



STEMCELL UNITED LIMITED
ACN 009 104 330
Level 2, 350 Kent Street, Sydney NSW 2000, Australia

7 August 2017

Ms Kimberly Brown
Australian Securities Exchange

Dear Kimberly

RE: Stemcell United Limited ("SCU"): Listing Rule 12.1 Query

We refer to your letter dated 3 August 2017 in relation to the above and provide the following responses to your questions:

- 1. Has SCU taken any steps, or does it propose to take any steps, to improve its level of operations in its Traditional Chinese Medicine ("TCM") business and, if so, what are those steps and how likely does it believe that they will be successful?*

Carrying out Business Plan

We refer to the announcement dated 24 March 2017 in which we set out SCU's progress and plans in relation to its TCM business.

In carrying out its plans, SCU has 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 generating revenue of A\$6 thousand.
- total sales of A\$31 thousand from sale of dendrobium powder and Masks.
- commenced the production of additional 50,000 the Masks for sale in the China market.

Expanding Product Offering

With the initial success of the sale of Masks, SCU is examining the feasibility of expanding its product range to other dendrobium related cosmetic product offerings including a TCM and dendrobium infused face and body serum (TCM Dendrobium Products). SCU intends to ramp up these activities to create a full suite of dendrobium essence infused cosmetic products.

Expanding into New Markets

In addition to the existing focus on the Asia and China markets, SCU intends to expand its market for its TCM Dendrobium Products into Australasia. SCU is studying the distribution and sale channels for its dendrobium essence infused cosmetic products in Australia and New Zealand.

2. *Please provide any other information that SCU considers may be relevant to ASX forming an opinion on whether SCU is in compliance with Listing Rule 12.1.*

SCU securities were reinstated on ASX at the end of 2015. SCU has already successfully commercialised a TCM Dendrobium Product.

The company is in on an expansion track for marketing its TCM Dendrobium Products. SCU's expansion is extending to a suite of TCM cosmetic products which incorporate dendrobium. In addition to the China and Asia markets, SCU is exploring penetration into the Australia and New Zealand markets.

The Company is focused on the following:

1. successes in commercialising its TCM Dendrobium Products incorporating dendrobium;
2. the expansion of its new TCM Dendrobium Products as well as the expansion into new markets to expand its sales and revenue;
3. the company's continued exploration of new opportunities in the TCM and plant technologies prospective of expansion in business scale and revenue, such as, in the field of medicinal cannabis.

In relation to point 3 above,

- SCU is in discussions with traditional medicine and pharmaceutical companies in China for the distribution of their hemp and medicinal cannabis and related products in and outside of Australia; and
- SCU is in discussions with potential targets in Australia and overseas with the intention of acquiring, investing in or collaborating with an existing business (including operating licences) in the field of medicinal cannabis.

There can be no guarantee that either of these initiatives will be successful. . However, either of these initiatives may result in ASX exercising its discretion under Listing Rules 11.1.2 and 11.1.3 which would require shareholder approval and re-compliance with ASX's admission and quotation requirements under Chapters 1 and 2 of the Listing Rules. The Company is committed to expanding its operations into the medicinal cannabis field, which it considers to be compatible with and a natural expansion of its existing business

Yours faithfully,



Philip Gu Huanqing
CEO



3 August 2017

Mr Chow Yee Koh
Company Secretary
Stemcell United Limited
Level 2
350 Kent Street
SYDNEY NSW 2000

By Email

Dear Mr Koh

Stemcell United Limited ("SCU"): Listing Rule 12.1 Query

ASX Limited ("ASX") refers to the following:

- A. The information relating to SCU's financial condition and level of operations for the period from 30 September 2015 to 31 December 2016 as detailed in ASX's letter dated 17 March 2017.
- B. SCU's response letter dated 24 March 2017, released on the ASX Market Announcements Platform ("MAP"), together with ASX's letter dated 17 March 2017, on 24 March 2017.
- C. SCU's Quarterly Cash Flow Report for the period ended 31 March 2017, released on MAP on 28 April 2017 which disclosed SCU had:
 - \$7,000 in receipts from customers;
 - nil payments for research and development, \$5,000 in product manufacturing and operating costs, and \$92,000 in staff, administration and corporate costs;
 - net cash outflow from operating activities of \$90,000;
 - cash at the end of the quarter of \$211,000, and;
 - \$500,000 in credit standby arrangements available drawn to \$100,000.
- D. SCU's Quarterly Cash Flow Report for the period ended 30 June 2017, released on MAP on 31 July 2017 which disclosed SCU had:
 - \$18,000 in receipts from customers;
 - nil payments for research and development, \$16,000 in product manufacturing and operating costs, and \$323,000 on staff, administration and corporate costs;
 - net cash outflow from operating activities of \$163,000;
 - cash at the end of the quarter of \$1,043,000, including \$1,000,000 from the proceeds of the issue of shares, and \$157,000 in government grants and tax incentives; and
 - \$500,000 in credit standby arrangements available drawn to \$100,000.
- E. Listing Rule 12.1, which provides that the level of a listed entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

It would appear that, based on the Quarterly Cash Flow Reports and announcements lodged in the period from 30 September 2015 to 30 June 2017, SCU does not have a level of operations which appears sufficient to warrant the continued quotation of the entity's securities. SCU's Traditional Chinese Medicine business does not appear to be sufficiently advanced to warrant the continued quotation of the entities securities.

In light of this, ASX asks SCU to respond separately to each of the following questions and requests for information:

1. Has SCU taken any steps, or does it propose to take any steps, to improve its level of operations in its Traditional Chinese Medicine business and, if so, what are those steps and how likely does it believe that they will be successful?
2. Please provide any other information that SCU considers may be relevant to ASX forming an opinion on whether SCU is in compliance with Listing Rule 12.1.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 5:00pm AEST on Monday, 7 August 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SCU's securities under Listing Rule 17.3.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at kimberley.brown@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kimberley Brown'.

Kimberley Brown
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