



Stemcell United Limited

ACN 009 104 330

APPENDIX 4E AND PRELIMINARY FINAL REPORT

For the year ended 30 June 2021

Stemcell United Limited

Financial and operational summary for the year ended 30 June 2021

Stemcell United Limited (ASX:SCU) (“the Company”, “SCU” or “Stemcell United”) is pleased to provide shareholders with this financial and operational summary for the year ended 30 June 2021 (“FY2021”).

SUMMARY OF FINANCIAL INFORMATION

Revenue from ordinary activities was \$8,495,417, an increase from the prior corresponding period (FY2020: \$730,356). The increase in revenue is mainly contributed by the newly acquired subsidiary, Shenzhen Lantene Dingzhi Biotechnology Co Ltd.

The Group recorded a net loss of \$2,856,244 (FY2020: net loss \$1,464,312). Included in the net loss are non-cash expenses relating to share based payments of \$1,486,567 (FY2020: \$147,000) and goodwill impairment of \$248,108 (FY2020: Nil). Excluding these expenses, the net loss for the year will come to \$1,121,569 (FY2020: \$1,317,312).

At year end, Stemcell United retained a cash balance of \$5,255,274 (FY2020: \$866,830), which resulted from the Company’s fund raising (net of costs) of a total of \$6,288,026 undertaken during the year.

OPERATIONS AND BUSINESS ACTIVITIES

Throughout FY2021, Stemcell United has focused on growing its business operations which the Company has structured in two divisions:

- **Food division:** comprising the cultivation and harvesting of seaweeds and sea plants and research and development on the production of processed foods derived from them; and
- **Healthcare division:** comprising the cultivation and harvesting of Dendrobium, Resina and Hemp for the production of health care products.

Food Division

Acquisition of Shenzhen Lantene Dingzhi Biotechnology Co Ltd – Building on the creation of SCU Green Aqua Farm, SCU acquired a 50.1% stake in Shenzhen Lantene Dingzhi Biotechnology Co Ltd, an aquaculture company based in Shenzhen, China. The acquisition provides SCU with access to additional cultivation capacity and both ISO and HACCP safety certifications. Further, the acquisition significantly strengthens SCU’s position in China and provides several additional commercial opportunities in the sea grape industry.

Collaboration with Temasek Polytechnic - SCU entered into stage 2 of its collaboration agreement with Temasek Polytechnic in Singapore. This is an extension to the original milestone agreement signed by SCU with the Singapore Government education institute after launching its sea grape Project in 2020. The agreement has near commercialisation milestones and it extends collaborative research with Temasek Polytechnic to 30 April 2023. This is a key business activity of SCU as it builds its product portfolio based on marine seaweed plants, in addition to existing land plants of Resina, Dendrobium and hemp. Temasek Polytechnic is the only Singapore government designated education and research institute with an emphasis on marine aquaculture, and it is part of the global Aquaculture Innovation Centre. The agreement also allows SCU to set up a staffed laboratory in Temasek Polytechnic’s campus adding considerably to SCU’s capacity to develop and improve products.

Memorandum of Understanding with University Malaysia Sabah - SCU signed a non-binding Memorandum of Understanding with the University Malaysia Sabah (UMS) on commercialisation of sea grapes. The MoU created the negotiating parameters for the conclusion of a legally binding agreement for various cooperative projects with UMS. The UMS is based in Sabah, the State in Malaysia most closely associated with research and development of seaweed products. Sabah is rich in marine resources, particularly seaweed species.

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Successful undertaking of the St John’s Island pilot program – In 2020 SCU established its sea group project at a dedicated on-shore facility on St John’s Island in Singapore. During FY2021, SCU has successfully developed and operated this pilot study facility on St John’s Island for the growth and production of sea based plants (including sea grapes) for human and animal consumption. The successful conduct of the pilot study in Singapore has enabled SCU to:

- establish proof of concept;
- provide a base upon which to extrapolate to the proposed commercial sized production facility proposed for Singapore; and
- continue the expansion of SCU’s extensive seed bank (seeds for tropical based sea plants/seaweeds) based on the Company’s bio-technology research & development capabilities.

Intent to purchase a 2 hectare aquaculture farm in Singapore – In August 2021, following the successful completion of the St John’s pilot program, SCU has executed an letter of intent to purchase a 2 hectare aquaculture farm off the coast of Singapore’s Pulau Ubin Island for the commercial growing of sea grapes. The acquisition of the aquaculture farm facility and the aquaculture licence that attaches to the site will cost approximately S\$150,000. The Company’s application for Government approval of the acquisition is currently under review by the Singapore Food Agency (SFA). If approved, the aquaculture farm has the potential to produce up to 200 tonnes of sea grapes annually.

Healthcare Division

Memorandum of Understanding with Heilongjiang Beimei Industrial Cannabidiol Extraction Co Ltd (“Beimei”) – In August 2021, SCU signed a non-binding Memorandum of Understanding (“MoU”) with the Beimei to collaborate on Hemp related activities. The MoU establishes the negotiating parameters for the conclusion of a legally binding agreement that will contain the terms upon which Stemcell United and Beimei will co-operate on various commercial projects involving the cultivation, processing and sales and distribution of hemp and various hemp based products. Beimei is based in the Heilongjiang province in China, and has hemp cultivation and extraction licences.

BOARD AND ADVISOR APPOINTMENTS

Mr Paul Rosen appointed as Non-executive Chairman – Mr Rosen is an accomplished entrepreneur and an investor with extensive experience in the cannabis and hemp sector. Mr Rosen was a co-founder of PharmaCan Capital, now the Cronos Group (NASDAQ:CRON, TSX:CRON), where he played a major role in leading that company’s growth. His role as Chairman provides the Company with expertise that is helping progress activities and open up numerous new growth initiatives.

Mr David Plattner appointed as a strategic advisor - Mr Plattner is a highly regarded environmental entrepreneur and his appointment as strategic advisor is assisting SCU with its sustainable development initiatives. He has a long-standing career in sustainable investments and community development projects, and he has a very strong international network. It is expected that Mr Plattner’s role will continue to help unlock value for shareholders and for the communities in which SCU is operating.

Mr Francesco Cannavo appointed as a non-Executive Director in July 2021. Mr Cannavo is an active entrepreneur and investor in the Australian capital markets. He is an experienced public company director with significant business and investment experience. 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. Mr Cannavo also has extensive experience and contacts in the processed foods industry sector in Victoria, based in part from his hands-on involvement in his family’s processed meats business, and will assist the Company to undertake the processing and commercialisation of processed food products in Australia and to access Australian and Asian markets.

Ms Elizabeth Spooner appointed as Company Secretary in August 2021, taking over this role from Mr Chow Yee Koh, who remains as the company’s Chief Financial Officer and as a Director of the Company. Ms Spooner is an experienced governance and compliance professional that works closely with a number of boards of both listed and unlisted public companies. She holds a double degree in Bachelor of Business Administration and Bachelor of Arts majoring in Human Resources, and a Graduate Diploma of Applied Corporate Governance from the Governance Institute. Elizabeth is in the final stages of completing her Juris Doctor degree from Australian National

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University. She is an Associate of the Governance Institute of Australia, a Member of the Australian Institute of Company Directors, a Member of the Australian HR Institute and a NSW Justice of the Peace.

OUTLOOK

The ongoing COVID-19 and various restrictions imposed by Governments in which the Company operates has resulted in slower deal closings and longer lead times to conclude new, and to expand existing business opportunities and activities.

Commenting on the outlook for SCU, Mr Philip Gu, CEO of SCU, said, “The business continues to progress its strategy and implement its plans. We are focused on building up our new plant based business divisions: Health, with a particular focus on hemp; and Food, with a particular focus on sea grapes. whilst always maintaining our focus on incorporating sustainability into our business model.”

“We are actively engaged with our Chinese partners with a view to creating new and promising business opportunities in the hemp industry, and our collaborations aimed at increasing the number of sea grape products that we produce presents us with opportunities across a range of attractive Asian markets. Product innovation and maintaining a focus on sustainability will help us build a successful product range and a successful company.”

“I want to thank our team members for their flexibility, commitment, and resilience in the face of a challenging year, and I want to thank our shareholders for their continued and valuable support of the company,” added Mr Gu.

RELIANCE ON RELIEF AVAILABLE UNDER ASX CLASS WAIVER EXTENDED REPORTING AND LODGEMENT DEADLINES

Stemcell United Limited wishes to advise that it is relying on the ASX Class Waiver dated 3 May 2021 and ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451 (Amended ASIC Relief) to extend the lodgement date for its audited full year reports. Due to alternative work arrangements and other impacts of COVID-19, additional time is required to complete the auditing process.

Under the Amended ASIC Relief, audited full year reports must be lodged by 30 October 2021. The Company will, however, lodge the audited full year reports as soon as they are ready to be given to the ASX. The Company will immediately make a further announcement to the market if it becomes aware that there will be a material difference between its unaudited full year accounts and its audited full year accounts.

The unaudited full year results are set out in the accompanying Appendix 4E.

This announcement has been approved for release by the Board of Directors.

- END -

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APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2021

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

1. Reporting period

Current Period 12 months ended 30 June 2021

Prior Period 12 months ended 30 June 2020

2. Results for announcement to the market

	2020		2021	% Change
	\$		\$	
2.1 Revenue from ordinary activities	730,356	to	8,495,417	up 1,063%
2.2 Loss after tax attributable to members	(1,464,312)	to	(2,856,244)	up 95%
2.3 Net loss attributable to members	(1,464,312)	to	(2, 856,244)	up 95%
2.4 Dividend				
N/A				
2.5 Record date for determining entitlements to the dividends				
N/A				
2.6 Explanatory information				
Refer accompanying preliminary financial report				

3. Statement of Profit or Loss and Other Comprehensive Income

Refer accompanying preliminary financial report

4. Statement of Financial Position

Refer accompanying preliminary financial report

5. Statement of Cash Flow

Refer accompanying preliminary financial report

6. Dividends Paid or Recommended

N/A

7. Details of any Dividend or distribution reinvestment plans

N/A

8. Statement of movements in Retained Earnings

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

9. Net tangible assets per security

	30 June 2020	30 June 2021
Number of securities	641,608,364	1,043,320,658
Net tangible assets per security in cents	0.11	0.59

10. Changes in controlled entities

Refer accompanying preliminary financial report

11. Details of associates and joint venture entities

N/A

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

Refer accompanying preliminary financial report

13. Foreign entities disclosures

N/A

14. Additional information

14.1 Earnings per Share

Refer accompanying preliminary financial report

14.2 Returns to Shareholders

Refer accompanying preliminary financial report

14.3 Significant features of operating performance

Refer accompanying preliminary financial report

14.4 Results of segments

Refer accompanying preliminary financial report

14.5 Trends in performance

Refer accompanying preliminary financial report

14.6 Subsequent events

Refer accompanying preliminary financial report

15. Compliance Statement

The financial statements are in the process of being audited.

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

During the year ended 30 June 2021, the consolidated entity incurred a loss after income tax of \$2,856,244 (2020: \$1,464,312) and net cash outflows from operating activities of \$1,345,026 (2020: \$1,278,252). At 30 June 2021, the consolidated entity had \$5,255,274 (2020: \$866,830) in cash.

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.

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

Statement of Profit or Loss and Other Comprehensive Income for the Year ended 30 June 2021

	2021 \$	2020 \$	
Revenue	8,495,417	730,356	
Cost of Sales	(6,951,070)	(664,209)	
Gross profit	1,544,347	66,147	
Other revenue and income	142,787	10,346	
Staff costs and directors' fees	(2,423,400)	(650,026)	
Professional fees	(505,222)	(326,020)	
Research and development	(270,508)	-	
Depreciation and amortisation	(420,640)	(19,448)	
Impairment of inventory and receivables	-	(94,304)	
Impairment of goodwill	(248,108)	-	
Marketing and travel	(135,666)	(271,197)	
Administrative expenses	(515,711)	(179,810)	
Loss before income tax expense	(2,856,244)	(1,464,312)	
Income tax expense	-	-	
Loss for the year	(2,856,244)	(1,464,312)	
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiary	(95,097)	37,675	
Total comprehensive loss for the year	(2,951,341)	(1,426,637)	
Loss attributable to:			
Owners	(3,133,298)	(1,389,942)	
Non-controlling interest	277,054	(74,370)	
	(2,856,244)	(1,464,312)	
Total comprehensive loss attributable to:			
Owners	(3,228,395)	(1,352,421)	
Non-controlling interest	277,054	(74,216)	
	(2,951,341)	(1,426,637)	
Earnings per share			
Basic (cents per share)	3	(0.40)	(0.22)
Diluted (cents per share)	3	(0.40)	(0.22)

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

Statement of Financial Position as at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,255,274	866,830
Trade and other receivables	4	2,286,921	11,766
Inventory	5	713,481	1
TOTAL CURRENT ASSETS		8,255,676	878,597
NON-CURRENT ASSETS			
Plant and equipment	6	234,996	133,975
Right of Use	7	740,417	-
Intangible assets	8	1	1
TOTAL NON-CURRENT ASSETS		975,414	133,976
TOTAL ASSETS		9,231,090	1,012,573
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	1,746,774	252,543
Borrowings	10	793,100	-
Lease liabilities	7	64,398	-
Provisions	11	320,000	-
TOTAL CURRENT LIABILITIES		2,924,272	252,543
NON-CURRENT LIABILITIES			
Lease liabilities	7	112,989	-
TOTAL NON-CURRENT LIABILITIES		112,989	-
TOTAL LIABILITIES		3,037,261	252,543
NET ASSETS		6,193,829	760,030

Statement of Financial Position as at 30 June 2021

	Note	2021 \$	2020 \$
EQUITY			
Contributed equity	12	76,565,855	71,371,829
Option reserve	13	3,444,167	588,600
Retained earnings		(74,749,004)	(71,615,706)
Foreign currency translation reserve		1,625	96,722
EQUITY ATTRIBUTABLE TO SHAREHOLDERS		5,262,643	441,445
Non-controlling interest		931,186	318,585
TOTAL EQUITY		6,193,829	760,030

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 2021

	<-- Attributable to owners of Stemcell United Ltd -->					
	Contributed Equity	Option reserve	Retained Earnings	Foreign currency translation reserve	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 01 July 2019	71,371,829	483,600	(70,225,764)	59,047	392,801	2,081,513
<i>Transactions with equity holders in their own capacity</i>						
Fair value of equities issued to directors	–	105,000	–	–	–	105,000
	–	105,000	–	–	–	105,000
Non-controlling interest	–	–	–	–	154	154
Total comprehensive income/(loss)	–	–	(1,389,942)	37,675	(74,370)	(1,426,637)
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>						
Issue of equities, net of cost	4,538,026	1,500,000	–	–	–	6,038,026
Issue of equities to acquire a company	585,000	–	–	–	–	585,000
Fair value of equities issued to directors	14,000	1,105,567	–	–	–	1,119,567
Fair value of equities issued to advisors	57,000	250,000	–	–	–	307,000
	5,194,026	2,855,567	–	–	–	8,049,593
Non-controlling interest	–	–	–	–	335,547	335,547
Total comprehensive income/(loss)	–	–	(3,133,298)	(95,097)	277,054	(2,951,341)
Balance at 30 June 2021	76,565,855	3,444,167	(74,749,004)	1,625	931,186	6,193,829

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 2021

	2021 \$	2020 \$
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipts from customers	7,771,718	801,416
Payment to suppliers and employees	(9,237,732)	(2,079,696)
Other income	142,781	-
Interest income	6	28
Interest expense	(21,799)	-
Total cash used in operating activities	<u>(1,345,026)</u>	<u>(1,278,252)</u>
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
Payment for plant and equipment	(431,025)	-
Cash acquired on acquisition of subsidiary	12,983	-
Non-controlling interest contribution of capital	-	153
Payment of amount owing by related party	-	208,000
Total cash received/(used) in investing activities	<u>(418,042)</u>	<u>208,153</u>
CASH FLOWS RELATING TO FINANCING ACTIVITIES		
Proceeds from issue of shares and other equity securities, net of costs	6,288,026	-
Proceed from borrowings	151,500	-
Repayment of borrowings	(193,000)	-
Total cash from financing activities	<u>6,246,526</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	4,483,458	(1,070,099)
Cash and cash equivalents at beginning of financial year	866,830	1,901,250
Foreign currency translation differences	(95,014)	35,679
Cash and cash equivalents at end of financial year	<u>5,255,274</u>	<u>866,830</u>

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

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Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 4: TRADE AND OTHER RECEIVABLES

	2021 \$	2020 \$
CURRENT		
Trade receivables	1,718,370	-
Less: provision for impairment	(46,274)	-
	<u>1,672,096</u>	<u>-</u>
Other receivables	97,679	11,766
Prepayments made to supplier	517,146	-
	<u>2,286,921</u>	<u>11,766</u>

NOTE 5: INVENTORY

	2021 \$	2020 \$
CURRENT		
Finished goods	19,502	42,594
Biological goods	713,481	-
Less provision for impairment	(19,502)	(42,593)
	<u>713,481</u>	<u>1</u>

NOTE 6: PLANT AND EQUIPMENT

	Office equipment \$	Machines \$	TOTAL \$
Cost			
At 01 July 2019	3,016	188,828	191,844
Foreign exchange translation	(29)	(1,791)	(1,820)
At 30 June 2020	<u>2,987</u>	<u>187,037</u>	<u>190,024</u>
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	<u>2,987</u>	<u>1,030,882</u>	<u>1,033,869</u>
Accumulated depreciation			
At 01 July 2019	2,865	34,689	37,554
Depreciation	121	18,374	18,495
At 30 June 2020	<u>2,986</u>	<u>53,063</u>	<u>56,049</u>
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	<u>2,986</u>	<u>795,887</u>	<u>798,873</u>
Carrying amount			
At 30 June 2020	<u>1</u>	<u>133,974</u>	<u>133,975</u>
At 30 June 2021	<u>1</u>	<u>234,995</u>	<u>234,996</u>

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Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 7: RIGHT OF USE ASSETS

	2021 \$	2020 \$
Amounts recognised in the balance sheet		
Right-of-use assets – Land	608,730	-
Right-of-use assets – Building	198,309	-
Accumulated depreciation – Land	(44,588)	-
Accumulated depreciation – Building	(22,034)	-
Right-of-use asset at cost less accumulation depreciation	740,417	-
Lease liabilities	(177,387)	-
Amounts recognised in profit and loss		
Depreciation charge of right-of-use assets – Land	21,489	-
Depreciation charge of right-of-use assets – Building	21,606	-
Interest expenses	2,324	-
Lease commitments payable		
Within 1 year	69,875	-
1-2 years	69,875	-
2-5 years	46,584	-
>5 years	-	-
	186,334	-
Less future finance charges	(8,947)	-
	177,387	-
Lease liability shown as:		
Current	63,399	-
Non-current	112,989	-
	177,387	-

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Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 8: INTANGIBLE ASSETS

	Goodwill \$	Dendrobium officinale IP \$	TOTAL \$
Cost			
At 01 July 2019	-	202,588	202,588
At 30 June 2020	-	202,588	202,588
Addition	248,108	-	248,108
Impairment	(248,108)	-	(248,108)
At 30 June 2021	-	202,588	202,588
Accumulated amortisation			
At 01 July 2019	-	202,587	202,587
Amortisation	-	-	-
At 30 June 2020	-	202,587	202,587
Amortisation	-	-	-
At 30 June 2021	-	202,587	202,587
Carrying amount			
At 30 June 2020	-	1	1
At 30 June 2021	-	1	1

Management decided to impair the goodwill in full during the period ended 30 June 2021 as they are unable to quantify the synergy or future cash inflows from the acquisition.

Management have assessed that as earnings continue to be below those forecasted, the carrying value of the Dendrobium Officinale IP at 30 June 2021 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.

NOTE 9: TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
CURRENT		
Trade payables	8,384	8,816
Other payables	1,042,191	70,140
Accrued expenses	253,750	156,265
GST payable	10,590	17,322
Contract liabilities	30,032	-
Prepayments received from customer	401,827	-
	<u>1,746,774</u>	<u>252,543</u>

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Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 10: BORROWINGS

	2021 \$	2020 \$
CURRENT		
Bank loans	793,100	-
	<u>793,100</u>	<u>-</u>

The bank loans are for a period of 12 months ending September 2021 and January 2022, has a floating interest rate of 3.85% and is secured by personal guarantee of a subsidiary's director.

NOTE 11: PROVISIONS

	2021 \$	2020 \$
CURRENT		
Provision for employee incentive shares	320,000	-
	<u>320,000</u>	<u>-</u>

A provision of 20,000,000 shares at balance date closing price of \$0.016 is made for employee incentive shares approved at the AGM of 30 November 2020.

NOTE 12: CONTRIBUTED EQUITY

	2021 \$	2020 \$
Issued and fully paid ordinary shares	<u>76,565,855</u>	<u>71,371,829</u>
Movements in ordinary shares	Number of shares	A\$
At 30 June 2019	<u>641,608,364</u>	<u>71,371,829</u>
At 30 June 2020	641,608,364	71,371,829
Shares issued for acquisition of subsidiary	30,000,000	585,000
Shares issued to director	810,203	14,000
Shares issued to advisors	3,000,000	57,000
Shares issued on placement, net of cost	<u>367,902,091</u>	<u>4,538,026</u>
At 30 June 2021	<u>1,043,320,658</u>	<u>76,565,855</u>

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

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

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Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 13: OPTION RESERVE

	2021 \$	2020 \$
Option Reserve	3,287,600	588,600
Movements in Option Reserve		
At 30 June 2019	18,600,000	483,600
Issue of director options ¹	10,500,000	105,000
At 30 June 2020	29,100,000	588,600
Options issued to directors ^{2,3}	102,000,000	1,105,567
Options issued on placement managers ^{4,5}	15,000,000	250,000
Options issued to placement ⁵	100,000,000	1,500,000
At 30 June 2020	246,100,000	3,444,167

¹ On 16 December 2019, 10,500,000 options were issued to directors as approved at the AGM held on 30 November 2019. The assessed fair value at grant date of options issued to directors was A\$105,000. 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: 16 December 2019
- (c) expiry date: 16 December 2024
- (d) share price at grant date: A\$0.014
- (e) expected price volatility of the Company's shares: 81%
- (f) risk-free interest rate: 2.75%

² 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: 155%
- (f) risk-free interest rate: 4.25%

³ 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\$625,000, A\$537,128 and A\$486,208 respectively. The fair value at grant date is determined using the Black Scholes Model. The amount recognised at balance date for the 1st, 2nd and 3rd tranche options were A\$625,000, A\$98,462 and A\$58,105 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: 156%
- (g) risk-free interest rate: 4.25%

Notes to the Financial Statements for the Financial Year Ended 30 June 2021

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: 156%
- (g) risk-free interest rate: 4.25%

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: 156%
- (g) risk-free interest rate: 4.25%

⁴On 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: 156%
- (f) risk-free interest rate: 5.5%

⁵On 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\$1,500,000 and A\$150,000. 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: 154%
- (f) risk-free interest rate: 5.5%

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 14: SEGMENT INFORMATION

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

The geographical segment information of the group is as follows:

2021	Australia	Singapore	Greater China	Malaysia	Total
	\$	\$	\$	\$	\$
Revenue	-	99,337	8,396,080	-	8,495,417
Profit / (Loss)	(2,340,822)	(775,847)	368,944	(108,519)	(2,853,244)
Total assets	4,484,636	827,448	3,820,316	98,690	9,231,090
Total liabilities	(530,902)	(528,376)	(1,968,410)	(9,573)	(3,037,261)

2020	Australia	Singapore	Greater China	Malaysia	Total
	\$	\$	\$	\$	\$
Revenue	-	729,448	908	-	730,356
Profit / (Loss)	(616,919)	(635,085)	(152,368)	(59,940)	(1,464,312)
Total assets	185,415	289,362	527,804	9,992	1,012,573
Total liabilities	(95,451)	(146,270)	(5,233)	(5,589)	(252,543)

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 15: ACQUISITION OF SUBSIDIARY

On 2 November 2020, the Group acquired 50.1% of the issued shares in Shenzhen Lantene Dingzhi Biotechnology Co Ltd (“Lantene”), an aquaculture company incorporated in the People’s Republic of China, for a consideration of \$585,000, to allow the Group to acquire aquaculture expertise and know-how and to expand and develop its aquaculture business in China.

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

Purchase consideration	Fair value \$
Cash paid or payable	-
Fair value of shares issued	585,000
Total consideration	<u>585,000</u>
Fair value of assets and liabilities acquired	Fair value \$
Cash and cash equivalents	12,983
Receivables	726,175
Inventory	1,031,702
Plant and equipment	32,835
Right of use assets	599,989
Investment in associate	1
Payables	(896,646)
Short term borrowings	(834,600)
Net identifiable assets acquired	<u>672,439</u>
Non-controlling interest	(335,547)
Goodwill	<u>248,108</u>
Consideration	<u>585,000</u>
Cashflow effect of acquisition	Fair value \$
Cash paid	-
Cash acquired	12,983
Net cash acquired	<u>12,983</u>

Consideration transferred

The fair value of shares issued are calculated based on the 15 days volume weighted average price of shares prior to issue date. The Group will also transferred 20% of its subsidiary, Stemcell Essential Pte Ltd (“SCE”), to Lantene’s original owner. Stemcell Essential Pte Ltd is, at balance date, a 100% subsidiary of the Group. No value is attached to SCE as it is a dormant company with no operation.

Goodwill

Goodwill arises due to payment in excess of the fair value of assets acquired, with expectation of synergy from acquiring the expertise and know-how of aquaculture and the ability to operate in and having access to China market. The goodwill is fully impaired at balance date as the Company is unable to quantify the synergy or future cash inflows of the acquisition.

Acquisition related costs

There are no direct acquisition related costs.

Notes to the Financial Statements for the Financial Year Ended 30 June 2021

Contingent consideration

There are no contingent consideration arrangements.

Non-controlling interest

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

Revenue and profit contribution

The acquired entity contributed \$8,395,916 of revenue and a net profit of \$694,641 to the Group for the period from date of acquisition to 30 June 2021.

If the acquisition had occurred on 1 July 2020, the acquired entity would have contributed \$15,664,893 revenue and a net profit of \$1,088,073 to the Group.

Business combinations

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Additional significant clauses

If the Group is able to list its seagrape project, it will raise fund of RMB15,000,000 to acquire remaining 49.9% equity of Lantene. In the event that the Group do not acquire the remaining 49.9% within 3 years, the original owner of Lantene is entitled to claim back the 50.1% shares in Lantene and return all shares issued by the Group under the Equity Exchange Agreement.

Notes to the Financial Statements for the Financial Year Ended 30 June 2021

NOTE 16: SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion 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 17: COMPANY DETAILS

The registered office of Stemcell United Limited is Level 5, 126 Phillip Street, Sydney NSW 2000.