



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

24 March 2017

Ms Kimberly Brown
Australian Securities Exchange

Dear Kimberly

RE: Stemcell United Limited (“SCU”): Financial Condition and Level of Operations

We refer to your letter dated 17 March 2017 in relation to the above and provide the following responses to your questions:

1. *Listing Rules 12.1 and 12.2 provide:*

12.1 The level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing.

12.2 An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

In light of the information set out above, please provide submissions as to why SCU believes it currently satisfies Listing Rules 12.1 and 12.2.

Stemcell United Limited (SCU) is a biotechnology Company which focuses on extraction, culture and reproduction and growth of plant stem cells for medical, health and beauty applications using its proprietary technology. The proprietary technology is to isolate meristematic plant stem cell from mother plant and grow them in a controlled environment to the specific stage. Then the callus or liquid culture is being collected and processed into the extraction for formulating various products

Currently SCU’s principal business activity is the commercialisation of dendrobium stem cell extraction. Dendrobium has high medicinal value and has been used as an active ingredient in Traditional Chinese Medicine (TCM) products, and in cosmetics products. It is believed to have anti-aging and hair growth properties.

Substantial work has been done on the commercialisation of Dendrobium stem cell. As advised in our announcement dated 1 July 2016, SCU entered into a 3 year cooperation agreement, via its subsidiary, Stemcell Essentials Pte Ltd, with Guangzhou Chinese Medicine University to commercialise SCU’s Dendrobium Stemcell technology. SCU had developed its first batch of Dendrobium Stemcell powder (“Powder”) (see Pic A4). With the successful first batch production of the dendrobium powder, further steps have also been taken by SCU to:

1. Develop a prototype cosmetics product, being a Dendrobium stemcell essence infused facial mask (“Mask”) (Pic B). Currently the prototype of the Mask is undergoing trials and based on feedback, the Company is making fine adjustments to the ingredients composition. Preliminary

discussions have been held with cosmetic companies and distribution channels. SCU expects the Mask to be available commercially in 2017.

2. Develop business opportunities with food companies to expand the application of dendrobium powder into food products. The stemcell dendrobium powder will either be sold as it is, blended with commercially available cultivated dendrobium powder, or process into and sell as liquid concentrate. Further, depending on customer requirements, we may also sell cultivated dendrobium powder only. Preliminary discussions have been held with pharmaceutical and food companies on incorporating the powder into their products.

In addition to the above dendrobium products lines, we are in active negotiations with a pharmaceutical company which used to purchase resina from us, on providing consulting services and licensing our know-how on resina extraction. They would like us to provide to them with consulting services to develop the production and extraction of the resina from the fruits, *Daemonorops Draco Blume*.

Management believe in Year 2017, SCU will be able to generate revenue in the commercialising of the Dendrobium stemcell and its application, including sales of the dendrobium powder to distributors and manufacturing companies.

As disclosed in the annual report 2016, SCU has secured loans for the operation and commercialising the Dendrobium stem cell. As at 31 December 2016, the Company has cash of \$312,574 and available drawdown facilities of \$400,000.

- A. *In relation to the statement in the Review of Operations in the 2016 Annual Report that “Due to a change in regulation in China, the resina product is no longer able to be sold in its current state”, when did SCU first became aware that SCU’s resina product would no longer be able to be sold in its current state?*

SCU became aware of a regulation change relating to the new Chinese Pharmacopeia in February 2016. The change sets a new safety standard on the resina product which requires more testing procedures to ensure that resina products comply the new safety standard. SCU did not expect the change in regulation to have any material impact on the company’s ability to produce and sell resina. By June 2016, the Company saw that sales had reduced and at that time we attributed it to the slowdown in the China market, and immediately made the announcement to the market on 1 July 2016. By September 2016, the Company realised that the lower demand for our product at the price we trying to sell was due to the underlying change in regulation in China as well as the market slow down, and updated the situation accordingly in the annual report in September 2016.

The company, instead of providing resina products, is still in contact with its resina customers and negotiating the provision of consulting services for resina extraction.

- B. *Does SCU consider information that the resina product was no longer able to be sold in its current state was information that a reasonable investor would expect to have a material effect on the price or value of SCU’s securities? If not, why not?*

Yes. SCU considers information that the resina product was no longer able to be sold in its current state was information that a reasonable investor would expect to have a material effect on the price or value of SCU’s securities. SCU notes that the release of the information did not impact the share price.

C. *When did SCU first become aware that it would be making the impairment loss on goodwill of \$33,438,121 disclosed in its 2016 Annual Report?*

SCU first became aware that it would be making the impairment loss on goodwill of \$33,438,121 as disclosed in its 2016 Annual Report, after receiving an independent valuation report. The independent valuation exercise was commissioned in August 2016 and the valuer, after taking into consideration the slowdown in resina business, provided a new valuation in their report dated 26 August 2016, Friday. The directors immediately evaluated it and discussed it with SCU's auditors on the following Monday 29 August 2016. Once these discussions concluded, then impairment loss was booked into the accounts and updated into the Appendix 4E released on 31 August 2016.

D. *Does SCU consider information about the impairment loss on goodwill was information that a reasonable investor would expect to have a material effect on the price or value of SCU's securities? If not, why not?*

Yes, SCU considers information about the impairment loss on goodwill was information that a reasonable investor would expect to have a material effect on the price or value of SCU's securities. SCU notes that the release of the information did not impact the share price.

E. *Please provide a detailed list of each existing Dendrobium stem cell extract product line that SCU currently has, along with a description of SCU's sales and distribution arrangements for that product line and a statement of the revenue SCU has generated from the sale of that product line over the past 8 completed quarters.*

As detailed in (1), SCU's existing dendrobium stemcell extract product lines are dendrobium stemcell extract powder and a dendrobium stemcell essence infused facial mask. Both products are in various end stages of commercialisation, and are expected to be available commercially in 2017.

No revenue was generated from dendrobium stemcell extract product line over the past 8 completed quarters, as the Company is in the stage of preparation and development of the new products as outline in (1) above.

In the execution process for commercialisation, management has:

1. Negotiated with Guangzhou Chinese Medicine University to set up trial production lab (See Pic A1) utilising SCU's IP to produce the dendrobium stemcell extract in powder form (See Pic A4);
2. Developed prototype products of dendrobium stemcell essence infused facial mask with the dendrobium powder extract;
3. Held discussions with cosmetic, food and pharmaceutical companies on distributing our Masks and incorporating our Powder into their products.

We expect to break the cycle of zero revenue from dendrobium stemcell extract product line in 1H 2017 from the sale of our first batch of dendrobium powder produced from our cooperation with Guangzhou Chinese Medicine University. This turn-around is achieved within a short time frame of 9 months since the announcement of our cooperation with Guangzhou Chinese Medicine University in July 2016. One of the strengths of extracting from the stemcell is the short time to market of 3 to 6 months, as opposed to traditional cultivation of 3 to 5 years.

- F. *If, as ASX expects from the revenue lines in SCU's quarterly cash flow reports, SCU does not have any material sales of Dendrobium stem cell extract product, please explain how SCU expects to be able to "leverage operational synergies" by combining its Dendrobium extract business with a medicinal cannabis business, as stated in the March 2017 Announcement.*

The operational synergies involve the use of SCU's High Performance Liquid Chromatography (HPLC) technology and machinery. (HPLC is an advanced technology used to authenticate bio-specimens in modern biotechnology and biochemistry as all living things have a unique 'fingerprint', comprising certain quantities of active constituents). As mentioned in (1), SCU has started the process of commercialising dendrobium stemcell. SCU is able to use its technology of extracting and isolating meristematic plant cell, and its experience on operating HPLC for qualitative and quantitative testing, SCU expanded its uses from production of resina to apply it to the production of dendrobium stem cell extract, and similarly is able to extend it to the medicinal cannabis business

The Medicinal Cannabis market is identified as an area where SCU can use its technology of plant extraction and HPLC. In order to alleviate patient concerns regarding the efficacy and safety of cannabis-derived therapeutics, cannabis quality control testing is mandated in many jurisdictions.

Cannabinoids are a class of psychoactive and non-psychoactive compounds produced in the Cannabis plant. These are the compounds which have shown potential therapeutic efficacy in various medical treatments. Since the concentration-to-potency of cannabinoids in Cannabis can fluctuate through various stages of plant growth and in different plant strains, it is imperative that Cannabis cultivators ensure cannabinoid identity as well as consistent purity and concentration. SCU's knowhow in HPLC applied for resina and dendrobium plant extraction are key technology relevant to cannabinoid testing.

A recent class action in Canada illustrates a potential demand for SCU's HPLC technology and machinery to be used to test medical cannabis for toxins and pesticides. (<http://www.cbc.ca/news/canada/nova-scotia/medical-marijuana-cannabis-health-canada-random-testing-1.3971601>)

SCU's experiences in plant technology makes it well positioned to explore and expand into the medicinal cannabis. As such SCU has engaged Mr. Nevil Schoenmakers to assist us in assessing the opportunities in the medical cannabis market.

The operational synergy expected in medicinal cannabis and our existing operations are identified as follow:

1. Technology –
 - a) Similar technology for extraction and testing in the field of medical cannabis and its existing plant technology.
 - b) Using SCU's stem cell experience. It would be possible to cultivate cannabis stemcell in a controlled indoor environment to extract active ingredient essences using SCU's IP of "Meristematic plant cells and method of isolating them".
2. Relationship – SCU's relationship with food, cosmetic and pharmaceutical companies might also have interest in medicinal cannabis products.
3. Equipment – SCU is able to transfer experiences in using HPLC equipment on the testing of medicinal cannabis.

SCU has already laid its platform for the Dendrobium business with substantial activity and progress. Revenue is expected to be generated from the Dendrobium business in Year 2017. Diversifying into the similar traditional medicine of medicinal cannabis will only further enhance shareholder value, by using its existing technology.

In conclusion, SCU's has a sustainable business model and its ability to use its technology and IP in different plants and create healthy products should drive growth. Substantial activity is ongoing for the commercialisation of the dendrobium stem cell and Company had in the last 12 months established trial production of dendrobium and is developing product for entry into the market. Visible results and revenue will be demonstrated in Year 2017.

Further fund raising activity is currently planned and, the Company expects to raise new funding for expansion of its existing dendrobium business and for assessing the opportunity to enter the medicinal cannabis business.

Thank you.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Philip Gu Huanqing', written in a cursive style.

Philip Gu Huanqing

CEO and Director

Pic A

Trial production lab and Stemcell Product



1. Dendrobium stemcell trial production incubator lab in Guangzhou University of Chinese Medicine



2. Close up of the Dendrobium stemcell



3. Mashed Dendrobium stemcell



4. Dendrobium Powder (Final Product)

Pic B

Dendrobium stemcell essence infused facial mask Prototype



1. Prototype packaging



2. A mask which has just been taken out from the packaging



3. Prototype of dendrobium stemcell essence infused facial mask



17 March 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”): Financial Condition and Level of Operations

ASX Limited (“ASX”) refers to the following:

1. The reinstatement of SCU’s securities to official quotation on 14 September 2015 following the acquisition of StemCell United Pte Limited (“StemCell United”) and the change of activities of SCU to focus on the extraction, culture, reproduction, and growth of plant stem cells for medicinal health and beauty applications in traditional Chinese medicine. It is noted that this included sourcing and production of *Daemonorops Draco* Blume extract (“Resina”) and the intended production and distribution of *Dendrobium Officinale* extract (“Dendrobium”). The consideration for the acquisition of StemCell United included the payment of \$2,500,000 in cash and 120 million shares to Mr Gu Huanqing (“Mr Gu”), and Mr Gu was subsequently appointed as an executive director of SCU. Following its reinstatement, SCU had a cash balance of approximately \$1,300,000.
2. The replacement prospectus dated 13 July 2015 released on the ASX Market Announcements Platform (“MAP”) on 13 July 2015 issued in connection with the acquisition of StemCell United, which at section 11.3 discloses that Mr Gu controlled a Singapore incorporated company called Favourite Technologies Pte Ltd (“Favourite Technologies”), which had entered into a reseller agreement and a manufacturing agreement with StemCell United. Pursuant to the reseller agreement, Favourite Technologies had a long term supply agreement with Jinhua Yakang Pharmaceutical Co Ltd (“Jinhua”) to supply it with Resina, and Favourite Technologies had appointed StemCell United as the sole supplier to handle all procurement of Resina by Jinhua. Favourite Technologies would charge a 1% commission on the price of each order, and they agreed to use best endeavours to negotiate with Jinhua to assign and novate the agreement from Favourite Technologies to StemCell United or to replace it with a new agreement on terms no less favourable than the agreement.
3. SCU’s announcement entitled “*Operation updates*” released on MAP on 14 September 2015 disclosing amongst other things:

“The Company raised \$681,000 through the issue of shares to new investors at 0.20c per share, which was in excess of the required minimum of \$600,000, and upon listing the company has 364,636,262 shares on issue with a market capitalisation of \$72.8 million. ...

*The funds from the capital raising will now be deployed to expand sales and distribution of the *Daemonorops Draco Blume* (commonly known as 'Resina' or 'Dragon's Blood') extract that the Company currently sells to pharmaceutical and trading companies in Asia for circa US\$350 per kilo.*

*Once the Company has sufficiently grown its revenue streams, it plans to commercialise the Company's new stem cell extraction process for *Denobrium Officinale et Migo* (or 'Denobrium'), a highly valued orchid extract used in [Traditional Chinese Medicine] which commonly sells for between US\$1,000 to US\$3,000 per kilo. ... "*

4. SCU's Quarterly Cash Flow Report for the period ended 30 September 2015, released on MAP on 19 October 2015, which disclosed SCU had cash at the end of the quarter of \$785,731, \$20,000 in receipts from customers, \$4,586 in payments for research and development and nil financing facilities available. It also indicated that SCU had a net cash outflow from operating activities of \$611,461, and net cash inflow of \$256,481 from the proceeds of issuing shares and payments relating to share issue costs.
5. SCU's Quarterly Cash Flow Report for the period ended 31 December 2015, released on MAP on 27 January 2016, which disclosed SCU had cash at the end of the quarter of \$532,733, \$161,003 in receipts from customers, nil payments for research and development and nil financing facilities available. It also indicated that SCU had a net cash outflow from operating activities of \$269,939, and proceeds from borrowing from an undisclosed source of \$16,942.
6. SCU's 2016 interim report for the half year ended 31 December 2015 ("2015 Half Year Report"), entitled "*Half Yearly Report and Accounts*" released on MAP on 29 February 2016, which disclosed revenue from sale of goods of \$484,169, cost of sales of \$286,833, gross profit of \$197,336, and goodwill of \$37,877,992 attributable to the acquisition of StemCell United.
7. Note 7: Related Party Balances and Transactions of the 2015 Half Year Report which disclosed sales to a director related company of \$484,169, which appears to account for the entire revenue of SCU for the half year.
8. The following statement by HLB Mann Judd Assurance (NSW) Pty Ltd ("HLB Mann Judd") set out in the independent auditor's report included in SCU's 2015 Half Year Report:

"Basis for Qualified Opinion Conclusion- impairment of goodwill

The consolidated entity has recognised goodwill of \$37,877,992 in its statement of financial position as at 31 December 2015 which, as noted in note 9 to the half-year financial report, is attributable to the acquisition of StemCell United Pte Ltd during the period. The acquisition has been initially accounted for on a provisional basis, and the consolidated entity will retrospectively adjust the provisional amounts recognised and also recognise 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 directors of the Company have advised of their intention to arrange for an external valuation of the intangibles acquired (including any goodwill) as part of the above acquisition in the near future, and that this would also be used to assess the recoverable amount of the intangibles (including any goodwill) as at 31 December 2015.

As the directors had not yet arranged for the external valuation of the intangibles acquired (including any goodwill), we were unable to obtain sufficient appropriate evidence of the

recoverable amount of the goodwill as at 31 December 2015. Consequently, we were unable to determine whether any adjustments to the goodwill were necessary.”

9. SCU’s Quarterly Cash Flow Report for the period ended 31 March 2016, released on MAP on 26 April 2016, which disclosed SCU had cash at the end of the quarter of \$344,510, \$73,118 in receipts from customers, nil payments for research and development and nil financing facilities available. It also indicated that SCU had a net cash outflow from operating activities of \$18,055.
10. The announcement by SCU entitled “*Operation updates*” released on MAP on 1 July 2016 disclosing that SCU had entered into a 3 year cooperation agreement, via its subsidiary Stemcell Essentials Pte Ltd, with Guangzhou Chinese Medicine University to commercialise SCU’s Dendrobium stemcell patent, that preparation work is now underway with the University, and that SCU expects its first batch of the output of Dendrobium stemcell in the form of dendrobium powder to be available by the end of Year 2016. The announcement also confirmed that SCU expected that it will incur a significant consolidated net loss after tax for the year ended 30 June 2016, and that this was due to the costs incurred in connection with the re-quotation of SCU on ASX in September 2015, and also a reduction in demand for Resina product as a result of a slowdown in the China market earlier that year.
11. SCU’s Quarterly Cash Flow Report for the period ended 30 June 2016, released on MAP on 29 July 2016, which disclosed SCU had cash at the end of the quarter of \$272,897, nil receipts from customers, nil payments for research and development and nil financing facilities available. It also indicated that SCU had a net cash outflow from operating activities of \$93,919.
12. SCU’s 2016 annual report for the year ended 30 June 2016 (“2016 Annual Report”) entitled “*Annual Report to shareholders*” released on MAP on 30 September 2016, which disclosed under the heading “Review of Operations” the following:

“The company was reinstated on the ASX official list on 14 September 2015 after completing a prospectus fund raising and acquiring Stemcell United Pte Ltd, a Singapore based biotechnology company. The book value of the acquisition was \$38,500,000 which consists of consideration of cash payment of \$2,500,000 and \$36,000,000 in shares (120,000,000 shares at \$0.30 per share), thereby giving rise to a goodwill of \$37,877,992. Due to a change in regulation in China, the resina product is no longer able to be sold in its current state. At year end of 30 June 2016, the company undertook an independent valuation of the goodwill which re-valued the goodwill at a fair value of \$4,439,871. This resulted in an impairment loss on goodwill of \$33,438,121. ...

Future development, prospects and business strategies

The focus of the company will still be on traditional medicine. Due to a change in regulation, the resina business will be wound down. Effort will be on commercialising the dendrobium IP while also looking at other traditional medicine, like cannabis.”

13. The Statement of Profit or Loss in the 2016 Annual Report which disclosed revenue of \$74,753, cost of sales of \$86,758, a gross loss of \$12,005, an impairment of \$34,497,464, and loss before income tax expense of \$35,604,748.

14. The following note to the financial statements in the 2016 Annual Report:

“NOTE 2: GOING CONCERN

During the year ended 30 June 2016, the Group incurred a loss after income tax of \$35,618,359 and net cash outflows from operating activities of \$964,585. At 30 June 2016, the Group had \$272,897 in cash, and an excess of current liabilities over current assets of \$321,397.

Subsequent to year end, Henry Chun Fung Ko (“the lender”) provided a line of credit to the Company of \$500,000 with interest charged at 5% per annum. The lender can terminate the line of credit at any time. The full amount with interest is to be paid on the anniversary of each drawdown either via cash or equivalent shares at weighted average price of 5 days trading before the anniversary of the drawdown.”

15. Note 19: Related Party Disclosures in the 2016 Annual Report which disclosed sales to a director related company of \$488,580, less credit notes issued to director related company of \$444,164, purchases from a director related company of \$319,015, and less credit notes received from a director related company of \$232,256.

Note 19 states that 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.

16. The following statement by HLB Mann Judd set out in the independent auditor’s report included in SCU’s 2016 Annual Report:

“Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 2 (Going concern) in the financial report, which indicates that the consolidated entity incurred a net loss of \$35,618,359 during the year ended 30 June 2016 and, as of that date, had cash of \$272,897 and deficiency of working capital of \$321,397.

These conditions, along with other matters as set forth in Note 2 (Going concern), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.”

17. SCU’s Quarterly Cash Flow Report for the period ended 30 September 2016, released on MAP on 31 October 2016, which disclosed SCU had cash at the end of the quarter of \$125,000, nil receipts from customers, nil payments for research and development, \$500,000 in credit standby arrangements available with nil drawn. It also indicated that SCU had a net cash outflow from operating activities of \$93,000 and repayment of borrowings of \$56,000.
18. SCU’s Quarterly Cash Flow Report for the period ended 31 December 2016, released on MAP on 31 January 2017, which disclosed SCU had cash at the end of the quarter of \$308,000 which included proceeds from borrowings of \$204,000, \$6,000 in receipts from customers, nil payments for research and development and \$500,000 in credit standby arrangements available drawn to \$100,000. It also indicated that SCU had a net cash outflow from operating activities of \$25,000.
19. SCU’s 2016 interim report for the half year ended 31 December 2016 (“2016 Half Year Report”), entitled “Half Yearly Report and Accounts” released on MAP on 29 February 2016, which disclosed nil

revenue from sale of goods, waiver of amount due to a director and a related company of a director of \$338,353, and a profit before income tax expense of \$174,277.

20. The following statement by HLB Mann Judd set out in the independent auditor's report included in SCU's 2016 Half Year Report:

"Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 9 (Going Concern) in the financial report, which indicates that, as at 31 December 2016, the consolidated entity had cash of \$312,574 and an excess of current liabilities over current assets of \$123,914.

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

21. The announcement by SCU entitled "SCU to pursue opportunities in Medicinal Cannabis sector" released on MAP on 14 March 2017 ("March 2017 Announcement") disclosing regarding the appointment of Mr Nevil Schoenmakers as a strategic advisor to pursue opportunities in the medicinal cannabis sector. The March 2017 Announcement made the following statements:

"SCU believes the sector is complementary to its existing operations and the Company can leverage its extensive experience, technologies and operational synergies from its existing Traditional Chinese Medicine (TCM) plant extract business. ...

SCU's potential entry into the Medicinal Cannabis market is in addition to the Company's established Dendobium Officinale Kimura et Migo orchid ("Dendobium") stem cell extract product lines.

The Dendobium extract products can be used across a vast array of products, including anti-aging creams, hair care, Traditional Chinese Medicines, dietary supplements, food and beverages.

Through its Dendobium business, SCU has pioneered the use of a range of cutting-edge fingerprint mapping technologies such as High Performance Liquid Chromatography (HPLC) to establish the authenticity of raw material, test for active constituents and ensure their potency.

TSCU anticipates that strong synergies with the existing Dendobium business, including the ability to leverage existing technologies and investments, will give the Company a significant competitive advantage as it enters the highly lucrative Medicinal Cannabis market."

ASX ongoing requirements

Listing Rules 12.1 and 12.2 provide:

- 12.1 *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.*
- 12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*

In light of the information set out above, please provide submissions as to why SCU believes it currently satisfies Listing Rules 12.1 and 12.2.

Listing Rule 18.7 also empowers ASX to require an entity to give ASX any information that ASX asks for to enable ASX to be satisfied that the entity is complying with the Listing Rules. Pursuant to Listing Rule 18.7, ASX requires SCU to provide the following information:

- A. In relation to the statement in the Review of Operations in the 2016 Annual Report that *“Due to a change in regulation in China, the resina product is no longer able to be sold in its current state”*, when did SCU first become aware that SCU’s resina product would no longer be able to be sold in its current state?
- B. Does SCU consider information that the resina product was no longer able to be sold in its current state was information that a reasonable investor would expect to have a material effect on the price or value of SCU’s securities? If not, why not?
- C. When did SCU first become aware that it would be making the impairment loss on goodwill of \$33,438,121 disclosed in its 2016 Annual Report?
- D. Does SCU consider information about the impairment loss on goodwill was information that a reasonable investor would expect to have a material effect on the price or value of SCU’s securities? If not, why not?
- E. Please provide a detailed list of each existing Dendobium stem cell extract product line that SCU currently has, along with a description of SCU’s sales and distribution arrangements for that product line and a statement of the revenue SCU has generated from the sale of that product line over the past 8 completed quarters.
- F. If, as ASX expects from the revenue lines in SCU’s quarterly cash flow reports, SCU does not have any material sales of Dendobium stem cell extract product, please explain how SCU expects to be able to “leverage operational synergies” by combining its Dendobium extract business with a medicinal cannabis business, as stated in the March 2017 Announcement.

Please ensure your submissions in relation to Listing Rules 12.1 and 12.2 and your responses to the information requested above are sent to me by no later than the close of trading on Friday 24 March 2016.

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

Please call me on (02) 9227 0133 if you have any queries or wish to discuss any aspects of this letter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kimberley Brown', written in a cursive style.

Kimberley Brown
Principal Adviser, Listings (Compliance)
P: (02) 9227 0133
E: kimberley.brown@asx.com.au