



STEMCELL UNITED LIMITED
ACN 009 104 330
Level 12, 680 George Street, Sydney, NSW 2000, Australia

06 April 2018

Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Cooperation agreement

Stemcell United Limited (ASX:SCU) (“SCU” or “Company”) has signed a Co-operation Agreement (“Agreement”) with Yunnan Hua Fang Industrial Hemp Co. Ltd. Yunnan Hua Fang Industrial Hemp Co. Ltd (“HFIH”) has an import-export licence in China and is also making preparation to apply to the authorities in Yunnan, China for an Industrial Hemp Licence.

As a consideration to secure the rights under the Agreement, SCU will pay HFIH RMB2 million (about A\$400,000). The Agreement provides that:

- SCU is able to utilize HFIH’s import-export licence and existing market network in China to explore further distribution of SCU’s dendrobium related products and any future TCM Cannabis beauty products it may develop. Other than the China market, the import-export licence will also allow SCU to sell its TCM beauty products to other markets as appropriate. The export-import licence has an indefinite term, subject to an annual filing. It may be terminated only when the licensee has committed offenses against the law.
- The agreement provides for indefinite utilisation of HFIH’s import-export licence and market network, until mutual termination with consents from both SCU and HFIH.
- In the event that HFIH is successful in obtaining an Industrial Hemp Licence, SCU is given an exclusive 10 year right to use HFIH’s Industrial Hemp Licence to evaluate and develop research for TCM cannabis beauty products using SCU’s stem cell technology.
- Further, in the event HFIH is granted the industrial hemp licence, SCU will have the exclusive right to invest RMB3.8 million (about A\$760,000) for a 51% interest in HFIH. Any such investment will be subject to due diligence, and if necessary, approval from ASX and shareholders. If SCU decides to exercise its right to acquire a 51% interest in HFIH, SCU will first make submissions to ASX as to the application of Listing Rules 11.1.2 and 11.1.3 to the acquisition prior to exercising this right. If ASX determines that Listing Rule 11.1.2 applies to the acquisition, the transaction will require security holder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming. If ASX determines that listing rule 11.1.3 applies, SCU would be required to re-comply with ASX’s requirements for admission and quotation and therefore the transaction may not proceed if those requirements are not met.

- After payment of the initial RMB 2 million, SCU be entitled to a seat on the HFIH board. Should SCU exercise its right to acquire a 51% interest in HFIH, then SCU will have majority of board seats.

Both parties are legally bound by the contract upon payment of the initial RMB2 million to HFIH.

A fee of 2 million ordinary shares at last closing price of \$0.035 per share is payable to SCU's advisor, Mr Xie Mu Ci, upon signing of the Agreement. The shares are to be issued from SCU's 15% capacity under Listing Rule 7.1 and will rank pari passu in all respects with existing ordinary shares. Shareholder approval to the issue will not be required. The issue will not be a class of security holders.

SCU has undertaken legal due diligence on HFIH. A more detailed legal, financial and technical due diligence will be undertaken prior to SCU exercising its right to acquire a 51% interest in HFIH.

Yunnan Hua Fang Industrial Hemp Co. Ltd

HFIH was incorporated in December 2017 as an offshoot of Yunnan Hua Fang Health Management Co., Ltd ("Hua Fang Health") and is leveraging on the strength of Hua Fang Health to expand their distribution business in China. HFIH is making preparation to apply for the industrial hemp licence in China. Hua Fang Health Management Co Ltd owns 42% of HFIH, with remaining 58% held by individual investors.

Hua Fang Health is a China distributor of health food, health care and beauty products for manufacturers from China and around the world. More information on HFIH can be found on its website <http://www.hfgydm.com/en/>

Should HFIH be successful in obtaining an industrial hemp licence in China, it will be permitted to engage in activities relating to hemp related food, health care and beauty products. A licence would also allow HFIH to access high CBD low THC cannabis seeds which SCU could use for its stem cell cannabis research into TCM beauty products. In China, high CBD low THC cannabis strains are called industrial hemp.

SCU's cooperation with Yunnan Hua Fang Industrial Hemp Co.,Ltd

This collaboration and investment is part of SCU's continued push of its dendrobium related products and new products into the TCM market in China. In addition, to its existing dendrobium related product line, SCU is planning to expand its technology and product road map into TCM Cannabis beauty products. The opportunity to use the industrial hemp licence of HFIH will assist SCU to achieve this.

- HFIH's import-export licence and distribution network in China

HFIH's import-export licence allows it to import and export of TCM, health food, and cosmetic products.

SCU will use the HFIH licence to import its TCM beauty products into China, and distribute through HFIH's distribution network. In addition, SCU plans to start manufacturing some of its TCM beauty products in China and this licence will allow SCU export from China to its existing market of Hong Kong and Singapore, and maybe Australia as a new market. The plan for manufacturing in China is still in its initial planning stage. SCU will update the market on any further developments on SCU's manufacturing plan in China.

- HFIH's proposed Industrial Hemp licence

An industrial hemp licence would allow HFIH to engage in planting, processing and selling of industrial hemp related products. This would give SCU access to the seeds for research into

cannabis stem cells to enable it to develop TCM beauty products incorporating stem cell cannabis. The application process for the industrial hemp licence is expected to be completed within a year from submission of an application. The exact terms of the Licence are not yet known. However, it is expected that the Licence would be terminable in the event of breach of material conditions.

The Company will update the market if there are further developments in HFIH's industrial hemp licence application.

iCAN Israel Cannabis Limited

The letter of intent with iCAN Israel Cannabis Limited ("iCAN") lapsed and SCU is not pursuing cooperation with iCAN.

Cash Position

The Company had approximately \$779,000 as at 31 December 2017, and has since raised approximately \$1.65 million via a rights issue.

– End –