in these interim financial statements are the same as those applied in the Company’s financial statements for the year ended 30 June 2019, except for the policies stated below.

New 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.

The following new Accounting Standard adopted during the period was most relevant to the Group:

AASB 16 Leases (“AASB 16”)

The Group adopted AASB 16 from 1 July 2019 which replaces AASB 117 Leases (“AASB 117”). AASB 16 was applied using the modified retrospective approach which requires the cumulative effect of initial application to be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparative information is not required to be restated.

For lessees, AASB 16 eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

On adoption, the Group applied one of the practical expedients permitted by AASB 16 which allows the Group to account for operating leases with a remaining lease term of less than 12 months as a short-term lease. The Group’s only operating lease on the date of adoption had a remaining lease term of 4 months and was treated as a short-term lease on adoption. As a result, no adjustment was required to be recognised to the opening balance of retained earnings at 1 July 2019.

Other than the Group changing its accounting policies in relation to leases, the adoption of AASB 16 had no impact on the Group.

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

New accounting standards and interpretations not yet adopted

There are no new or amended Accounting Standards and Interpretations that have been issued that are not yet effective and that are expected to have a material impact on the Group's financial report in future reporting periods.

NOTE 2: SUBSEQUENT EVENTS

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

NOTE 3: TRADE AND OTHER RECEIVABLES

	31 Dec 2019	30 Jun 2019
	\$	\$
CURRENT		
Trade receivables	49,596	109,589
Other receivables	11,709	*225,099
GST receivable	15,817	-
	<u>77,122</u>	<u>334,688</u>

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

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 4: TRADE AND OTHER PAYABLES

	31 Dec 2019	30 Jun 2019
	\$	\$
CURRENT		
Trade payables	8,938	93,365
Other payables	64,375	79,917
Accruals	176,502	159,171
GST payable	17,587	17,488
	<u>267,402</u>	<u>349,941</u>

NOTE 5: ISSUED CAPITAL

	31 Dec 2019	30 Jun 2019
	\$	\$
Issued and fully paid ordinary shares	<u>71,371,829</u>	<u>71,371,829</u>
Movements in ordinary shares	Number of shares	A\$
At 1 July 2019	641,608,364	71,371,829
Movement in ordinary shares	-	-
At 31 December 2019	<u>641,608,364</u>	<u>71,371,829</u>

NOTE 6: OPTION RESERVE

	31 Dec 2019	30 Jun 2019
	\$	\$
Option Reserve	<u>588,600</u>	<u>483,600</u>
Movements in Option Reserve	Number of options	\$
Balance at 1 July 2019	18,600,000	483,600
Issue of options to directors	10,500,000	105,000
Balance at 31 December 2019	<u>29,100,000</u>	<u>588,600</u>

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 7: RELATED PARTY BALANCES AND TRANSACTIONS

	31 Dec 2019	30 Jun 2019
	\$	\$
BALANCES		
Fees and reimbursements owing to directors	(141,163)	(72,000)
Salary paid in advance to director	-	4,216
Amount held in trust by a director [^]	-	[^] 208,000

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

	Half year period 31 Dec 2019	Half year period 31 Dec 2018
	\$	\$
TRANSACTIONS		
Director fees and salaries	308,965	166,540
Corporate services rendered by director	27,000	27,000

NOTE 8: SEGMENT INFORMATION

	Half year period ended 31 Dec 2019				Total
	Australia \$	Singapore \$	Greater China \$	Malaysia \$	
Revenue	-	722,675	-	-	722,675
Profit / (Loss)	(367,953)	(288,892)	(35,290)	(7,801)	(699,936)

	As at 31 Dec 2019				Total
	Australia \$	Singapore \$	Greater China \$	Malaysia \$	
Total assets	436,778	463,768	807,829	55,855	1,764,230
Total liabilities	(136,847)	(129,943)	(612)	-	(267,402)

	Half year period ended 31 Dec 2018			Total
	Australia \$	Singapore \$	Greater China \$	
Revenue	-	869,123	-	869,123
Profit / (Loss)	(711,402)	(163,624)	(62)	(875,088)

	As at 30 Jun 2019			Total
	Australia \$	Singapore \$	Greater China \$	
Total assets	177,853	430,216	1,823,385	2,431,454
Total liabilities	(115,023)	(234,297)	(621)	(349,941)

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 9: GOING CONCERN

During the half year ended 31 December 2019, the Group incurred a loss of \$699,936 (Dec 2018: \$875,088) and had net cash outflows from operating activities of \$632,988 (Dec 2018: \$500,303). At 31 December 2019 the Group had cash of \$1,485,614 (June 2019: \$1,901,250).

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

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

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

NOTE 10: INTANGIBLE ASSETS

	31 Dec 2019	30 Jun 2019
	\$	\$
Balance of intangible assets at beginning of period	1	1
Impairment of intangible assets during the period	-	-
Amortisation during the period	-	-
Balance of intangible assets at reporting date	<u>1</u>	<u>1</u>

The directors decided to impair the intangible asset in full during the year ended 30 June 2018 as the actual results for the year ended 30 June 2018 were below those forecasted. If the actual results are used as an estimate of future earnings in the impairment assessment prepared by management, this results in the intangible asset being impaired in full.

Management have assessed that as earnings continue to be below those forecasted, the carrying value of the investment at 31 December 2019 remains \$1. Should the revenues increase in future, the impairment may be reversed. Any reversal of impairment would result in an increase of the carrying value of the intangible asset equal to the amount of the impairment reversal.

STEMCELL UNITED LIMITED AND ITS CONTROLLED ENTITIES

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

In the directors' opinion:

1. The financial statements and notes set out on pages 3 to 11 are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standard 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Philip Gu Huanqing
Director

28 February 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stemcell United Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

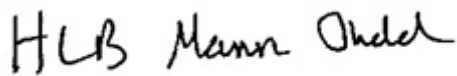
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

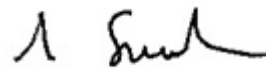
Without modifying our opinion, we draw attention to Note 9: Going Concern in the financial report, which states that, during the half year to 31 December 2019, the consolidated entity incurred a loss of \$699,936, had net cash outflows from operating activities of \$632,988 and, at 31 December 2019, the consolidated entity had cash of \$1,485,614.

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



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
28 February 2020



A G Smith
Director