

Stemcell United Limited

ACN 009 104 330

2017 ANNUAL REPORT

For the year ended 30 June 2017

Stemcell United Limited

DIRECTORS' REPORT

The directors present their report, together with the financial statements, of Stemcell United Limited ("the Company") and the entities it controlled (together referred to as "the Group") for the year ended 30 June 2017.

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:

Current directors

Khoo Gee Choo, Jamie

Ms Khoo has a Master of Business Studies and is a member of the Institute of Singapore Chartered Accountants. Ms Khoo has over 20 years experience in accounting and corporate finance and extensive experience in company funding, investment evaluation, due diligence and structuring. Ms Khoo is also director of ASX listed Lionhub Group Ltd and Invitrocue Limited.

Chow-Yee Koh

Mr Koh has a Bachelor of Commerce and is a fellowship member of the Association of Chartered Certified Accountants (UK). Mr Koh has over 17 years experience in accounting, auditing and corporate finance. Mr Koh is also the Company's joint company secretary and is a company secretary of ASX listed Sunbridge Group Limited. Mr Koh is also a director of ASX listed Invitrocue Limited.

Gu Huan Qing, Philip

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

Savio Cheung Ka Lung (appointed 21 October 2016)

Mr. Cheung graduated with Bachelor of Business Administration (Finance) from The Hong Kong University of Science and Technology and is a holder of Chartered Financial Analyst. He has over 17 years of experience in corporate finance and private equity investment industry. He is experienced in various corporate actions such as IPO, mergers & acquisitions, corporate restructuring, etc. and possesses extensive network in the capital market.

Qingjian Wang (appointed 29 March 2016, resigned 4 July 2016)

Mr Wang is an experienced fund manager and international commercial lawyer, with expertise in assets management, cross-border mergers and acquisitions, fund formation and operation, transaction execution, corporate governance and legal compliance. Mr. Wang has practiced law in Singapore for almost 10 years under O'Melveny & Myers LLP and Dechert LLP, with focus on PE fund formation, fund secondary transactions, portfolio investments and fund regulatory compliance. He also has extensive experience in capital markets and has advised on a number of public offerings in the United States, Hong Kong, Singapore and Indonesia. Mr. Wang holds a LLM degree from University of California Berkley and a LLB degree from Shanghai Fudan University. Mr. Wang is a qualified lawyer in New York (USA) and China.

Gaelan Bloomfield (appointed 21 October 2016, resigned 18 November 2016)

Mr Bloomfield is founder and managing director of Redfield Asset Management and Advisory. The Redfield Group has a focus on cross border multi-sector investments. Mr Bloomfield has had extensive experience in global capital markets with a specific focus on Asia and emerging market opportunities. He has a broad set of skills developed over a number of years working in Investment Banking and Management Consulting at leading global firms.

Stemcell United Limited

Company Secretary

Chow Yee Koh

Principal activities

The Group engages in the business of traditional Chinese medicine (TCM), with focus on using stem cell technology to grow and extract plant essence for traditional medicine and cosmetic products. The focus of the Group is currently on the dendrobium plant.

The Company is exploring opportunities to expand its products into medicinal cannabis, and is in discussions with the Australian Securities Exchange to determine the extent that this may occur.

Review of Operations

The company is progressing on its traditional medicine business and achieved the following:

- Completed the market trials of its dendrobium essence infused facial mask ("Masks") and finalized the ingredients formulation for the Masks.
- Established an initial level of distribution channels and achieved the first sale of Masks.
- Sale of dendrobium powder and Masks.

In addition, the company has started exploring opportunities in the medical cannabis as a new product line.

During the year, the group recorded a loss of \$3,631,079 against a revenue of \$31,619. The majority of the loss was due to an impairment of \$2,791,874 of the Group's intangible asset. The group has also recorded a gain of \$335,533 from waiver of amount due to a director and a related company of a director.

Significant changes in state of affairs

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

Events subsequent to the end of the reporting date

On 29 September 2017, the company received from Mr Nevil Schoenmaker, a consultant of the company, a notice of termination of his consulting agreement.

Other than above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

Future development, prospects and business strategies

The company intends to extend its suite of TCM cosmetic products which incorporates dendrobium. As earlier announced, the company is evaluating opportunities in the traditional medicine market, with medicinal cannabis being identified as an opportunity to expand the Company's product line.

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.

Stemcell United Limited

Dividends paid, recommended or declared

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

Options

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

Options	Number
Options issued to lead manager on successful completion of Offer, exercised within 3 years from date of issue (14 September 2015) at \$0.20 per option	2,000,000
TOTAL	2,000,000

Meetings of directors

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

Directors' Name	Board Meetings	
	Number of meetings the Director was eligible to attend	Number of meetings the Director attended
Khoo Gee Choo, Jamie	4	4
Chow-Yee Koh	4	4
Gu Huan Qing, Philip	4	3
Savio Cheung Ka Lung	4	3
Qingjian Wang	-	-
Gaelan Bloomfield	1	-

Indemnifying directors, officers or auditor

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

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

The Company 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 Company 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.

Stemcell United Limited

Remuneration Report (Audited)

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

Principles of compensation

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

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

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee obtains independent advice on the appropriateness of compensation packages of the Group given trends in comparative companies and the objectives of the Group's compensation strategy.

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

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

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

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

Fixed remuneration

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

Compensation levels are reviewed annually through a process that considers individual, segment and overall performance of the Group. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

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 is conditional on the Group achieving certain performance hurdles. The performance hurdles comprise the Group reaching and exceeding its budgeted profit forecast.

Stemcell United Limited

Short-term incentive bonus

Each year KPI's (key performance indicators) for the key management personnel are set. The KPI's generally include measures relating to the Group, the relevant segment and the individual, and include financial, people, customer and strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the Group and to its strategy and performance.

The financial performance objectives are "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 2017 and 30 June 2016 are shown in the table below:

Director Remuneration									
Non-executive directors	Year	Short Term Employee Benefits		Post-Employment Benefits	Long-Term Benefits	Termination Benefits	Share-Based Payments	Total (\$)	Performance Based Percentage of Remuneration (\$)
		Cash Salary & Fees (\$)	Non-Monetary Benefits (\$)	Superannuation (\$)	(\$)	(\$)	(\$)		
Khoo Gee Choo, Jamie~	2017	42,000	-	3,990	-	-	-	45,990	0%
	2016	90,000	-	3,800	-	-	-	93,800	0%
Chow-Yee Koh*	2017	72,000	-	3,420	-	-	-	75,420	0%
	2016	70,000	-	3,230	-	-	-	73,230	0%
Paul Sun	2017	-	-	-	-	-	-	-	0%
	2016	7,000	-	665	-	-	-	7,665	0%
Gu Huan Qing, Philip	2017	36,000	-	-	-	-	-	36,000	0%
	2016	171,540	-	-	-	-	-	171,540	0%
Qingjian Wang	2017	3,200	-	-	-	-	-	3,200	0%
	2016	-	-	-	-	-	-	-	0%
Savio Cheung Ka Lung	2017	9,000	-	-	-	-	-	9,000	0%
	2016	-	-	-	-	-	-	-	0%
Gaelan Bloomfield	2017	-	-	-	-	-	-	-	0%
	2016	-	-	-	-	-	-	-	0%
TOTAL	2017	162,200	-	7,410	-	-	-	169,610	0%
	2016	338,540	-	7,695	-	-	-	346,235	0%

*Chow Yee Koh was also paid a fee of \$36,000 (2016: \$36,000) relating to provision of accounting and company secretarial services.

~Khoo Gee Choo, Jamie was also paid a fee of \$Nil (2016: \$50,000) relating to provision of corporate services.

Stemcell United Limited

Service agreements

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

Director	Base Salary/Fees	Term of agreement	Notice Period
Khoo Gee Choo, Jamie	AUD 42,000	1 year and auto-renewal	1 month
Chow-Yee Koh	AUD 36,000	1 year and auto-renewal	1 month
Savio Cheung Ka Lung	AUD 36,000	1 year and auto-renewal	1 month
Gu Huan Qing, Philip	AUD 36,000	3 years and auto-renewal	1 month

Directors' shareholdings

The table below shows the shareholdings of each director in number and percentage as at 30 June 2017.

Director	Shareholding	%
Khoo Gee Choo, Jamie	5,053,950*	1.3%
Chow-Yee Koh	-	-
Savio Cheung Ka Lung	3,575,000*	0.9%
Gu Huan Qing, Philip	120,000,000	31.1%

* Shares held in a company related to the directors

Share based remuneration

There was no share based remuneration paid.

End of remuneration report

Non-Audit Services

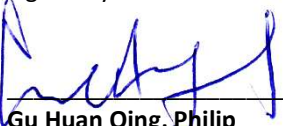
During the year HLB Mann Judd provided taxation services to Stemcell United Limited in addition to their statutory audit duties. Fees of \$17,959 were paid for the provision of taxation services. The directors are satisfied that the provision of non-audit services is compatible with the general standard 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 2017 has been received and can be found on page 7 of the Annual Report.

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

Signed by



Gu Huan Qing, Philip
Director

Dated: 29 September 2017

**STEMCELL UNITED LIMITED
ACN 009 104 330**

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Stemcell United Limited for the year ended 30 June 2017, 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 audit; and
- (b) any applicable code of professional conduct in relation to the audit.

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



**Sydney, NSW
29 September 2017**

**A G Smith
Director**

Stemcell United Limited

CORPORATE GOVERNANCE STATEMENT

The board of directors is responsible for the corporate governance of Stemcell United Limited (“the Company”). A new board of directors was appointed on 3 September 2015 following a shareholder’s general meeting. The new board of directors has established a corporate governance framework which follows the recommendations as set out in the ASX Corporate Governance Council’s Principles and Recommendations 3rd edition (“Principles and Recommendations”).

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

The Company’s corporate governance framework is dated and approved by the board on 22 May 2017 and can be viewed on the Company’s website <http://scu.com.sg/corporate-governance/>.

Stemcell United Limited

Statement of Profit or Loss and Other Comprehensive Income for the Year ended 30 June 2017

		2017 \$	2016 \$
Revenue	28	31,619	74,753
Cost of Sales	28	(25,968)	(86,758)
Gross profit		5,651	(12,005)
Other income		35,340	10,177
Waiver of amount due to a director and a related company of a director	21	335,533	-
Staff costs		(165,410)	(256,570)
Professional fees		(203,021)	(416,964)
Depreciation and amortisation		(110,997)	(23,236)
Impairment	5	(2,791,874)	(34,497,464)
Interest expense		(2,953)	(109,986)
Administrative expenses		(733,348)	(298,700)
Profit/(Loss) before income tax expense		(3,631,079)	(35,604,748)
Income tax expense	6	-	(13,611)
Profit/(Loss) for the year		(3,631,079)	(35,618,359)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiary		22,687	(1,981)
Total comprehensive income (loss) for the year		(3,608,392)	(35,620,340)
Earnings per share			
Basic (cents per share)	7	(0.98)	(10.50)
Diluted (cents per share)	7	(0.98)	(10.50)

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

Stemcell United Limited

Statement of Financial Position as at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,042,558	272,897
Trade and other receivables	8	17,213	132,255
TOTAL CURRENT ASSETS		1,059,771	405,152
NON CURRENT ASSETS			
Plant and equipment	9	36,084	36,084
Intangible assets	10	1,537,000	4,439,871
TOTAL NON CURRENT ASSETS		1,573,084	4,475,955
TOTAL ASSETS		2,632,855	4,881,107
LIABILITIES			
Trade and other payables	11	157,327	555,535
Borrowings	12	202,990	-
Amount due to a director		141,600	163,868
Income tax payable		6,772	7,146
TOTAL CURRENT LIABILITIES		508,689	726,549
TOTAL LIABILITIES		508,689	726,549
NET ASSETS		2,124,166	4,154,558
EQUITY			
Contributed equity	14	66,094,036	64,984,036
Option reserve	15	148,000	148,000
Other equity	16	468,000	-
Retained earnings		(64,606,576)	(60,975,497)
Foreign currency translation reserve		20,706	(1,981)
TOTAL EQUITY		2,124,166	4,154,558

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

Stemcell United Limited

Statement of Changes in Equity for the year ended 30 June 2017

	Contributed Equity	Option reserve	Convertible note	Other equity	Retained Earnings	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	25,506,983	-	-	-	(25,357,138)	-	149,845
Transactions with equity holders in their capacity of equity holders							
Shares issued	681,600	-	-	-	-	-	681,600
Share issue costs	(573,119)	-	-	-	-	-	(573,119)
Share issued on conversion of convertible notes	3,368,572	-	-	-	-	-	3,368,572
Fair value of shares issued to vendor of Stemcell United Pte Ltd	36,000,000	-	-	-	-	-	36,000,000
Fair value of options issued	-	148,000	-	-	-	-	148,000
	<u>39,477,053</u>	<u>148,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,625,053</u>
Total comprehensive income/(loss)	-	-	-	-	(35,618,359)	(1,981)	(35,620,340)
Balance at 30 June 2016 and 1 July 2016	<u>64,984,036</u>	<u>148,000</u>	<u>-</u>	<u>-</u>	<u>(60,975,497)</u>	<u>(1,981)</u>	<u>4,154,558</u>
Transactions with equity holders in their capacity of equity holders							
Issue of convertible notes	-	-	1,000,000	-	-	-	1,000,000
Shares issued on conversion of convertible notes	1,000,000	-	(1,000,000)	-	-	-	-
Fair value of shares issued or to be issued to advisors	110,000	-	-	468,000	-	-	578,000
	<u>1,110,000</u>	<u>-</u>	<u>-</u>	<u>468,000</u>	<u>-</u>	<u>-</u>	<u>1,578,000</u>
Total comprehensive income/(loss)	-	-	-	-	(3,631,079)	22,687	(3,608,392)
Balance at 30 June 2017	<u>66,094,036</u>	<u>148,000</u>	<u>-</u>	<u>468,000</u>	<u>(64,606,576)</u>	<u>20,706</u>	<u>2,124,166</u>

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

Stemcell United Limited

Statement of Cash Flows for the year ended 30 June 2017

		2017 \$	2016 \$
CASH FLOWS RELATING TO OPERATING ACTIVITIES			
Receipts from customers		31,419	74,753
Payment to suppliers and employees		(397,944)	(1,022,043)
Interest income		1,452	9,323
Interest expense		(2,953)	(4,048)
Income tax paid		-	(22,570)
Total cash used in operating activities	17	(368,026)	(964,585)
CASH FLOWS RELATING TO INVESTING ACTIVITIES			
Purchase of plant and machinery		-	(168,731)
Payment for acquisition of subsidiary, net of cash acquired	3	-	(2,413,762)
Total cash used in investing activities		-	(2,582,493)
CASH FLOWS RELATING TO FINANCING ACTIVITIES			
Proceeds from issue of shares		-	681,600
Payment of share issue costs		-	(425,119)
Proceeds from issue of converting notes		1,000,000	-
Proceeds from loan		206,640	-
Repayment of loan		(55,617)	-
(Repayment of) /proceed from director loan		(2,574)	11,175
Total cash from financing activities		1,148,449	267,656
Net increase (decrease) in cash and cash equivalents		780,423	(3,279,422)
Cash and cash equivalents at beginning of financial year		272,897	3,554,300
Foreign currency translation differences		(10,762)	(1,981)
Cash and cash equivalents at end of financial year		1,042,558	272,897

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

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

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”).

(a) Domicile

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

(b) Statement of compliance

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

(c) Basis of Presentation

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

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

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

Details of key accounting estimates and judgements are in Note 11 and 15 to the financial statements.

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

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

(d) Principles of consolidation

Subsidiaries

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

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

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

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. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

(e) Business Combinations

The acquisition method of accounting is used to account for all the business combinations, regardless of whether equity instruments or other assets are required. The consideration transferred for the acquisition of a subsidiary comprises the:

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

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

Acquisition relation costs are expensed as incurred.

The excess of the:

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

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

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue from sale of goods is recognised when sales invoices are raised following the dispatch of goods to the customer and the associated risks have passed to the customer. Amounts disclosed as revenue are net of returns, trade allowances, and rates paid.

(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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

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

(h) Income tax

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

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

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

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

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

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

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

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

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

(k) Inventories

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

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

(l) Plant and equipment

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

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

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

(m) Depreciation

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

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

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

(n) Impairment

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

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

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

(o) Financial Instruments

Recognition and Initial Measurement

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

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

De-recognition

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

Classification and Subsequent Measurement

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

(p) Trade and other payables

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

(q) Interest bearing borrowings

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

(r) Share capital

Ordinary share capital

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

Transaction costs

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

(s) Employee benefits

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

(t) 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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

(u) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(v) Intangible assets

Intellectual property

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

(w) New standards and interpretations not yet adopted

The Australian Accounting Standards Board has issued new, revised and amended standards and interpretations (including AASB 9: Financial Investments, AASB 15: Revenue from Contracts with Customers and AASB 16: Leases) that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. AASB 9 is not expected to have a material impact on the financial statements of the Group.

In AASB 15 the AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2018), i.e. without restating the comparative period. They will only need to apply the new standard to contracts that are not completed as of the date of initial application.

AASB 16 removes the distinction between operating and finance leases – if an agreement meets the definition of a lease then it is recorded on the balance sheet (subject to the exceptions discussed below). The balance sheet will have a right to use asset (non-current) and a lease liability (split between current and non-current). The income statement will show interest expense in relation to the liability and depreciation of the right of use asset.

There are two exceptions to the general lease recognition criteria. If these are used, the leases are accounted for under the existing operating lease accounting treatment:

- Short-term leases – those leases where the lease term is less than 12 months and there is no purchase option included within the lease;
- Low value assets – the underlying assets being leased are considered low value (in the region of \$10,000).

AASB 16 will cause significant changes to the balance sheet of the Group and ratios such as earnings before interest and tax (EBIT / EBITDA). This may affect bank covenants, bonus arrangements, earn out clauses, solvency ratios.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

Management has yet to assess the impact of the new standards and, at this stage, the Group is not able to estimate the impact of the new standards on the Group's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2: GOING CONCERN

During the year ended 30 June 2017, the consolidated entity incurred a loss after income tax of \$3,631,079 and net cash outflows from operating activities of \$368,026. At 30 June 2017, the consolidated entity had \$1,042,558 in cash.

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

- Sale of Dendrobium 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: ACQUISITION OF STEMCELL UNITED PTE LTD

On 14 September 2015, the Company acquired 100% of the issued share capital of Stemcell United Pte Ltd, a Singapore based biotechnology company.

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

Purchase consideration	2016 \$
Cash paid	2,500,000
120,000,000 Ordinary shares issued	36,000,000
Total purchase consideration	<u>38,500,000</u>

As the Company's shares were suspended from trading when the terms of the consideration for this acquisition was agreed, the fair value of the 120,000,000 shares issued as part of the consideration was based on the price agreed between the Company and the seller of Stemcell United Pte Ltd of A\$0.30 per share.

The assets and liabilities recognised as a result of the acquisition are as follows:

	2016 Fair value \$
Cash and cash equivalents	86,238
Trade and other receivables	368,119
Inventory	476,993
Property plant and equipment	9,012
Trade and other payables	(302,281)
Income tax payable	(16,073)
Net identifiable assets acquired	<u>622,008</u>
Dendrobium officinale IP	37,877,992
Net assets acquired	<u>38,500,000</u>

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

The business had initially been accounted for on a provisional basis. The consolidated group 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 date of acquisition. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer received all possible information possible to determine fair value.

Net cash outflow arising from the acquisition

	2016 \$
Cash paid	2,500,000
Cash acquired	(86,238)
Net cash outflow	<u>2,413,762</u>

NOTE 4: SHARE BASED PAYMENT

Amounts included as administrative expenses in Profit or Loss:

	2017 \$	2016 \$
Issuance of 11,000,000 shares to advisors	110,000	-
Contracted 3,600,000 shares to advisors	468,000	-
	<u>578,000</u>	-

The shares were valued based upon the value of shares at the date of contract.

NOTE 5: IMPAIRMENT

	2017 \$	2016 \$
Impairment of inventory~	-	937,875
Impairment of plant and equipment~	-	121,468
Impairment intangible assets*	2,791,874	33,438,121
	<u>2,791,874</u>	<u>34,497,464</u>

~Impairment was made to inventory and plant and equipment on the basis of non-recoverability of the carrying amount.

*Impairment was made to intangible assets on the basis of an independent valuations received from BMI Appraisals Limited (Note 10).

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 6: INCOME TAX

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

	2017 \$	2016 \$
Numerical reconciliation of income tax income to prima facie tax payable		
Net profit before tax	(3,631,079)	(35,604,748)
Tax at the Australian tax rate of 30% (2016: 30%)	(1,089,924)	(10,681,424)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(41,262)	-
Tax effect of amounts that are not deductible / taxable in calculating taxable income	813,821	10,349,239
Tax losses and temporary differences not brought to account	317,365	345,796
Income Tax Expense	-	13,611

Total unrecognised deferred tax asset relating to losses carried forward is \$1,710,921 (2016: \$647,180).

NOTE 7: EARNINGS PER SHARE

	2017 \$	2016 \$
(a) Reconciliation of Earnings to Net Profit or Loss		
Net profit	(3,631,079)	(35,618,359)
Earnings used in the calculation of basic EPS	(3,631,079)	(35,618,359)
Earnings used in the calculation of dilutive EPS	(3,631,079)	(35,618,359)
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	369,416,196	339,175,456
Weighted average number of options*	2,000,000	1,589,041
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	369,416,196*	339,175,456*

*Options are considered anti-dilutive as at 30 June 2017 and therefore are not included in the computation of the dilutive EPS

NOTE 8: TRADE AND OTHER RECEIVABLES

	2017 \$	2015 \$
CURRENT		
Trade receivables	6,004	-
Deposits	2,000	17,137
GST receivables	9,209	115,118
	17,213	132,255

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 9: PLANT AND EQUIPMENT

	IT equipment \$	Machineries \$	Furniture \$	Renovation \$	TOTAL \$
Cost					
At 1 July 2015	-	-	-	-	-
Additions	12,056	61,752	61,509	45,471	180,788
Impairment	(12,056)	(21,659)	(61,509)	(45,471)	(140,695)
At 30 June 2016 and 1 July 2016	-	40,093	-	-	40,093
Additions	-	-	-	-	-
At 30 June 2017	-	40,093	-	-	40,093
Accumulated depreciation					
At 1 July 2015	-	-	-	-	-
Depreciation	6,363	6,175	6,151	4,547	23,236
Impairment	(6,363)	(2,166)	(6,151)	(4,547)	(19,227)
At 30 June 2016 and 1 July 2016	-	4,009	-	-	4,009
Depreciation	-	-	-	-	-
At 30 June 2017	-	4,009	-	-	4,009
Carrying amount					
At 30 June 2017	-	36,084	-	-	36,084
At 30 June 2016	-	36,084	-	-	36,084

NOTE 10: INTANGIBLE ASSETS

	Dendrobium officinale IP \$	TOTAL \$
Cost		
At 1 July 2015	-	-
Additions	37,877,992	37,877,992
Impairment	(33,438,121)	(33,438,121)
At 30 June 2016 and 1 July 2016	4,439,871	4,439,871
Impairment	(2,791,874)	(2,791,874)
At 30 June 2017	1,647,997	1,647,997
Accumulated amortisation		
At 1 July 2015	-	-
Amortisation	-	-
At 30 June 2016 and 1 July 2016	-	-
Amortisation	110,997	110,997
At 30 June 2017	110,997	110,997
Carrying amount		
At 30 June 2017	1,537,000	1,537,000
At 30 June 2016	4,439,871	4,439,871
	2017 \$	2016 \$
Intangible assets recognised on acquisition of subsidiary (note 3)	4,439,871	37,877,992
Impairment of intangible assets (note 5)	(2,791,874)	(33,438,121)
Amortisation	(110,997)	-
Fair value balance of intangible assets at reporting date	1,537,000	4,439,871

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

During the year ended 30 June 2016, the company applied the provision accounting approach, as permitted under Australian Accounting Standard AASB 3 Business Combinations to the intangible asset balance, and recognised all intangibles on the business combination that occurred during the year ended 30 June 2016 as goodwill. The goodwill of \$37,877,992 (Note 3) was subsequently impaired to \$4,439,871 during the year ended 30 June 2016.

During the year ended 30 June 2017, the directors assessed that the intangible balance acquired that had not been impaired at 30 June 2016 related to the intellectual property of the *Dendrobium Officinale* meristematic plant cells and method of isolating them, of which an independent valuation was obtained from BMI Appraisals Limited. Accordingly, the goodwill recorded in the financial statements at 30 June 2016 has been reclassified as Intellectual Property of *Dendrobium Officinale* meristematic plant cells and method of isolating them in the comparative balance above.

The directors obtained an independent valuation of the intangibles from BMI Appraisals Limited in August 2017, and based on the valuation, the directors impaired the goodwill by \$2,791,874 (2016: \$33,438,121). The valuation was completed on 25 September 2017 by BMI Appraisal Limited (2016: 26 August 2016 by BMI Appraisals Limited).

Key Assumptions made by the valuer in arriving at the fair value are:

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of SCU have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of SCU will not differ materially from those of present or expected;
- The financial and operational information in respect of SCU have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- SCU currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of SCU, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of SCU;
- SCU has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of SCU will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of SCU;
- The senior management of SCU has sufficient knowledge and experience in respect of the operation of SCU, and the turnover of any director, management or key person will not affect the operation of SCU;
- The senior management of SCU has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of SCU; and
- The senior management of SCU has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of SCU.
- Adopted rates of valuation parameters:

a.	Risk-free Rate	3.58%
b.	Beta Coefficient	0.968
c.	Market Risk Premium	9.76%
d.	Size Premium	3.58%
e.	Company-specific Premium	5.00%
f.	Cost of Equity	21.61%
g.	Cost of Debt	4.90%
h.	After-tax Cost of Debt	4.07%
i.	Weight of Debt	0%
j.	Weight of Equity	100%
k.	Discount Rate	
	Post tax	21.61%
	Pre tax	24.4%
l.	Long-term Growth Rate	3.00%
m.	Discount for Lack of Marketability	16.10%
n.	Terminal value of approximate times EBIT	5 times

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

Sale of Dendrobium Masks

Year ended	Annual growth %	Gross profit %
31 December 2017	674*	20
31 December 2018	287*	25
31 December 2019	16	30
31 December 2020	13	35
31 December 2021	9	40
31 December 2022	6	45
31 December 2023	3	45

* based upon annualised results

Sensitivity analysis

The table below summarises the impact of the fair value of the consolidated entity's intellectual property if there is a change in forecast sales, with all other variants held constant.

Change in sales (%)	Fair value \$	Change in fair value (%)
+10%	1,940,000	+26%
-10%	1,114,000	-28%
+25%	2,500,000	+63%
-25%	480,000	-69%

NOTE 11: TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
CURRENT		
Trade payables	7,415	117,357
Other payables	67,170	342,123
Accrued expenses	82,742	96,055
	<u>157,327</u>	<u>555,535</u>

NOTE 12: BORROWINGS

	2017 \$	2016 \$
CURRENT		
Unsecured loan*	202,990	-
	<u>202,990</u>	<u>-</u>

The unsecured loans are advances from shareholders. These loans are repayable on demand. \$100,000 of the loan attracts interest at 5% per annum while the remaining amounts of the loan are interest free.

NOTE 13: CONVERTIBLE NOTES

The Company issued 1,000,000 convertible notes ("Notes") for \$1,000,000 on 31 March 2017. The Notes could be converted into such number of ordinary shares as is the product of the aggregate Subscription Amount for such Notes divided by 80% of the VWAP over the preceding 5 day trading period immediately prior to the issue of the shares into which the Notes are to be converted. The Notes earned interest at the rate of 12% per annum, such interest to be paid on the earlier of the date on which the Notes are repaid in full, and the date on which the Notes are converted. If the Notes are converted, the interest to be paid will be converted into ordinary shares per the formula above. If not converted, the Notes will be repaid, together with interest on the second anniversary of issue.

On 28 April 2017, 650,000 Notes were converted into 7,142,675 ordinary shares. On 15 May 2017, the remaining 350,000 Notes were converted into 3,258,065 ordinary shares.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 14: CONTRIBUTED EQUITY

	2017 \$	2016 \$
Issued and fully paid ordinary shares	66,094,036	64,984,036
Movements in ordinary shares		
	Number of shares	A\$
At 1 July 2015	433,355,149	25,506,983
Reconstruction of issued shares (2 shares to 1 share)	(216,676,904)	-
Conversion of convertible notes to shares	24,550,687	3,368,572
Allotment of prospectus shares, net of costs	3,408,000	108,481
Issue of shares to vendor on acquisition of subsidiary (Note 3)	120,000,000	36,000,000
At 30 June 2016 and 1 July 2016	364,636,932	64,984,036
Issue of shares to advisors	11,000,000	110,000
Conversion of convertible notes to shares	10,400,740	1,000,000
At 30 June 2017	386,037,672	66,094,036

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.

NOTE 15: OPTION RESERVE

	2017 \$	2016 \$
Option Reserve	148,000	148,000
Movements in Option Reserve		
	Number of options	\$
At 1 July 2015	-	-
Issued during the period (A\$0.20 per option)	2,000,000	148,000
At 30 June 2016 and 1 July 2016	2,000,000	148,000
At 30 June 2017	2,000,000	148,000

On 14 September 2015, 2,000,000 options were issued to nominees of APP Securities Pty Ltd as lead manager of the prospectus fund raising. The assessed fair value at grant date of options issued to APP Securities Pty Ltd was A\$148,000. The fair value at grant date is determined using the Black Scholes Model.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

The model inputs for the options granted included:

- (a) exercise price: A\$0.20
- (b) grant date: 14 September 2015
- (c) expiry date: 14 September 2018
- (d) share price at grant date: A\$0.20
- (e) expected price volatility of the company's shares: 50%
- (f) risk-free interest rate: 3.5%

NOTE 16: OTHER EQUITY

During the year, the company has signed an agreement to pay a fee of 20 million shares and 20 million options exercisable at the price of A\$0.20 with an exercise period of 6 months from date of issue, to an advisor for introducing and facilitating a deal, of which 3.6 million shares were payable upon execution of the agreement. 3.6 million options are payable upon shareholder approval, and 16.4 million shares and 16.4 million options are payable upon satisfaction of condition precedent (completion of the Services Agreement and Investment Agreement) and shareholder approval.

Other equity relates to the 3.6 million shares payable upon execution of the agreement but not yet issued, valued at \$0.13 per share, being the share price when the agreement between the Company and the advisor was signed.

NOTE 17: RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES

	2017	2016
	\$	\$
Profit/loss for the year	(3,631,079)	(35,618,359)
Share based payment expenses	578,000	-
Waiver of amount due to a director and a related company of a director	(335,533)	-
Impairment	2,791,874	34,497,464
Depreciation and amortisation	110,997	23,236
Accrued interest on convertible note	-	105,938
Changes in receivables	(6,004)	262,235
Changes in inventory	-	(460,882)
Changes in payables	123,719	225,783
Total cash used in operating activities	(368,026)	(964,585)

NOTE 18: COMMITMENTS

At 30 June 2017 the company had the following commitments:

Operating leases contracted for but not recognised in the financial statements

	2017	2016
	\$	\$
Within than 12 month	-	82,656
Between 12 month and 5 years	-	34,440
More than 5 years	-	-
	-	117,096

The operating lease was terminated on 30 September 2016.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 19: AUDITOR'S REMUNERATION

	2017 \$	2016 \$
HLB Mann Judd Audit and review of financial report	51,500	43,500
Other services from HLB Mann Judd Tax advisory	17,959	-

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of key management personnel

	2017 \$	2016 \$
Short-term employee benefits	162,200	338,540
Post-employment benefits	7,410	7,695
Share-based payments	-	-
	169,610	346,235

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

NOTE 21: RELATED PARTY DISCLOSURES

	2017 \$	2016 \$
Related party balances		
Loan due to a director (interest free and unsecured) [^]	141,600	163,868
Trade payable and other payables owed to directors and director related entities	-	357,046
Transactions		
Sales to a director related company	-	488,580
Less credit notes issued to a director related company*	-	(444,164)
	-	44,416
Purchases from a director related company	-	(319,015)
Less credit notes received from a director related company*	-	232,256
	-	(86,759)
Debts forgiven by director and director related company	335,533	-

* In 2016, credit notes were issued to the Group as due to a change in regulation in China, the group's Resina product could no longer be sold in China. Accordingly, credit notes were issued by the group in relation to a significant amount of sales made. Credit notes were also received from the same related party company in relation to purchases made by the Group.

[^] During the year ended 30 June 2017 \$22,268 owed to the director was repaid.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 22: SEGMENT INFORMATION

The consolidated group operated in one business segment being the sourcing, producing, marketing and selling of Traditional Medicines.

2017	Australia \$	Singapore \$	Hong Kong \$	Total \$
Revenue	-	6,054	25,565	31,619
Profit / (Loss)	(3,948,839)	327,037	(9,277)	(3,631,079)
Total assets	2,453,629	144,767	34,459	2,632,855
Total liabilities	(170,129)	(338,560)	-	(508,689)
Interest revenue	1,452	-	-	1,452
Interest expense	(2,953)	-	-	(2,953)
Depreciation and amortisation	(110,997)	-	-	(110,997)
Impairment	(2,791,874)	-	-	(2,791,874)
Income tax expense	-	-	-	-

2016	Australia \$	Singapore \$	Total \$
Revenue	-	74,753	74,753
Profit / (Loss)	(34,092,915)	(1,525,444)	(35,618,359)
Total assets	4,784,732	96,375	4,881,107
Total liabilities	(24,759)	(701,790)	(726,549)
Interest revenue	9,323	-	9,323
Interest expense	(105,938)	(4,048)	(109,986)
Depreciation	-	(23,236)	(23,236)
Impairment	(33,438,122)	(1,059,342)	(34,497,464)
Income tax expense	-	(13,611)	(13,611)

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 and interest rate risk.

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

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

Credit risk

Credit risk is managed and reviewed regularly by the management. It arises from exposures to customers as well as through deposits with financial institutions. Management requires that all surplus funds are only invested with financial institutions with a Standard and Poor's rating of at least AA-. All bank balances of the Company at 30 June 2017 were held with a bank with this rating.

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

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

Liquidity risk

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

Maturity analysis table

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

2017	Weighted average effective interest rate	Interest bearing maturing within 1 year	Non interest bearing maturing within 1 year	Non-interest bearing between 2 year and 5 years	TOTAL
	%	\$	\$	\$	\$
Financial assets					
- Cash and cash equivalents	0.5%	1,042,558	-	-	1,042,558
- Trade and other receivables	-	-	17,213	-	17,213
Total financial assets		1,042,558	17,213	-	1,059,771
Financial liabilities					
- Trade and other payables	-	-	(157,327)	-	(157,327)
- Borrowings	2.5%	(100,000)	(102,990)	-	(202,990)
- Amounts due to directors	-	-	(141,600)	-	(141,600)
Total financial liabilities		(100,000)	(401,917)	-	(501,917)
2016	Weighted average effective interest rate	Interest bearing maturing within 1 year	Non interest bearing maturing within 1 year	Non-interest bearing between 2 year and 5 years	TOTAL
	%	\$	\$	\$	\$
Financial assets					
- Cash and cash equivalents	0.5%	267,372	5,525	-	272,897
- Other receivables	-	-	132,255	-	132,255
Total financial assets		267,372	137,780	-	405,152
Financial liabilities					
- Trade and other payables	-	-	(555,535)	-	(555,535)
- Amounts due to directors	-	-	-	(163,868)	(163,868)
Total financial liabilities		-	(555,535)	(163,868)	(719,403)

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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

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

Interest rate sensitivity

Year ended	Profit and loss \$		Equity \$	
	+0.5%	-0.5%	+0.5%	-0.5%
30 June 2017	+3,039	-3,039	+3,039	-3,039
30 June 2016	+1,337	-1,337	+1,337	-1,337

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 from Singapore dollars.

NOTE 24: FAIR VALUE MEASUREMENT

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

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

The Group does not hold any financial assets or liabilities carried at fair value as at 30 June 2017.

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

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 25: 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	
			2017	2016
Stemcell United Pte Ltd	Singapore	Ordinary	100%	100%
Stemcell Essential Pte Ltd	Singapore	Ordinary	100%	100%
Stemcell United Hong Kong Pte Ltd	Hong Kong	Ordinary	100%	-
United Cann Pty Ltd	Australia	Ordinary	100%	-

NOTE 26: SUBSEQUENT EVENTS

On 29 September 2017, the company received from Mr Nevil Schoenmaker, a consultant of the company, a notice of termination of his consulting agreement.

Other than above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

NOTE 27: CONTINGENT ISSUE OF SHARES AND OPTIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the year, the company has signed an agreement to pay a fee of 20 million shares and 20 million options exercisable at the price of A\$0.20 with an exercise period of 6 months from date of issue, to an advisor for introducing and facilitating a deal, of which 3.6 million shares were payable upon execution of the agreement. 3.6 million options are payable upon shareholder approval, and 16.4 million shares and 16.4 million options are payable upon satisfaction of conditions precedent (completion of the Services Agreement and Investment Agreement) and shareholder approval.

Other than the above, the Company is not aware of any other Contingent Assets or Liabilities that should be disclosed in accordance with AASB 137.

NOTE 28: REVENUE AND COST OF SALES

Breakdown of revenue

	2017	2016
	\$	\$
Sales	31,619	514,506
Less: returns	-	(439,753)
Net Sales	31,619	74,753

Breakdown of cost of sales

	2017	2016
	\$	\$
Cost of Sales	25,968	314,301
Less: returns	-	(227,543)
Net Cost of Sales	25,968	86,758

Stemcell United Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2017

NOTE 29: PARENT ENTITY INFORMATION

Statement of Profit and Loss and Other Comprehensive Income	2017	2016
	\$	\$
Revenue	-	-
Other income	35,339	9,323
Impairment of goodwill	(2,791,874)	(34,497,464)
Expenses	(1,263,461)	(526,781)
Profit/(loss) for the year	(4,019,996)	(35,014,922)

Statement of financial position	2017	2016
	\$	\$
Total assets	2,488,108	4,784,734
Total liabilities	(170,129)	(24,759)
Net assets/(liabilities)	2,317,979	4,759,975

<u>Equity</u>		
Contributed equity	66,094,036	64,984,036
Other equity	468,000	-
Option reserve	148,000	148,000
Retained earnings	(64,392,057)	(60,372,061)
	2,317,979	4,759,975

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 2, 350 Kent Street, Sydney NSW, Australia.

Stemcell United Limited (formerly On Q Group Limited)

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2017

In the directors' opinion:

1. The financial statements and notes set out on pages 9 to 32 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 2017 and of its performance for the financial year ended on that date.
2. There are reasonable grounds to believe that Stemcell United Limited will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

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



Gu Huan Qing, Philip
Director

29 September 2017

**STEMCELL UNITED LIMITED
ACN 009 104 330**

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 2017, 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:

- (a) the financial report of Stemcell United Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company on 29 September 2017, would be in the same terms if given to the directors as at the time of this auditor's report.

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 \$3,631,079 during the year ended 30 June 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215

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HLB Mann Judd is a member of  International. A world-wide organisation of accounting firms and business advisers.

**STEMCELL UNITED LIMITED
ACN 009 104 330**

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Intangible Assets	
<p>The impairment assessment made by the Group over its intangible balance is a key audit matter as intangible assets are the largest asset on the statement of financial position and the impairment assessment incorporates significant judgments in respect of factors such as forecasted cash flows, growth rates and discount rates.</p>	<p>Our audit considered whether the methodology and principles applied by the Group to their value in use impairment model met the requirements of Australian Accounting Standard AASB 136 Impairment of Assets.</p> <p>We assessed the determination of the Group's cash generating units ("CGU") based on our understanding of the nature of the Group's business and the economic environment in which it operates.</p> <p>We evaluated the Group's process for determining any asset impairments.</p> <p>We assessed and tested the assumptions and methodologies used by the external valuer appointed by the Group to assess the fair value of the Group's intangibles using a value in use model. In doing so:</p> <ul style="list-style-type: none"> • We assessed the basis for the Group's cash flow forecasts; • We reviewed the key assumptions used, including the discount rate, gross profit and EBITDA percentages, growth rates to available internal and external data including comparable companies; and • We performed sensitivity analysis and evaluated whether a reasonably possible change in assumptions could cause the carrying amount of the CGU to exceed its recoverable amount. <p>We assessed whether the Group's disclosures met the requirements of relevant Accounting Standards.</p>

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

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2017, 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.

**STEMCELL UNITED LIMITED
ACN 009 104 330**

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

**STEMCELL UNITED LIMITED
ACN 009 104 330**

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 6 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Stemcell United Limited for the year ended 30 June 2017 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**

**A G Smith
Director**

**Sydney, NSW
29 September 2017**

Stemcell United Limited

(formerly On Q Group Limited)

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 25 September 2017.

Substantial Shareholders

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

<u>Shareholders</u>	<u>Number of Shares</u>	<u>% of issued shares</u>
GU HUANQING	105,000,000	27.20%
WANG JIAN FANG	37,500,000	9.71%
KO HENRY CHUN FUNG	33,361,476	8.64%
DANNY LAI KONG SANG	32,419,378	8.40%
ZHANG LIN	29,801,722	7.72%

Voting Rights

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

Distribution of equity security holders

Holding	Ordinary shares	
	Shares	Options
1 – 1,000	1,666	-
1,001 – 5,000	407	-
5,001 – 10,000	361	-
10,001 – 100,000	514	-
100,001 and over	116	2
	<u>3,064</u>	<u>2</u>

Twenty largest shareholders

	Ordinary Shares	
	Number Held	% of issued shares
GU HUANQING	105,000,000	27.20%
WANG JIAN FANG	37,500,000	9.71%
KO HENRY CHUN FUNG	33,361,476	8.64%
DANNY LAI KONG SANG	32,419,378	8.40%
ZHANG LIN	29,801,722	7.72%
TAN SOON SOON	10,000,000	2.59%
PERSHING AUST NOM PL	9,469,658	2.45%
GOLSPIE PL	8,000,000	2.07%
LEUNG KAM SHUN BETTY	6,500,000	1.68%
CHUN ANG KOK	6,100,000	1.58%
EMERALD CHARM INV PTE LTD	6,053,950	1.57%
BNP PARIBAS NOM PL	5,612,487	1.45%
EQUINEX INV LTD	5,053,950	1.31%
WAH YIP KOON	5,000,000	1.30%
J P MORGAN NOM AUST LTD	3,609,516	0.94%
AM PTNRS CAP CO LIMITED	3,575,000	0.93%
BNP PARIBAS NOMS PL	3,571,400	0.93%
SINBAD PL	3,515,410	0.91%
TSE CHI NANG	3,258,065	0.84%
HSBC CUSTODY NOM AUST LTD	3,100,122	0.80%
	<u>320,502,134</u>	<u>83.02%</u>

Stemcell United Limited

(formerly On Q Group Limited)

Option holders

	Options	
	Number Held	%of issued options
PERSHING AUSTRALIA NOMINEES PTY LTD	1,000,000	50%
BELLOC PTY LTD	1,000,000	50%
	<u>2,000,000</u>	<u>100%</u>

Securities exchange

The Company is listed on the Australian Securities Exchange.

Difference in results reported to Australian Securities Exchange

There is a difference of \$1,254,011 in the Loss for the year between the preliminary final report and the annual report is mainly due to additional impairment of the intangible assets and recognition of payable on a share-based payment.