

ON Q GROUP LIMITED

ACN 009 104 330

**NOTICE OF GENERAL MEETING
and
EXPLANATORY MEMORANDUM
(Including the Independent Expert's Report of
HLB Mann Judd Corporate)**

PROXY FORM

Date of Meeting – 29 June 2015

Time of Meeting – 10:00am

Place of Meeting

**Level 21, 20 Bond Street
SYDNEY NSW 2000**

**This is an important document. Please read it carefully.
*If you are unable to attend the General Meeting, please complete the Proxy
Form enclosed and return it in accordance with the instructions set out on the
Proxy Form.***

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ON Q GROUP LIMITED

ACN 009 104 330

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of On Q Group Limited (the “Company”) will be held on 29 June 2015 at 10:00 am at Level 21, 20 Bond Street, Sydney NSW 2000

AGENDA

BUSINESS

1. Resolution 1 – Change to Nature and Scale of Business

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 11.1.2 of the Listing Rules of ASX Limited and for all other purposes, Shareholders approve a change in the nature and scale of the Company’s activities as more fully described in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Approval to Issue Shares for Capital Raising

To consider and, if thought fit, to pass, with or without amendments, the following Resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.1 of the Listing Rules of ASX Limited, and for all other purposes, approval is given for the Company to issue up to 23 million Post-Consolidation Shares pursuant to the Public Offering on the terms and conditions outlined in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Issue of Shares to Vendor

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Item 7 of Section 611 and Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 120,000,000 Post-Consolidation Shares to the Vendor on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, and for the Vendor to acquire a relevant interest in issued voting Shares in the Company on the issue of those Shares and as a result to increase the voting power in the company of the Vendor and the Vendor’s Associates to up to 32.95% on the terms and conditions set out in the Explanatory Memorandum.”

Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under this Resolution 3. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction the subject of Resolution 4 to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Consolidation of Shares

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Section 254H of the Corporations Act and for all other purposes, approval is given for the Company’s existing ordinary shares to be consolidated on a one for two basis with any fractional entitlements rounded up.”

5. Resolution 5 – Election for Gu Huanqing as a Director

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to and upon completion of the Acquisition described in the Explanatory Memorandum accompanying this Notice, Gu Huan Qing be and he is hereby elected a Director of the Company”

6. Resolution 6 – Approval of Deeds of Access, Insurance and Indemnity

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, as required by Section 195 of the Corporations Act and for all other purposes, approval is given for the Company to enter into Deeds of Access, Insurance and Indemnity on the terms and conditions outlined in the Explanatory Memorandum.”

7. Resolution 7 – Change of Name to Stemcell United Limited

To consider and, if thought fit, to pass, the following Resolution as a **special**

resolution:

“That, for the purposes of Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “Stemcell United Limited” and the Constitution and all other Company records be amended accordingly.”

8. Resolution 8 – Adoption of New Constitution

To consider and, if thought fit, to pass, the following Resolution as a **special resolution:**

“That the Company’s Constitution be replaced with a Constitution in the form tabled at the meeting and summarised in the Explanatory Memorandum accompanying this Notice, with immediate effect on the passing of this Resolution.”

Voting

As ordinary resolutions, resolutions 1 to 6 must be passed by more than 50 per cent of the votes cast by members entitled to vote on each of the resolutions.

Resolutions 7 and 8 must be passed by more than 75% of the votes cast by members entitled to vote on the resolution.

In accordance with section 249L of the Corporations Act 2001, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company;
- a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise one half of the votes.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies the following information for the purposes of receipt of proxy appointments:

Share Registry On Q Group Limited
 c/- Security Transfer Registrars’
 770 Canning Highway, Applecross, WA 6153, Australia

Facsimile Number: + 61 8 9315 2233

Postal Address On Q Group Limited
 c/- Security Transfer Registrars’
 P O Box 535,
 Applecross WA 6953 AUSTRALIA

Each member entitled to vote at the general meeting has the right to appoint a proxy to attend and vote at the meeting on his behalf. The member may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion. The instrument appointing the proxy must be received by the Company at the address specified above at least 48 hours before the time notified for the meeting (proxy forms can be lodged by facsimile).

In accordance with regulation 7.11.37 of the Corporations Act 2001 (Cth), the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of members as at 7.00pm Sydney time on 26 June 2015.

By order of the Board

Chow Yee Koh
Company Secretary

Dated: 20 May 2015

ON Q GROUP LIMITED
ACN 009 104 330
EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of shareholders of On Q Group Limited (the “**Buyer**”, “**Company**” or “**On Q**”) in connection with the business to be conducted at the General Meeting to be held on 29 June 2015 at 10.00 am at Level 21, 20 Bond Street, Sydney NSW 2000

This Explanatory Memorandum contains an explanation of, and information about, the resolutions to be considered at the General Meeting. It is given to On Q’s shareholders to help them determine how to vote on the matters set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Memorandum in full, because individual Sections may not give a comprehensive review of the proposal contemplated in this Explanatory Memorandum. This Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

Words or expressions used in the Notice of Meeting and in this Explanatory Memorandum are defined in the Glossary.

The Independent Expert has concluded that the Proposal is fair and reasonable.

Shareholders should read the whole of this Explanatory Memorandum but should pay particular regard to the Independent Expert’s Report and the reasons given by the Directors for their unanimous recommendation to vote in favour of the Resolutions as set out in section 7 of this Explanatory Memorandum.

If you are in doubt about what to do in relation to the proposal, you should consult your financial or other professional advisor.

This Explanatory Memorandum is dated 20 May 2015.

2. BACKGROUND TO THE COMPANY

On 5 May 2008 the Company’s shares were suspended from trading on the Official List of ASX and on 28 July 2008 joint and several administrators were appointed to the Company. At the time, the Company’s business was development and licensing of intellectual property, principally business management software.

On 23 December 2008 the joint and several administrators were removed and joint and several liquidators were appointed.

On 23 January 2014 an Administrator was appointed to the Company by the liquidators for the purposes of recapitalising the Company, and on 12 March 2014 the creditors of the Company entered into a Deed of Company Arrangement in line with the proposed recapitalisation.

On 3 September 2014 the Shareholders approved the recapitalisation of the Company with the result that on 17 October 2014 the winding up of the Company was terminated pursuant to Section 482 of the Corporations Act and the recapitalisation of the Company was effectuated on 27 November 2014.

The Directors of the Company are:

Ms Jamie Khoo, Independent Non-Executive Chairman

Ms Khoo graduated with a MBA from University of Hull, UK and is a member of the Institute of Singapore Chartered Accountants. Ms Khoo has over 20 years experience in accounting and corporate finance with extensive experience in corporate funding, investment evaluation, due diligence and corporate structuring. Ms Khoo holds a directorship in ASX-listed, Lionhub Group Limited. She is currently the Deputy CFO of a China-Based Infotechnology company, GDS Services Ltd, GDS Services Ltd is not related to any party to the Transaction.

Mr Wayne Ko, Independent Director

Mr Ko graduated with a Bachelor of Commence from Griffith University, Queensland and obtained his Master of Laws in PRC Law from Hong Kong Open University. Mr Ko is a member of CPA Australia and the Hong Kong Institute of CA Public Accountants. Mr Ko has over 18 years of experience with an international accounting firm responsible for auditing companies from various industries. He has also been involved in numerous IPO and merger and acquisition projects.

Mr Chow-Yee Koh, Independent Director & Secretary

Mr Koh graduated with a Bachelor of Commerce from University of Strathclyde, Scotland and is a member of the Association of Chartered Certified Accountants (UK). He has over 18 years experience in accounting and corporate finance accumulated with accounting firms and listed companies in Australia, China, Singapore and Malaysia.

The Company has established a corporate governance framework, the key features of which are outlined in the Corporate Governance Statement in Annexure C. In establishing its corporate governance framework, the Company has referred to the 3rd edition of the Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council (Principles and Recommendations). The Company's compliance with and departures from the recommendations are also set out in Annexure C.

The Company raised the sum of \$3.43 million by issuing Notes to sophisticated investors in April 2015 at A\$0.07 each. Each Note will consolidate and automatically convert into 1 Post Consolidation Share for each consolidated Note on requotation of the Company's shares on ASX. If re-quotation of the Company's Shares has not occurred by 30 September 2015 they will be repayable to the Noteholders together with interest at 2.5% per annum calculated from 30 June 2015 until the date of actual repayment. The Notes are repayable on 31 December 2015.

3. THE PROPOSED ACQUISITION

On 22 December 2014 the Company entered into a conditional Sale and Purchase Agreement to acquire all the shares in SCU and related Intellectual Property from the Vendor, Mr Gu.

SCU is a biotechnology company which focuses on the extraction, culture, reproduction and growth of plant stemcells for medicinal health and beauty applications in Traditional Chinese Medicine. SCU's business and related Intellectual Property is described in greater detail in section 4 of this Explanatory Memorandum.

The consideration to be provided by the Company to the Vendor, will comprise in aggregate the sum of A\$2,500,000 in cash and 120,000,000 Post Consolidation Shares.

The cash component of the consideration to be paid by the Company to Mr Gu will be paid out of the cash available to the Company at the time of completion of the

Acquisition, which will comprise cash currently held by the Company and cash raised from the Public Offering.

The Agreement is subject to a number of conditions precedent, including completion of due diligence, shareholder approval and re quotation of the Company's securities on ASX.

The Company has agreed that the valuation range for SCU as set out in the Independent Expert's Report satisfies the valuation condition precedent set out in paragraph 3 of Annexure A, and that the warranty set out in paragraph 3 of Annexure A is satisfied by the actual earnings of SCU for the period.

A summary of the Sale and Purchase Agreement is attached as Annexure A to this Explanatory Memorandum.

SCU has entered into certain agreements with Favourite Technologies, a company controlled by the Vendor. These agreements are described in more detail in section 8.1 of this Explanatory Memorandum.

The Company intends seeking re quotation of its Shares on ASX. To do so, the Company will be required to re-comply with Chapters 1 and 2 of ASX Listing Rules. This will require that the Company, amongst other things, issues a Prospectus, has a minimum spread of shareholders and is able to demonstrate that it meets certain financial requirements.

Prior to the re quotation of its Shares on ASX, the Company intends raising between \$A600,000 and \$A4,600,000 by way of a Public Offering of Shares. The funds raised together with the Company's funds at completion of the Acquisition will be used to fund the cash component of the Acquisition, to further develop the business being acquired and to provide the Company with working capital.

If the Public Offering does not raise the minimum amount of \$A600,000, and the Company is unable to comply with the requirements of Chapters 1 and 2 of the Listing Rules for this reason or for any other reason, re quotation of the Company's Shares on ASX will not occur, and the Acquisition will not proceed.

In order to facilitate the Public Offering it is proposed that the Company's shares be consolidated on the basis of one share for each two shares currently held with any fractional entitlements rounded up.

The following is an indicative timetable for the Public Offering:

Date	Description
29 June 2015	Shareholders' Meeting held
29 June 2015	Prospectus for Public Offering lodged with ASIC
6 July 2015	Public Offering opens
7 August 2015	Public Offering closes
21 August 2015	New Shares allotted (trading commences on a deferred settlement basis)
28 August 2015	Holding Statements dispatched
4 September 2015	Normal trading commences on ASX

Assuming that the minimum amount of A\$600,000 is raised under the Public Offering, Mr Gu's percentage shareholding in the Company will be 32.95%. If the maximum

amount of A\$4,600,000 is raised, his interest will be 31.23%

Mr Gu's Voting Power in the Company

Currently	Following Completion of Acquisition	
	Maximum Raised Under Public Offering	Minimum Raised under Public Offering
0%	31.23%	32.95%

Summary of Shares as a result of the Proposed Transaction

	Minimum		Maximum	
	Shares – pre consolidation	Shares – post consolidation	Shares – pre consolidation	Shares – post consolidation
Existing shares	433,355,149	216,677,575	433,355,149	216,677,575
Mr Gu's shares	240,000,000	120,000,000	240,000,000	120,000,000
Shares on Conversion of Notes ¹	49,101,374	24,550,687	49,101,374	24,550,687
Total	722,456,523	361,228,262	722,456,523	361,228,262
Public offer		3,000,000		23,000,000
Total shares of issue after Capital Raising		364,228,262		384,228,262

¹Relates to the conversion of 49,101,374 pre consolidation converting notes which were issued for \$0.07 each.

Set out below is a pro forma Statement of Financial Position for the Company after taking into account the effect of the public offering of Shares, assuming that A\$600,000 and A\$4,600,000 respectively is raised, and completion of the Acquisition. This statement is based on the accounts of the Company as at 31 December 2014.

Pro Forma Consolidated Statement of Financial Position as at 31 December 2014

The following pro forma consolidated statement of financial position has been prepared to illustrate the effects of the pro forma adjustments (including the Offer), which are set out below as if they had occurred on or before 31 December 2014.

	Note	Reviewed ONQ A\$	Audited SCU* A\$	Proforma minimum subscription A\$	Proforma full subscription A\$
ASSETS					
CURRENT ASSETS					
Cash and bank balances	1	501,211	69,501	1,407,308	5,151,808
Trade and other receivables		24,904	570,775	595,679	595,679
Inventories		-	67,670	67,670	67,670
TOTAL CURRENT ASSETS		526,115	707,946	2,070,657	5,815,157
NON-CURRENT ASSETS					
Property, plant and equipment		-	11,074	11,074	11,074
Intangible Assets	2	-	-	38,146,037	38,146,037
TOTAL NON-CURRENT ASSETS		-	11,074	38,157,111	38,157,111
TOTAL ASSETS		526,115	719,020	40,227,768	43,972,268
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables		208,982	158,793	367,774	367,774
Shareholder's loan		-	191,104	191,104	191,104
Current income tax liabilities		-	15,161	15,161	15,161
TOTAL LIABILITIES		208,982	365,058	574,039	574,039
NET ASSETS		317,132	353,962	39,653,729	43,398,229
EQUITY					
Share capital	3	25,009,130	1	64,661,726	68,406,226
Reserve		192,500	-	192,500	192,500
Accumulated Losses	4	(24,884,498)	353,961	(25,200,497)	(25,200,497)
TOTAL EQUITY		317,132	353,962	39,653,729	43,398,229

*Converted from SGD to AUD at the rate of \$0.941 current at 25 February 2015.

The ONQ and SCU historical statements of financial position have been extracted from the reviewed financial statements of ONQ for the 6 month period ended 31 December 2014 and audited financial statements of SCU for period ended 31 December 2014.

Pro Forma adjustments

The Consolidated Pro Forma Statement of Financial Position has been prepared from the reviewed Statement of Financial Position of ONQ and audited Statement of Financial Position of SCU, adjusted for the following transactions as if they had taken place on or before 31 December 2014.

- i. The acquisition of SCU for a consideration comprising 240,000,000 Purchaser Shares at \$0.15 each (120,000,000 Purchaser Shares at \$0.30 each post consolidation of shares) and A\$2,500,000 in cash (consideration for Shares being \$2,000,000 and for Intellectual Property owned by SCU \$500,000 in cash and Purchaser Shares).
- ii. The Public Offering issue of between 3,000,000 and 23,000,000 fully paid ordinary shares (post consolidation of shares) amounting to between \$600,000 (**Minimum Subscription**) and \$4,600,000 (**Full Subscription**) and the issue of \$3,437,097 convertible notes that will convert to 24,550,687 fully paid ordinary shares (post consolidation of shares), referred to as the **Offer**, and;
- iii. Expenses associated with the Offer (including advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses), estimated to be between \$0.70 million (**Minimum Subscription**) and \$0.95 million (**Maximum Subscription**).

Notes to the Pro Forma Consolidated Statement of Financial Position

1. Cash and Cash Equivalents

The Pro Forma cash and cash equivalents balances are set out below:

	Pro Forma minimum \$	Pro Forma full \$
Reviewed cash and cash equivalents at 31 December 2014	501,211	501,211
<i>Pro forma transactions:</i>		
Payment for acquisition of SCU	(2,500,000)	(2,500,000)
Cash acquired on consolidation of SCU	69,501	69,501
Proceeds from shares issued under the Offer	4,037,096	8,037,096
Payment of the cash Offer costs	(700,500)	(956,000)
Pro forma cash and cash equivalents	1,407,308	5,151,808

2. Intangible Assets

The Pro Forma intangible assets balance is set out below:

	Pro Forma minimum \$	Pro Forma full \$
Reviewed Intangible Assets at 31 December 2014	-	-
<i>Pro forma transactions:</i>		
Fair value of consideration paid on acquisition of all shares of SCU	38,500,000	38,500,000
Fair value of identified tangible assets and liabilities of SCU	(353,963)	(353,963)
Pro forma Intangible Assets	38,146,037	38,146,037

In accordance with *AASB 3 Business Combinations* the value of the Intangible Assets acquired as part of the SCU business combination have been initially recognised at their fair value, being the difference between the fair value of consideration paid for SCU less the fair value of the net identifiable tangible assets acquired and liabilities assumed.

The fair value of the consideration paid for the SCU business has been determined by the ONQ directors by reference to the negotiated purchase consideration paid to the SCU shareholder. This value is consistent with the value range of \$34.9 million to \$39.9 million determined for SCU contained with the Independent Expert Report prepared to accompany the Notice of Meeting distributed to ONQ shareholders.

The directors' have applied the provisional accounting approach, as contained within *AASB 3 Business Combinations*, to the Intangible Asset balance and will use the measurement period post acquisition to retrospectively attribute a value to the separately identified components of the intangible assets acquired.

The directors intend to engage a suitability qualified third party to conduct a valuation of the separate components of the acquired intangible assets, including the intellectual property. Each identified intangible asset will then be recognised within the consolidated statement of financial position of ONQ at its determined fair value and amortised over its useful life or tested for impairment on an annual basis.

3. Share Capital

The Pro Forma share capital balance is set out below:

	Pro Forma minimum \$	Pro Forma full \$
Reviewed share capital at 31 December 2014	25,009,130	25,009,130
<i>Pro forma transactions:</i>		
Fair value of shares issued to vendor on acquisition of SCU	36,000,000	36,000,000
Proceeds from shares issued under the Offer	4,037,096	8,037,096
Offer costs allowable to be offset against equity (net of tax)	(384,500)	(640,000)
Pro forma share capital	64,661,726	68,406,226

	Pro Forma minimum \$	Pro Forma full \$
	Pro Forma minimum no. of shares	Pro Forma maximum no. of shares
Number of shares on issue at 31 December 2014	333,355,149	333,355,149
<i>Pro forma transactions:</i>		
Shares issued to vendor on acquisition of SCU	240,000,000	240,000,000
Consolidation of shares 2:1	(286,677,575)	(286,677,575)
Shares issued under the Offer	27,550,687	47,550,687
Pro forma number of shares issued	314,228,261	334,228,261

4. Accumulated Losses

The Pro Forma accumulated losses is reconciled as follows:

	Pro Forma minimum \$	Pro Forma full \$
Reviewed accumulated losses at 31 December 2014	(24,884,497)	(24,884,497)
<i>Pro forma transactions:</i>		
Issue costs expensed under the Offer	(316,000)	(316,000)
Pro forma accumulated losses	(25,200,497)	(25,200,497)

4. BUSINESS OVERVIEW OF SCU

Introduction to SCU

SCU is a biotechnology Company which focuses on the extraction, culture, reproduction and growth of plant stem cells for medicinal, health and beauty applications using its environmentally-friendly proprietary technology.

The current business activity of SCU is in the sourcing and production of *Daemonorops Draco Blume* extract (“Resina”), also commonly known as Dragon’s Blood Resin (血竭xue jie) to traders and pharmaceutical companies in Hong Kong and China.

In the production process, Resina is extracted from *Daemonorops Draco Blume*(Resina), a plant that grows in the tropical rainforests of Indonesia.

With the development of SCU’s proprietary technology to isolate meristematic plant stem cells (PCT/SG2014/000515), SCU is planning to leverage on its technology and apply it to *Dendrobium Officinale Kimura et Migo* (铁皮石斛) (“Dendrobium”) to produce Dendrobium stem cell extract as part of its business expansion.

Wild Dendrobium is a rare and endangered orchid that can be found in tropical and subtropical areas in China at altitudes above 1,600 metres. Almost all Dendrobium is cultivated to grow its assorted species. Dendrobium has a high medicinal value and has been used as an active ingredient in Traditional Chinese Medicine (“TCM”) products for more than a thousand years.

In addition to TCM applications, it is claimed in the patent application referred to below

that Dendrobium stem cell extract also has anti-aging and hair growth applications as well.

History of SCU & Vendor

SCU was incorporated in Singapore in July 2014 by Mr Gu Huanqing, who is an Australian citizen and who has 20 years of experience in the food and agricultural technology industry.

Assuming that Resolution 5 is passed, Mr Gu will become a Director of the Company on completion of the Acquisition. Because he will be a substantial shareholder in the Company, he will not be considered to be an independent Director for the purposes of ASX Corporate Governance Council, Corporate Governance Principles and Recommendations.

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.

Mr Gu obtained his Masters of Science in Biology, with a major in plant physiology from South China Teachers University (renamed as "South China Normal University") in 1988. He gained his Diploma of Business Management from the Australian Academy of Business Studies in 1991. In 1994, he started consultancy practice with INFOFISH of the Food and Agriculture Organisation (FAO) of the United Nations and started his entrepreneurial journey in the 1990s.

Mr Gu was concerned that the lack of rare and precious plant materials due to environmental degradation and human impact would eventually translate into an acute shortage of supply and result in an uptrend in prices of these plant materials in the future. Mr Gu's research into the area of plant stem cells began approximately six years ago, and eventually led to the development of SCU's proprietary technology and method of isolating meristematic plant stem cells, as well as the creation of SCU's Dendrobium stem cell extract products.

SCU Mission

SCU aims to be the leading plant stem cell researcher, developer and producer, offering a range of products to preserve the health and youth of human beings. SCU prides itself on using its proprietary technology to multiply plant stem cells, as a means of protecting endangered natural plant species while ensuring the continuous supply of plant material extracts for current and future generations. Using its proprietary technology, SCU is able to provide a constant supply of the best quality products at a lower cost, generating value for the SCU and its shareholders.

The proceeds from the proposed Public Offering will be used, amongst other things, to fund the cash component of the consideration for the acquisition and for the procurement of raw materials for Resina extract and the establishment of a plant stem cell centre to develop and produce Dendrobium stem cell extract products and other plant stem cell products.

About Stem Cells

Stem cells are undifferentiated biological cells that have the remarkable potential to go through numerous cycles of cell division to produce more stem cells and develop into many different cell types. They are present in all living things including plants, animals, humans and algae. Stem cells are currently in the development of various therapies to treat human diseases and are also utilised as food ingredients, and in the production of beauty and skincare products, dietary supplements, and other healthcare products.

Scientists are anticipating early breakthroughs in the research of stem cells to provide alternatives to the current human reliance on drugs, devices and medical procedures. The science of stem cells therefore serves as a foundation to capitalise on business opportunities across multiple markets by applying it to the discovery, development and commercialisation of innovative therapies to treat a broad array of diseases and disorders.

Plant stem cells are innately undifferentiated cells found in the meristems of plants. A meristem is the tissue in most plants where growth takes place and the highest concentration of plant stem cells can be found at the root or shoot of the plant. Plant stem cells are totipotent, which means a small amount of meristem plant stem cells can proliferate and differentiate into full functioning independent 'daughter' plants with the correct inducements from environment stimulation or plant hormones.

Product Range for Existing and Proposed Businesses

Existing Business - Daemonorops Draco Blume extract (Resina)

Resina is extracted from *Daemonorops Draco Blume (Resina)*, a plant that grows in the tropical rainforests of Indonesia. Resina extract is highly sought after in Asia, especially in Hong Kong and China. In China, Resina has high medicinal value and is used as an active ingredient in TCM products. TCM products which contain Resina, are used to:

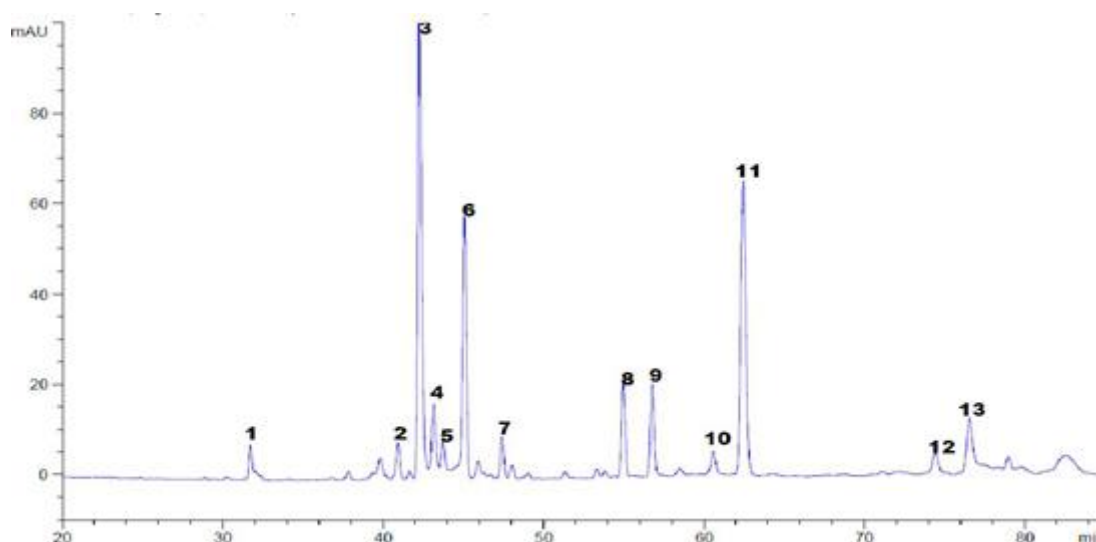
1. Help in blood circulation
2. Stop bleeding and alleviating pain caused by external injuries
3. Treat body sprains and act as an analgesic
4. Promote tissue regeneration and healing wounds such as cuts, ulcers and sores
5. Reduce pain from blood stasis, in particular due to traumatic injuries such as those resulting from falls and fractures

SCU is currently sourcing, producing, marketing and selling Resina, commonly known as Dragon's Blood Resin (血竭 xue jie) to TCM distributors and TCM manufacturing companies in Hong Kong and China.

The SCU currently procures *Daemonorops Draco Blume (Resina)* raw materials from five regular agricultural wholesalers in Indonesia, who aggregate *Daemonorops Draco Blume (Resina)* raw materials from farmers.

SCU is a pioneer in the use of fingerprint mapping technologies such as High Performance Liquid Chromatography (HPLC) to identify and determine the authenticity of the *Daemonorops Draco Blume (Resina)* raw materials, test for active constituents, and ensure its potency. 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.

Common fingerprint pattern of HPLC characteristic spectrum of *Daemonorops Draco Blume (Resina)*



Characteristic identification: Peak 1 (0.750, 0.063), peak 2 (0.968, 0.071), peak 3 (1.000, 1.000), peak 4 (1.021, 0.177), peak 5 (1.035, 0.093), peak 6 (1.067, 0.535), peak 7 (1.122, 0.084), peak 8 (1.301, 0.185), peak 9 (1.343, 0.192), peak 10 (1.434, 0.058), peak 11 (1.478, 0.792), peak 12 (1.761, 0.066), peak 13 (1.811, 0.173).

After HPLC analysis, the *Daemonorops Draco Blume (Resina)* raw materials are graded by SCU using its own unique grading system which allows the SCU to assess and determine optimal yields and minimise wastage. SCU uses the HPLC technology to determine the concentration of active compounds in each batch of *Daemonorops Draco Blume (Resina)* raw materials for the determination of its grade.

The graded *Daemonorops Draco Blume (Resina)* raw materials are later outsourced to a processing partner for the processing of Resina extract and the cost for each batch being processed is determined by its grade. After processing, SCU will test the quality of the Resina extract to ensure that it falls within the specifications of the China Pharmacopoeia Commission, before it is packaged and distributed to customers.

Resina extract products have to achieve the specifications listed below before it can be sold in China. This is a requirement by the China Pharmacopoeia Commission (中国药典委员会) of the China Food and Drugs Administration (国家食品药品监督管理局). To ensure that SCU's Resina extract meets the required specifications, it is rigorously inspected and authenticated by the General Administration of Quality Supervision, Inspection and Quarantine (中华人民共和国国家质量监督检验检疫总局) a ministerial administrative organ under the State Council of the People's Republic of China.

China's Specifications for *Daemonorops Draco Blume (Resina)*

Item	Requirement
Dracorhodin	> 1%
Alcohol Insoluble Matter	< 25%
Ash	< 6%
Rosin Test	Negative

Extraction Process of *Daemonorops Draco Blume (Resina)*



RESINA EXTRACTION PROCESS

Image 1: *Daemonorops Draco Blume*

Image 2: Sorting & peeling of Resina raw materials

Image 3: *Sorted Raw Materials*

Image 4: Graded & ground Resina raw materials

Image 5: Processing of Resina raw materials to extract

Image 6: Resina extract final product

Business Outlook for Resina

Based on his experience and knowledge of the market, Mr Gu estimates that the annual sales of Resina in China to be approximately 400 to 500 tons with an annual growth rate of approximately 10%. SCU's export price for Resina extract was about US\$350 per kilogram in 2014.

As SCU makes direct purchases of raw materials from agricultural traders in Indonesia where *Daemonorops Draco Blume* (Resina) is native, it is able to obtain the best quality and a consistent supply. The SCU then outsources the processing of Resina extract which is later packaged and distributed to customers. The outsourcing of labour-intensive processing helps SCU to simplify its operations and focus on higher value-added activities such as procurement, research and development, and distribution, while lowering fixed investment costs and operating costs.

Due to the high demand of Resina extract in China, SCU recognises the potential of the market and aims to capture significant market share by 2017. SCU plans to explore opportunities to work closely with plant extract producers and traders, TCM manufacturers and distributors in Hong Kong, China and elsewhere to market its Resina extract, so as to meet this growing demand.

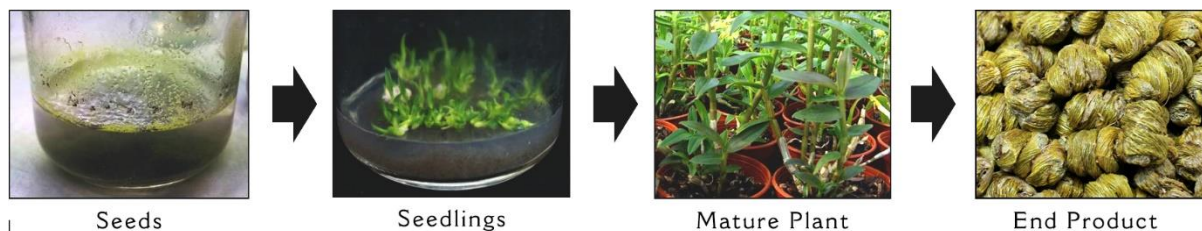
Proposed Business - *Dendrobium Officinale*

Wild *Dendrobium Officinale Kimura et Migo* (铁皮石斛) ("Dendrobium") is a rare and endangered orchid under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) list. It can be found in tropical and subtropical areas of China at altitudes above 1,600 metres.

Due to the economic value of wild Dendrobium, the plant has been overharvested for five decades to near extinction in the wild. Wild Dendrobium is extremely rare and is

considered first-rate, where it can be sold for as high as CNY100,000 (Approximately USD16,000) per kilogram. Because of its rarity, most of the current Dendrobium has been cultivated from its assorted species. Traditionally cultivated Dendrobium is worth in the range of USD1,000 - 3,000 per kilogram in the US and other Asian countries.

Traditional Cultivation of *Dendrobium Officinale* Kimura et Migo for extraction



Three to five years duration



Traditional Dendrobium Finished Product

Dendrobium has a high medicinal value and it is used as an active ingredient in TCM products for more than a thousand years. Dendrobium, together with Ginseng, Cordyceps, Ganoderma Lucidum (Ling Zhi), Snow Lotus, Fu Ling, Polygonum multiflorum (He Shou Wu), Seawater Pearls and Herba Cistanche (Rou Cong Rong), are historically reputed to be China's "nine immortalities of life" (中华九大仙草).

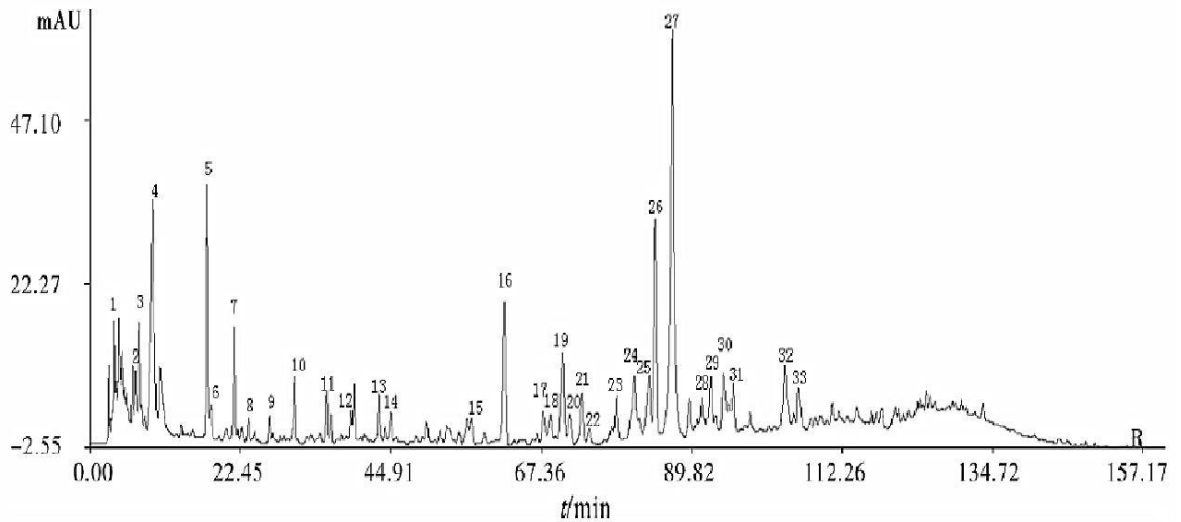
The TCM products which contain Dendrobium, are used to:

1. Nourish the stomach and kidney
2. Clean toxins from the eyes and lungs
3. Alleviate high blood sugar levels caused by the consumption of antibiotics
4. Activate the functions of macrophages and T lymphocytes to enhance the immune system

SCU will procure Dendrobium seedlings or 'mother plants' from Dendrobium farms from which the SCU will extract stem cells.

Similarly to Resina, SCU will use Fingerprint mapping technologies such as High Performance Liquid Chromatography (HPLC) to identify and determine the authenticity of the Dendrobium, test for active constituents and ensure its potency.

Common fingerprint pattern of HPLC characteristic spectrum of fresh *Dendrobium officinale*



Characteristic identification: Peak 1 (0.036, 0.187), peak 2 (0.079, 0.090), peak 3 (0.084, 0.095), peak 4 (0.120, 0.230), peak 5 (0.172, 0.287), peak 6 (0.192, 0.105), peak 7 (0.232, 0.0334), peak 8 (0.254, 0.043), peak 9 (0.296, 0.028), peak 10 (0.330, 0.094), peak 11 (0.393, 0.073), peak 12 (0.431, 0.047), peak 13 (0.485, 0.032), peak 14 (0.530, 0.052), peak 15 (0.644, 0.054), peak 16 (0.697, 0.182), peak 17 (0.772, 0.082), peak 18 (0.786, 0.069), peak 19 (0.816, 0.153), peak 20 (0.826, 0.092), peak 21 (0.843, 0.066), peak 22 (0.858, 0.076), peak 23 (0.916, 0.088), peak 24 (0.926, 0.134), peak 25 (0.944, 0.180), peak 26 (0.963, 0.138), peak 27 (1.000, 1.000), peak 28 (1.043, 0.189), peak 29 (1.065, 0.140), peak 30 (1.107, 0.133), peak 31 (1.122, 0.078), peak 32 (1.213, 0.165 ± 0.176), peak 33 (1.235, 0.070), peak 34 (1.254, 0.065), peak 35 (1.378, 0.070).

The extracted stem cells will then be manipulated and cultured before being multiplied and grown in a bioreactor to produce Dendrobium stem cell extract. The Dendrobium stem cell extract is subsequently processed into a liquid or powder form before being packaged and distributed to customers.

SCU's proprietary technology gives the SCU a first mover advantage in the production of Dendrobium stem cell extract. The technology allows for the stable regeneration of stem cells and the entire production process can be completed in approximately three months as opposed to traditional cultivation methods which take about three to five years.

SCU's stable stem cell regeneration of *Dendrobium Officinale*

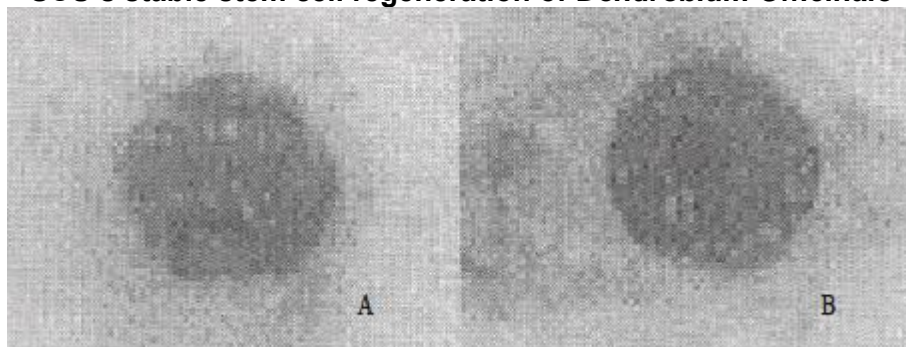
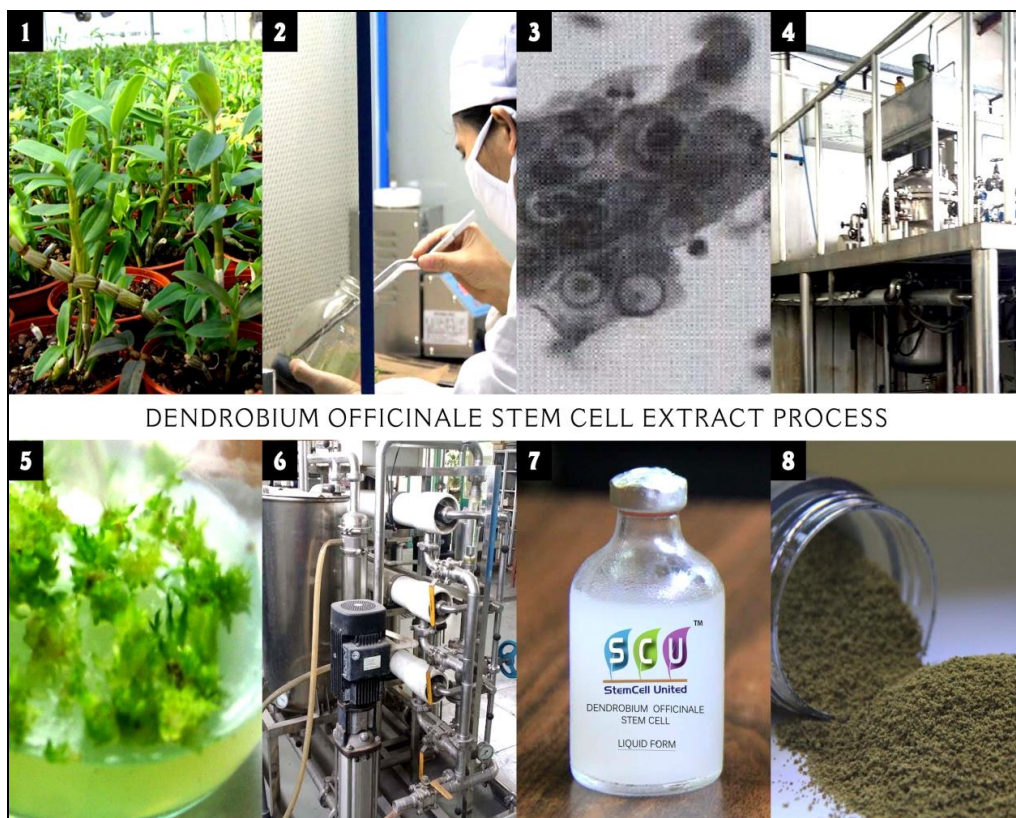


Image A shows a quiescent centre-derived Dendrobium stem cell after 40 days and Image B shows a quiescent centre-derived Dendrobium stem cell after 120 days.

SCU's Stem Cell Extraction Process for *Dendrobium*



DENDROBIUM OFFICINALE STEM CELL EXTRACT PROCESS

- | | | | |
|----------|--|----------|--|
| Image 1: | <i>Dendrobium Officinale</i> mother plants | Image 5: | Growing stem cells from Bioreactor |
| Image 2: | Extraction and manipulation of stem cells | Image 6: | Filtration for extract processing |
| Image 3: | Stem cells under microscope | Image 7: | Final Dendrobium Stem Cell Extract product (liquid form) |
| Image 4: | Bioreactor | Image 8: | Final Dendrobium Stem Cell Extract product (powder form) |

Comparison between traditional cultivation method and SCU's stem cell method

Polysaccharide is the active ingredient in Dendrobium stem cell extract which determines its efficacy, that is, the higher concentration of polysaccharide, the better. SCU conducted its own research comparing its Dendrobium stem cell extract to the Dendrobium extract samples from the traditional cultivation method and found its levels of Polysaccharide comparable.

Comparison of polysaccharide concentration between traditional cultivated Dendrobium and SCU's Dendrobium stem cell extract

Dendrobium samples	% of Polysaccharide
SCU's Dendrobium stem cell extract	37.82±0.60
Traditional cultivated Dendrobium	35.25±0.75

It is claimed in the patent application referred to below that SCU's Dendrobium stem cell extract takes approximately three months to produce as opposed to the traditional cultivation method that takes about three to five years to produce.

Business Outlook for Dendrobium

Dendrobium is a popular product in China and among Chinese societies around the world. Almost all of the Chinese Medical Halls globally sell Dendrobium-related products. The popularity of Dendrobium has even resulted in the establishment of online shops and mobile phone application stores that sell Dendrobium-related products.

The traditional cultivation of Dendrobium usually requires approximately three to five years of growth to reach maturity, when it can be effectively harvested and used. Furthermore, Dendrobium is a monocot plant, which means that it does not have secondary tissues to grow and the moment the plant reaches maturity, its meristems will cease to reproduce.

The SCU's proprietary technology of isolating meristematic plant stem cells is the solution to the problems faced with the traditional method of cultivating Dendrobium and processing of Dendrobium extract.

The existing traditional Dendrobium market is generating an estimated 8,000-10,000 tons worth of sales annually, with a projected annual growth rate of 10-15%.

SCU intends to market its Dendrobium stem cell extract to the following industry segments:

1. Anti-aging products
2. Hair growth products
3. TCM products
4. Dietary supplements
5. Food and beverage products

As the pioneer for Dendrobium stem cell extract, SCU will approach plant extract producers and traders, TCM manufacturers and distributors, beauty product manufacturers, hair growth product specialists, dietary supplement makers, food and beverage manufacturers to market its Dendrobium stem cell extract in either powder or liquid form.

Internal (Oral) Use - Powder Form (Dendro-C™)

SCU will be producing its Dendrobium stem cell extract in powder form for oral consumption. This product can be widely used in dietary supplements, as it allows health product manufacturers to package them in capsule form or packet form for sale in retail stores, online shops and mobile phone application stores.

The Dendrobium stem cell extract powder, which is flavourless, can also be formulated with existing food and beverage products as a food ingredient. It can also be packaged into individual sachets where it can act as a food additive for daily food and beverage products such as tea and soup for example, making it convenient, affordable and ready for consumption. SCU will explore and cooperate with various food and beverage manufacturers and distributors to market Dendrobium stem cell extract powder as a food ingredient or its individual sachets as a new consumer lifestyle food additive product.

External Use – Liquid form (Bium-C™)

SCU intends to also produce Dendrobium stem cell extract in liquid form for external use. Current scientific research has provided evidence that plant stem cells may be activation agents of human stem cells as they have potent antioxidant and anti-aging properties. It is claimed in the patent application referred to below that Dendrobium stem cell extract can be a beneficial ingredient for battling aging and hair loss. As such, SCU plans to market Dendrobium stem cell extract in liquid form to the beauty and hair

growth industries for external applications.

Overall Marketing & Sales Strategy

SCU believes that its business outlook is positive given the size of the respective markets and the wide applications of its products. This is especially true in the China market, with its population of 1.37 billion served by an estimated more than 2,000 plant extract producers and traders, and 3,000 enterprises involved in the processing of TCM in China, which forms an extensive potential sales network for SCU's products. The SCU plans to actively participate in international trade shows and seminars to raise the awareness of SCU's products, widen its customer base, and conduct branding activities. In addition to its Singapore headquarters, SCU is also planning to open a sales office in China to actively drive sales, given the size of the market. The wide applications of its products, also allows SCU to also reach out to the rest of the world and not be just limited to just Asia alone.

Intellectual Property

SCU has applied for international patent protection (PCT/SG2014/000515) for its proprietary technology and method of isolating meristematic plant stem cells. It has also filed individual patent applications in China (201410486185.1) and Taiwan (104103026).

Investors should refer to the Patent Report of intel/eigen legal llc entitled "Meristematic plant cells and method of isolating them" contained in Annexure D of this Explanatory Memorandum for further details of the patent and its applications.

5. REASONS FOR THE RESOLUTIONS

The relevant sections of the Corporations Act or Listing Rules for which the Resolutions are required to be passed are set out in the body of the Resolutions. The effect of each relevant provision of the Act and Listing Rules is as follows:

- **Listing Rule 11.1.2** – Under Listing Rule 11.1.2 ASX may require that a company gets approval from its Shareholders if it proposes to make a significant change either directly or indirectly to the nature or scale of its activities. ASX considers that the proposal constitutes such a change. ASX requires that On Q meet the requirements of Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list.
- **Listing Rule 7.1** – Listing Rule 7.1 requires the prior approval of Shareholders if a company proposes to issue in any 12 month period equity securities exceeding 15% of its ordinary securities on issue at the commencement of the 12 month period. Accordingly, shareholder approval is required to the issue of Shares pursuant to the proposed Public Offering of Shares by the Company.
- **Section 611, Item 7 of the Corporations Act** – Section 606 of the Corporations Act provides that, subject to limited specified exemptions, a person must not acquire a relevant interest in issued voting shares in a company, if as a result of the acquisition, any person's voting power in the company would increase from 20% or below to more than 20%;

In broad terms, a person has a relevant interest in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a relevant interest holds compared with the total number of voting shares in a company. The Vendor's voting power resulting from the proposed issue of Shares would breach Section 606(1) of the *Corporations Act* in the absence of an applicable exception.

However, Section 611 Item 7 of the Corporations Act provides an exemption to this prohibition. Section 611 Item 7 allows a party to acquire a relevant interest in Shares that would otherwise be prohibited under Section 606 if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company; and

- (a) no votes are cast in favour of the Resolutions by the proposed acquirers (the Vendor) or his associates; and
 - (b) there was full disclosure of all information that was known to the person proposed to make the acquisition or its associates or known to the Company that was material to a decision on how to vote on the Resolutions.
- **Chapter 2E** of the Corporations Act – Section 208(1) of the Act requires that for a public company to give a financial benefit to a related party of the public company, it must either fall within certain exceptions or obtain shareholder approval. A related party includes a party that does or may control a public company.
 - **Section 254H of the Corporations Act** - Section 254H(1) of the Corporations Act permits a company to convert all or any of its shares into a smaller number of shares by Ordinary Resolution passed at a General Meeting.

- **Section 195 of the Corporations Act** Section 195 of the Corporations Act requires that any director who has a material personal interest in a matter to be considered by the board must absent himself or herself while the matter is considered and may not vote on it. As the Company proposes to enter into Deeds of Access, Insurance and Indemnity work with each of its directors, it will not be possible for the directors to approve the entry into an execution by the Company of the Deeds of Access, Insurance and Indemnity. Accordingly the directors have resolved that their execution be approved by the shareholders in General Meeting.

6. THE INDEPENDENT EXPERT'S REPORT

Part of the purpose of the Resolutions is to enable Shareholders to consider a resolution in accordance with Section 611 Item 7 of the Corporations Act which, if passed, will permit the Vendor to acquire Shares, thereby increasing his voting power in the Company to the maximum of 32.95% without contravening Section 606 of the Corporations Act.

ASIC requires that Shareholders who are being asked to consider a proposal to pass a resolution under Section 611 Item 7 of the Corporations Act be provided with an analysis of whether the proposal is fair and reasonable when considered from the perspective of the Shareholders of the Company other than the Vendor (and his associates).

For the purposes of Section 208 of the Corporations Act, ASIC requires that a valuation of the financial benefit being given to a related party, be provided to Shareholders.

Directors may satisfy their obligations to provide an analysis and a valuation by those Directors not associated with the proposal by commissioning an independent expert's report.

The Directors have commissioned the Independent Expert to prepare the Independent Expert's Report to analyse the Proposal.

The purpose of the Independent Expert's Report is to analyse whether the proposal set out in the Resolutions is fair and reasonable when considered from the perspective of the Shareholders and their associates to value the benefit given to the Vendor.

The Independent Expert is required to:

- determine whether the proposed transaction is fair and reasonable to non-participating Shareholders:
- give an opinion on whether any person will receive any premium for control of the Company as a result of the proposal:
- explain fully the benefits of the proposal:
- consider whether the proposal if agreed to, may deter the making of a takeover bid for the Company: and
- address in its report any other information it believes is material to shareholders decisions on the proposal.

For the purposes of valuation of the benefit the Independent Expert is required to set out the principal assumptions behind the valuation.

The Independent Expert's Report, prepared by HLB Mann Judd Corporate is set out in

full and is attached to this Explanatory Memorandum. Shareholders should read the full text of the Independent Expert's Report to assist them in determining how they wish to vote in respect of the Resolutions.

The Independent Expert's Report concludes that the Proposal is fair and reasonable.

The Independent Expert values the benefit to be given to the Vendor as being between \$11,268,928 and \$13,662,281.

7. THE DIRECTORS' RECOMMENDATION

There are a number of advantages and disadvantages to the Proposal.

Advantages	Disadvantages
<ol style="list-style-type: none"> 1. A Share in the Company, post completion of the Acquisition will be worth more than an existing Share in the Company (refer Table 3.1 of the Independent Expert's Report). 2. The proposed Public Offering will provide the Company with working capital to allow it to continue to develop its business. 3. Following completion of the Acquisition the Company will have an enlarged operating business which will permit it to fund ongoing compliance and administration costs associated with maintaining a listed Company. 4. Following re-quotations of its Shares, the Company will have an improved capacity to raise additional funds. 5. There are no alternative proposals for ONQ. 6. Mr Gu will be paying a premium for control for his interest in the Company as according to the Independent Expert's Report the value of the 	<ol style="list-style-type: none"> 1. Persons who hold Shares in the Company will have invested in an entity operating in the electronic payments business. Following completion of the Acquisition the Company will be operating in the biotechnology and pharmaceutical industries which have a very different risk profile. 2. Existing Shareholders will lose control of the Company. 3. The Company will be in the early stages of commercialising products and has only operated since July 2014. There is a high degree of uncertainty in relation to future cash flows.

<p>business being transferred to the Company is greater than the value of the consideration being paid to Mr Gu.</p>	
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There are a number of risks associated with SCU's business. These include:

- that its patents may not be granted (refer to the Patent Report in Annexure D);
- the supply of raw materials to SCU which are required for it to carry out its business may be disrupted;
- SCU's business model depends on being able to supply product into the People's Republic of China market. Access to this market could in future be restricted or the market may become regulated; and
- the price of raw materials used by SCU may fluctuate, as may demand for its products. SCU's ability to make a profit on sales will depend on its being able to maintain a margin between its costs of raw materials and production and distribution, and the price at which it is able to sell its products.

The Directors consider that the advantages of the Proposal significantly outweigh the disadvantages particularly as the Company has no current business and there are no alternative proposals for the Company to consider. While the risks associated with successfully establishing the business and maintaining the business in future are quite high, the Directors consider that these risks are justified having regard to the large market for the Company's products.

Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Proposal.

Specifically the Directors recommend that you vote in favour of each of the Resolutions for the following reasons:

- Resolution 1 – Resolution 1 is recommended to enable the Company to complete the Acquisition.
- Resolution 2 – Resolution 2 is recommended to enable the Company to conduct the Public Offering.
- Resolution 3 – Resolution 3 is recommended to enable the Shares which form part of the consideration for the Acquisition to be issued to Mr Gu.
- Resolution 4 – Resolution 4 is recommended to enable the Company to offer Shares under the Public Offering at \$0.20 each, a requirement under the Listing Rules.
- Resolution 5 – Resolution 5 is recommended as the Board considers that Mr Gu will make a significant contribution to the Board.
- Resolution 6 – Resolution 6 is recommended as Deeds of Access, Insurance and Indemnity are commonly provided by listed public companies to their Directors.

- Resolution 7 – Resolution 7 is recommended so that the Company's name will be more appropriate to the business to be conducted following completion of the Acquisition.
- Resolution 8 – Resolution 8 is recommended so that the Company will have a Constitution which is compliant with ASX Listing Rules.

8. ADDITIONAL INFORMATION

8.1 The following additional information is provided in compliance with Section 611, Item 7 of the Act and ASIC Regulatory Guide 74 (in respect of acquisitions to be approved by the shareholders in accordance with Section 611, Item 7 of the Act).

Identity of the Vendor:

The following information concerning the Vendor has been provided to the Company by the Vendor. The Company takes no responsibility for any omissions from or any error or false or misleading statement in the description.

Mr Gu Huanqing's biographical details are set out in Section 4 of this Explanatory Memorandum.

Mr Gu Huanqing has entered into a Service Agreement with Stemcell United Pte Limited to act as Chief Executive Officer of Stemcell United Pte Limited, the terms of which are summarised in Annexure B.

Mr Gu Huanqing entered into a Loan Agreement with SCU on 26 January 2015 under which Mr Gu has made cash advances of S\$302,999 and may make further advances to an aggregate limit of S\$500,000 to the Company. Advances under the Agreement are interest free. SCU is required to repay the advances in full within thirty days after the requotation of the Shares on ASX, or such other date as may be agreed between the parties with the consent of ONQ.

Agreements with Entity Controlled by Vendor:

Mr Gu controls a Singapore incorporated company called Favourite Technologies Pte Ltd. SCU has entered into two agreements with Favourite Technologies as follows:

- a Reseller Agreement – Favourite Technologies has a long term supply agreement with Jinhua Yakang Pharmaceutical Co Ltd to supply it with *Daemonorops Draco Blume (Resina)*. Favourite Technologies has appointed SCU as the sole supplier to handle all procurements of *Daemonorops Draco Blume (Resina)* by Jinhua Yakang Pharmaceutical Co Ltd. Favourite Technologies will charge a 1% commission on the price of each order. They agree to use best endeavours to negotiate with Jinhua Yakang Pharmaceutical Co Ltd to assign and novate the Agreement from Favourite Technologies to SCU or to replace it with a new Agreement on terms no less favourable than the Agreement.
- a Manufacturing Agreement – SCU has entered into a Manufacturing Agreement with Favourite Technologies under which Favourite Technologies agrees to manufacture product to the order of SCU. SCU may request Favourite Technologies to submit a quotation before placing an order. The quotation is required to be valid for at least one month so that SCU will have the opportunity of seeking competing quotes.

Shares to which the Vendor will be entitled immediately before and after the allotment:

before: Nil

after: 120,000,000 Post Consolidation Shares

Intentions:

In addition to the information requirements set out in Section 611, Item 7 of the Act, ASIC has indicated in ASIC Regulatory Guide 74 that this Explanatory Memorandum should include a statement from the Vendor as to his intentions regarding the future of the Company if shareholders agree to the proposal.

The Vendor has given the following information to the Company to assist it to meet its responsibilities under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section.

If Shareholders pass the Resolutions and the issue of Shares occurs following completion of the Transaction, SCU will be a wholly owned subsidiary of On Q.

The following statements of intention by Mr Gu are subject to any determination of the Company's Board, a majority of which comprise independent Directors. Mr Gu will not control the Board.

Mr Gu does not intend that the business that will then be conducted by On Q through its wholly owned subsidiary will be changed or that On Q will change its own business as a holding company for SCU.

Mr Gu does not intend that On Q raise capital in addition to the capital already raised by the Company and to be raised under the Public Offering, although this may be necessary over time to fund any expansion of SCU's business and for working capital purposes. Mr Gu does not currently have any intentions with respect to the payment of dividends by On Q as this will be dependent on a number of factors including the profitability of On Q and any requirement it might have to retain earnings in order to fund SCU's growth.

Mr Gu does not intend that On Q or SCU will redeploy any assets and he intends that all present employees be retained in accordance with their existing contractual arrangements.

Mr Gu does not intend that there be any changes to the On Q Board as currently established, except that on completion of the Transaction Mr Gu will become a director of On Q.

Other than the Acquisition, Mr Gu does not intend that any assets be transferred between On Q and SCU on the one hand and Mr Gu and any of his associates on the other hand.

8.2 The following additional information is provided for the purposes of Chapter 2E of the Act:

- The identity of the related party – the Vendor, Mr Gu Huanqing
- The nature of the financial benefit – the issue of the Vendor Shares to the Vendor as set out in this Explanatory Memorandum.
- The recommendation of each Director of the Company in relation to the Resolutions – Each Director recommends that shareholders vote in favour of

the Resolutions. Refer to section 7 of this Explanatory Memorandum.

- Whether any Director has an interest in the outcome of the Resolutions – Harford Vantage (Australia) Pty Ltd (“Harford”), a company associated with Jamie Khoo, a director of the Company, will earn a \$50,000.00 success fee from the Company on the re-quotations of the Company’s shares on ASX. The Directors (not including Ms Khoo) are satisfied that such agreement is on arms length terms. They consider this to be the case as the amount of the success fee is small, having regard to the effort to be expended by Harford in achieving re-quotations of the Company’s Shares on ASX, and to fees charged by advisors for comparable transactions. No other director has any interest in the outcome of the resolution.
- All other information that is reasonably required by Shareholders to decide whether or not it is in the Company’s interest to pass the Resolutions and that is known to the Company or any of its Directors – refer Sections 3 and 4 of this Explanatory Memorandum and to the Independent Expert’s Report.

8.3 The following additional information is provided for the purpose of Listing Rule 7.1:

- Maximum number of securities to be issued: 23 million Post Consolidation Shares.
- The date on which the Company will issue the ordinary Shares and Options – The Company intends issuing the New Shares on or about 21 August 2015 and in any event, not later than three months from the date of the meeting.
- The price at which the securities are to be issued – A\$0.20.
- The name of the allottee of the Shares – persons who subscribe for Shares pursuant to the Public Offering.
- The terms of the New Shares – each New Share is to be issued on the same terms as all ordinary shares in the capital of the Company currently on issue.
- The intended use of the funds to be raised – to fund the cash component of the Acquisition, to further develop the business being acquired, and to provide the Company with Working Capital.
- The date of allotment – the New Shares and the Options will be allotted on the same date as they are issued as specified in the second bullet point above.
- A Voting Exclusion Statement – Please refer to the Notice of Meeting for details of the voting exclusion for the Resolutions.

8.4 The following additional information is provided for the purpose of Listing Rule 7.20:

- The effect of the proposed consolidation of the Company’s Shares is that the number of Shares on issue at the date of the meeting will be reduced by 50% following the passing of Resolution 4. All Shares in the capital of the Company are fully paid.
- Any fractional entitlements to Shares which may result from the consolidation will be rounded up.
- All convertible securities in the Company will be dealt with in accordance with Listing Rule 7.22, with the result that the number of convertible securities will also be consolidated on a one for two basis.

9. THE DEEDS OF ACCESS, INSURANCE AND INDEMNITY

It is customary for listed public companies to enter into Deeds of Access, Insurance and Indemnity with their directors, pursuant to which the directors may be entitled to access the company's books and records in the event that a claim is brought against them while they are directors and for a period of seven years following retirement or longer if proceedings are unresolved; the company agrees to use reasonable endeavours to maintain directors and officers liability insurance for the directors during that period; and the company agrees to indemnify the directors during that period against any loss or liabilities incurred by them in their capacity as directors of the company.

10. THE CHANGE OF NAME

The Directors propose that the name of the Company be changed to Stemcell United Limited to better reflect the business of the Company following completion of the Acquisition of Stemcell United Pte Ltd.

The Company intends notifying ASIC of the name change immediately following the meeting. The name change will become effective when ASIC changes the Company's registration to reflect the change. The name change will not become effective following the meeting.

11. ADOPTION OF REPLACEMENT CONSTITUTION

As the Company's current Constitution cannot be located, it is proposed that it be replaced.

The Constitution proposed to be adopted will be tabled at the meeting and its key provisions are summarised in Annexure D. Further, a copy of the proposed Constitution may be viewed on the Company's website at www.scu.com.sg.

12. GLOSSARY

In the Notice and this Explanatory Memorandum the following expressions have the following meanings:

"Act" or **"Corporations Act"** means the Corporations Act 2001 (Cth).

"Acquisition" means the proposed acquisition of Stemcell United Pte Ltd and the Vendor IP by the Company from the Vendor pursuant to the Sale and Purchase Agreement.

"Agreement" or **"Sale and Purchase Agreement"** means the conditional Sale and Purchase Agreement between the Company and the Vendor dated 22 December 2014 which is summarised in Annexure A to this Explanatory Memorandum.

"ASIC" means the Australian Securities and Investments Commission.

"Associate" has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

"ASX" means Australian Securities Exchange.

"ASX Listing Rules" or **"Listing Rules"** means the Listing Rules of the ASX.

"Board" means the board of Directors of the Company.

“Business Day” means a day, other than a Saturday or Sunday, on which banks are open for general banking business in Perth, Western Australia.

“Buyer”, “Company” or “On Q” means On Q Group Limited (ACN 009 104 330).

“Constitution” means the constitution of the Company.

“Corporations Act” means the Corporations Act 2001 (Cth).

“Directors” means each of the Directors of the Company being

“Explanatory Memorandum” means this Explanatory Memorandum.

“Favourite Technologies” means Favourite Technologies Pte Ltd, a company incorporated in Singapore which is controlled by the Vendor.

“HLB Mann Judd Corporate” means HLB Mann Judd Corporate (NSW) Pty Ltd ABN 94 003 918 125.

“Independent Expert” means HLB Mann Judd Corporate.

“Independent Expert’s Report” means the report prepared by the Independent Expert attached to this Explanatory Memorandum.

“Meeting” and “General Meeting” means the meeting convened by this Notice.

“New Shares” means Shares to be issued pursuant to the Public Offering.

“Notice” means the notice of meeting that accompanies this Explanatory Memorandum.

“Post Consolidation Shares” means Shares following the consolidation of the Company’s share capital in accordance with Resolution 4.

“Proposal” means the Transaction and related matters for which shareholder approval is sought, as set out in the Notice and as described in this Explanatory Memorandum.

“Public Offering” means the proposed public offering by the Company of shares to raise between A\$600,000 and A\$4,600,000.

“Resolutions” means the resolutions referred to in the Notice and **“resolution”** means either one of them.

“SCU” means StemCell United Pte Ltd a company incorporated in Singapore.

“Share” means a fully paid ordinary share in the capital of the Company and where the context requires, includes Post Consolidation Shares.

“Shareholder” means a registered holder of Shares in the Company.

“TCM” means traditional Chinese medicine.

“Transaction” means the transaction the subject of the Agreement.

“Vendor” means Mr Gu Huanqing, details of whom are provided in Section 4 of this Explanatory Memorandum.

“Vendor IP” means the intellectual property to be sold by the Vendor to the Company pursuant to the Sale and Purchase Agreement.

“Vendor Shares” means the 120,000,000 Post Consolidation Shares to be issued by the Company to the Vendor as part consideration for the Acquisition, in accordance with the Agreement.

ANNEXURE A

Summary of Sale and Purchase Agreement

The following is a summary of the terms of the Sale and Purchase Agreement:

1. The assets being acquired are all of capital of Stemcell United Pte. Ltd. ("**Stemcell**") (201422124K), a Singapore incorporated company, which carries on the business described in the accompanying announcement.
2. The consideration for the acquisition is the sum of A\$2.5 million, together with 240 million Ordinary Shares (120 million Post Consolidation Shares) in the capital of the Company issued at an issue price of \$0.15 per share, making a total consideration of A\$38,500,000.
3. Completion of the acquisition is subject to the following conditions precedent:
 - That none of the patent applications comprising the intellectual property the subject of the sale are rejected or refused registration, and that there is no patent registered or under application which would render the patents ineffective or limit the rights or reduce the value of the patents;
 - Due diligence;
 - All approvals, including shareholder approval, being obtained;
 - Re quotation of the company's shares on ASX;
 - A valuation being obtained that the business has a value of not less than A\$40,000,000;
 - Consents being obtained to the transactions from parties to all business contracts.
4. Completion of the acquisition is to occur by not later than two Business Days following satisfaction of the Conditions Precedent or such other date as the parties may agree.
5. Pending completion, the Vendor agrees that Stemcell and its subsidiaries ("**Group**") will limit their activities, including by not acquiring or disposing of any assets except in the ordinary course of business, not creating any encumbrance over any of their assets and not returning any capital to its members or returning or paying any dividends.
6. Within 30 days of completion, the Group will be required to repay to the Vendor a loan of not more than S\$500,000.
7. The Vendor warrants that the revenue and net profit before tax of the Group for the 5 month period ending 31 December 2014 shall not be lower than the amount of S\$1,000,000 and S\$400,000 respectively. In the event that the net profit before tax earned and received for such 5 month period is higher than S\$400,000, Stemcell will pay such excess to the Vendor within 10 business days after the amount has been approved by the parties or, in the absence of agreement, it has been confirmed by an audit of the Group.
8. The Vendor makes a number of warranties with respect to the Group, including:

- as to the corporate standing and authority of the Group;
 - as to the accuracy of the information provided with respect to the Group;
 - as to the ownership of the shares and the intellectual properties;
 - that the management accounts of the Group will be prepared in accordance with Singapore Financial Reporting Standards (or other internationally recognized standards) and give a true and fair view of the state of affairs of the Group as at 31 December 2014 and that since that date there will have been no material change in the financial position of the Group and the business;
 - that the Group's records do not contain any material inaccuracies;
 - that the assets are unencumbered and legally and beneficially owned;
 - that there are no material contracts other than those that have been disclosed;
 - that the Vendor is not aware of any outstanding claims;
 - that there are no prosecutions, litigation or arbitration proceedings;
 - that the intellectual properties are in good standing;
 - that no licences or consents are liable to be terminated as a result of the transaction;
 - that the Group is not in breach of any trade practice or fair trading legislation in Singapore or elsewhere;
 - that all taxes have been paid or are adequately provided for;
 - that there is no information which is not covered by the warranties that should be brought to the Company's attention to ensure that the Company is in possession of all relevant information concerning the Group or the business.
9. The Vendor agrees to enter into a Services Agreement with the Company or Stemcell (please see Appendix B for details).
10. For a period of three years from the completion of the Acquisition after the Vendor ceases to be employed, the Vendor agrees not to carry out any business which competes with the Group's business and not to solicit any customer or employee from the Group, or use the intellectual properties.

ANNEXURE B

Summary of Service Agreement with Gu Huanqing

1. Position

Mr Gu will be employed by SCU as its Chief Executive Officer (or any other position designated by the Board of On Q).

2. Term

The term of Mr Gu's employment is 3 years from completion of the Transaction subject to automatic renewal for a further 2 year period thereafter unless otherwise agreed in writing between SCU and Mr Gu.

3. Remuneration

Mr Gu will be paid a salary of S\$15,000 per month and such bonus at such times as the directors of On Q shall determine in their discretion. In addition Mr Gu will be paid A\$3,000 per month for so long as he is appointed and remains a director of On Q.

4. Holiday and Sickness

Mr Gu shall be entitled to 21 working days holiday in addition to public holidays which are generally observed in Singapore. In addition he shall continue to be paid during any absence due to illness, injury or accident up to a maximum of 6 months in any 12 consecutive months of employment.

5. Termination

The Company may terminate the Agreement without notice for dishonesty or serious misconduct, flagrant or persistent failure to perform his duties, if he neglects to attend to the business of On Q or SCU or he otherwise acts in material breach of the Agreement.

6. Position as a Director

If for any reason Mr Gu ceases to be employed by the Company he is required to resign as a director of On Q.

7. Non Competition and Confidentiality

Mr Gu may not compete with the Company for a period of 9 months after the expiry or termination of his Employment Contract and is required to keep all of On Q's and SCU's confidential information confidential at all times including following the termination of his employment for any reason.

ANNEXURE C

Corporate Governance Statement

1. Introduction

The Board of Directors of On Q Group Limited (“**Company**”) is responsible for the Company's corporate governance framework, as set out in this Corporate Governance Statement. This Corporate Governance Statement and supporting materials have been prepared by reference to the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations, third edition.

This Corporate Governance Statement has been approved by the Directors and is current as at 20 May 2015 being the date of this Explanatory Memorandum.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board considers the recommendation to be appropriate for its corporate governance practices. Where the Company's corporate governance practices does not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company adopts instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.scu.com.sg under the section marked "Corporate Governance"

- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Diversity Policy
- Risk Management and Internal Compliance and Control Policy
- Performance Evaluation Policy
- Remuneration Policy
- Securities Trading Policy
- Shareholder Communications Policy

2. Roles and responsibilities of the Board and Company Secretary (Recommendations: 1.1,1.4)

The functions reserved to the Board, and those delegated to senior executives are set out in the Board Charter.

The Board is responsible for promoting the success of the Company through its overseeing the management of the Company, providing corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management developing corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company Secretary supports the Board by monitoring that Board policy and procedures are followed, and by coordinating the completion and dispatch of Board agendas, minutes, registers and briefing papers. The Company Secretary is accountable to the Board via the Chair.

Senior executives are responsible for supporting the Chief Executive Officer and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters at

first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, directly to the Chair or the lead independent Director, as appropriate.

3. Selection and Appointment of Directors (Recommendation: 1.2, 1.3, 2.6)

In determining candidates to join the Board the Board will evaluate the mix of skills, experience, expertise and diversity of the existing Board. In particular, the board will seek to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration will also be given to the balance of independent Directors. Any appointment made by the Board will be subject to ratification by shareholders at the next general meeting.

Prior to the appointment of a new director the Board will undertake appropriate checks to ensure that the person's character, experience and education are appropriate for the position which will include criminal history and bankruptcy checks.

Each Board member will have a written letter of appointment or executive contract setting out the terms of his or her appointment. New Directors will be familiarised with the Company by undertaking an induction program, which shall be arranged by the Company Secretary.

4. Diversity (Recommendation: 1.5)

The Company has established a Diversity Policy, which provides the Board with objectives for achieving diversity that are appropriate for the Company.

The Company presently has only a small number of full time employees. The Board considers due to the size of the Company setting measurable diversity objectives is not appropriate with its practice currently being to hire the most appropriate candidate for the position to be filled having regard to the activities to be undertaken in the role. As the Company increases in size the board will consider setting measurable objectives.

The Company will report on the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board in its Annual Report.

5. Performance evaluation of the Board, its committees and individual directors (Recommendations: 1.6) and Senior executives (Recommendations: 1.7)

The Chair has the overall responsibility for evaluating the Board, any committees established and, when appropriate, individual directors on an annual basis.

The method and scope of the performance evaluation will be set by the Chair and which may include a Board self-assessment checklist to be completed by each Director. The Chairperson may also use an independent adviser to assist in the review.

The Chief Executive Officer will review the performance of the senior executives. The Chief Executive Officer will conduct a performance evaluation of the senior executives by meeting individually with each senior executive on a yearly basis to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against key performance indicators (KPI's) set for the senior executive set by the Chief Executive Officer or the Board.

The performance of Executive Directors and the Chief Executive Officer, will be reviewed by the Board. The Board (or Directors nominated by the board) will conduct a formal performance evaluation of any Executive Directors annually to review

performance against KPIs set for the previous year, and to establish KPIs for the forthcoming year.

6. Nomination Committee (Recommendations: 2.1) Audit Committee (Recommendations: 4.1) Risk Committee (Recommendation (7.1) Remuneration Committee (Recommendations: 8.1)

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time preferring to manage the Company through the full board of Directors.

Matters typically dealt with by a Nomination, Audit, Remuneration and Risk committee will be dealt with by the full Board in accordance with adopted policies and procedures.

If the Company's activities increase in size, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

7. Skills, experience, expertise and period of office of each Director (Recommendation: 2.2)

A profile of each Director setting out their skills, experience, expertise and period of office will be included in the Company's Annual Report.

The mix of skills and diversity for which the Board is looking to achieve in its membership is represented by the current Board. The Board comprises directors with significant experience as directors of public companies; marketing experience; accounting and financial expertise; experience in the management and growth of businesses and extensive experience in the industry in which The Company operates. The Board considers that these skills and experience are appropriate for The Company.

Each Director other than the Chief Executive Officer, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or one third of the total number of Directors (rounded down) retiring by rotation. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

8. Director independence and Professional Development (Recommendations: 2.3, 2.4, 2.5, 2.6)

The Board has a majority of directors who are independent.

The Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. These skills include members with significant experience as directors of public companies, relevant experience in the management and growth of businesses together with extensive experience in the industry in which the Company operates.

The Board will review its composition as the Company's circumstances change.

The Board will have regard to the Company's Diversity Policy and the balance of independence on the Board in identifying appropriate candidates for any appointments for the Board.

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations and the Company's materiality thresholds.

The Chair of the Board is independent.

It is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice. Where it is the Chair who is seeking the independent professional advice, the role of the Chair to consider and provide approval as set out above will be carried out by the independent Directors.

It is the Board's policy that directors be encouraged to maintain and develop their skills and knowledge needed to perform their role as directors effectively and will pay the reasonable expenses of directors who wish to participate in professional development activities.

9. Code of Conduct (Recommendation: 3.1)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

10. Integrity of Financial Reporting (Recommendations: 4.2, 4.3)

The full Board has responsibility for verifying and safeguarding the integrity of its corporate reporting. The full Board will assess any proposal to appoint or remove the auditor and will ensure that the engagement partner rotates in accordance with the Corporations Act.

The Chief Executive Officer and the Chief Financial Officer will provide a declaration to the Board in accordance with section 295A of the Corporations Act and will assure the Board that such declaration is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

A representative of the Company's auditor will be present at the Annual General Meeting and to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report

11. Continuous Disclosure (Recommendation: 5.1)

The Company has established a written policy designed to ensure compliance with ASX Listing Rules disclosure requirements and accountability at a senior executive level for that compliance.

12. Shareholder Communication (Recommendations: 6.1, 6.2, 6.3, 6.4)

The Company has designed a communications policy for promoting effective communication with shareholders, receive communications from shareholders, including by

electronic means, and encouraging shareholder participation at general meetings and at the annual general meeting.

13. Risk Management Recommendations: (7.2, 7.3, 7.4)

The Company has not established an internal audit function.

The Board has adopted a Risk Management, internal Compliance and Control Policy., which sets out the Company's risk management and control framework. Under the policy, the Board is responsible for the oversight of the Company's risk management and control framework and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks.

In fulfilling the duties of risk management, the Chief Executive Officer may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board will receive a periodic report from management as to the effectiveness of the Company's management of identified risks, including identified weaknesses or incidents and will review the Company's risk framework, at least annually to satisfy itself that it continues to be sound and appropriate for the Company's size and levels of operations.

The Company does not have any material exposure to sustainability risks relating to economic, environmental and social matters.

14. Remuneration of Directors and Executives (Recommendations 8.2, 8.3)

Details of remuneration, including the Company's policy on remuneration, will be contained in the "Remuneration Report" which will form part of the Company's Annual Report.

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to individual performance. From time to time the Company may grant performance rights or options to non-executive Directors. The grant of performance rights or options is designed to attract and retain suitably qualified non-executive Directors. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Executive remuneration consists of a base salary and performance incentives.

Short term performance incentives may be paid in cash and may be subject to the successful completion of performance hurdles agreed by the board.

Long term performance incentives may include options, performance rights, or other equity based products granted at the discretion of the Board subject to obtaining the relevant approvals. The grant of equity based products is designed to recognise and reward efforts as well as to provide additional incentive to continue those efforts for the benefit of the Company, and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies), which are reviewed at least annually to ensure market competitiveness.

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

15. ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations:

Principles and Recommendations		Comply
Principle 1: Lay solid foundations for management and oversight		(Yes/No)
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Background checks and information to be given for elections.	Yes
1.3	Written contracts of engagement.	Yes
1.4	Company Secretary accountable to board through Chairperson	Yes
1.5(a) and (b)	Diversity Policy	Yes
1.5(c)	Measurable Objectives in Diversity Policy	No
		The Board considers that due to the size of the Company setting measurable diversity objectives is not appropriate with its practice currently being to hire the most appropriate candidate for the position to be filled having regard to the activities to be undertaken in the role
1.6	Evaluation of Board	Yes
Principle 2: Structure the Board to add value		
2.1	The Board should establish a nomination committee	No
2.2	Skills Matrix	Yes
2.3	Disclose independence and length of service	Yes
2.4	A majority of the Board should be independent directors.	Yes

2.5	The chair should be an independent director.	Yes
2.5	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.6	Induction and professional development of directors	Yes
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct	Yes
Principle 4: Safeguard integrity in financial report		
4.1	The Board should establish an audit committee.	No Due to its current size the Company has not established an audit committee. The full Board will undertake the activities normally undertaken by an audit committee
4.2	Declaration from chief executive officer and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act.	Yes
4.3	External Auditor to be available at AGM	Yes
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements	Yes
Principle 6: Respect the rights of shareholders		
6.1	Information of website	Yes
6.2	Investor relations program	Yes
6.3	Facilitate participation at general meetings	Yes
6.4	Facilitate electronic communications	Yes

Principle 7: Recognise and manage risk		
7.1	The Board should establish a risk committee	No Due to its current size the Company has not established a risk committee. The full Board will undertake the activities normally undertaken by a risk committee
7.2	Conduct annual risk review	Yes
7.3	Internal audit function	No
7.4	Disclose exposure to sustainability risks	Yes
Principle 8: Remuneration fairly and responsibly		
8.1	The Board should establish a remuneration committee	No Due to its current size the Company has not established a remuneration committee. The full Board will undertake the activities normally undertaken by a remuneration committee
8.2	Disclose remuneration policy	Yes
8.3	Disclose policy on hedging equity incentive schemes	Yes

ANNEXURE D

Patent Report



intelleigen legal llc.

(Incorporated with Limited Liability)
(Co. Registration Number: 200308371D)

**Advocates & Solicitors
Trade Mark Agents**

Your Reference : TBA
Our Reference : 1000928
Writer's email : cwchee@intelleigen.com
Writer's DID : 67200672
Date : 10 April 2015

ON Q Group Ltd
Level 2, 350 Kent Street,
Sydney, NSW, Australia 2000

Attention: Mr. Chow Yee Koh

Dear Sirs,

PATENT REPORT:

**"MERISTEMATIC PLANT CELLS AND METHOD OF ISOLATING THEM" IN THE
NAME OF GU HUAN QING**

1. EXECUTIVE SUMMARY

This report details the current status of the patents application being handled by our firm on behalf of Stemcell Essentials Pte Ltd (UEN 201500691N), a wholly owned subsidiary of Stemcell United Pte Ltd (UEN 201422124K) for inclusion in an Explanatory Memorandum to accompany a Notice of Meeting of ON Q Group Limited (ACN 009 104 330) to be dated on or about June 29, 2015. As at the date printed on the report, the information is correct to the best of our knowledge, subject to the limitations and qualifications set out in the section "LIMITATIONS AND QUALIFICATIONS" (in particular, subject to the limited sources of information described therein).

This report provides information relating to "Meristematic plant cells and method of isolating them" patent application and explains the various processes and stages the patent application has to go through. The second part of the report addresses the limitations pertaining to the patent law and the patent.

Schedule 1 is a list of various patent applications and their status as at the date of this report.

2. PATENTS OVERVIEW

2.1 Patent

Patent is a type of Intellectual Property Rights granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. A patent provides protection for novel (new), inventive (non-obvious) and useful inventions for a limited period, typically 20 years (subject to the payment of renewal fees).

To get a patent, technical information about the invention must be disclosed to the public in a patent application. Patents may be granted in respect of new or improved products and methods in almost all areas of current scientific, commercial and industrial activities.

A patent, once registered grants the patent owner the exclusive right to prevent or stop others from commercially exploiting the patented invention. Patent protection means that the invention cannot be commercially made, used, distributed, imported or sold by others without the patent owner's consent. Such consent or license may be granted subject to payment of royalties.

Patents rights are territorial in nature. The exclusive rights are granted, recognized and enforced under the laws of each country or region in which the patent has been filed and granted. For this reason, there is no international or world patent; patents must be obtained in every country where protection is required.

Despite international efforts to standardise the patent laws through international treaties and conventions, the test for patentability and the level of enforcement may be different between countries.

2.2 Inventor and Owner

A patent for an invention may only be granted to the inventor(s), or to a person who has

entitlement to the invention by way of assignment or by operations of law.

The ownership and entitlement of “Meristematic plant cells and method of isolating them” was initially filed by GU Huan Qing the inventor who then assigned the patent application to Stemcell Essentials Pte Ltd through a deed of assignment dated January 15, 2015. Stemcell Essentials Pte Ltd (UEN 201500691N) is a wholly owned subsidiary of Stemcell United Pte Ltd (UEN 201422124K).

2.3 Process for Obtaining Patent

Application

In most countries the process of obtaining patent rights begins with the submission of a patent application comprising a patent specification describing the invention. Filing a Singapore patent application (provisional or complete) or other initial patent application in an overseas country, which permits such a filing, satisfies this requirement.

A basic requirement of the patent system is that the invention is novel and inventive at the time of filing. This is judged against what was publicly known or used at the date of the application.

The key sections in a patent document are the “specification” and the “claim(s)”. A patent specification generally consists of a description of the invention and also provides background information, such as a description of existing products, manufacturing or testing methods or processes and related problems. This information enables an Examiner and others to assess the application for inventiveness. It is also used to decide if any changes in the claims are within the scope of the patent. It is thus important that the specification contains a full disclosure of the invention. The "claim(s)", defines the scope of the invention and determines the breadth and depth of the patent protection.

Before a patent application is accepted for registration, it goes through an examination process. Substantive examination involves a determination if each of the claims are novel, inventive and has industrial applications. In assessing the patent, the examiner first establishes what is the "state of the art". This refers to the known highest level of general development, of a device, technique, or scientific field relating to the invention achieved at the time of the application. The patent application is then measured against the state of the art and an assessment is made

regarding whether the invention described in the application is novel, inventive and capable of industrial use. This is a tedious process and each examination office has their own methodology and resources. The time required to complete the process of examination differs from country to country. The scope of protection may also differ depending upon the law of each country. In general, it will take several years from the date of application until the patent is actually granted.

Protection in multiple countries

To obtain protection in more than one country, an applicant must file patent applications in those countries. There are international treaties that the applicant may rely on to file applications in overseas countries. The two main treaties are the Paris Convention and the Patent Cooperation Treaty (“PCT”). Singapore is signatory to both treaties.

A national or resident of Singapore may take advantage of the PCT to facilitate patent application in multiple members of the PCT, also known as Contracting States. The PCT, administered by the International Bureau (IB) of the World Intellectual Property Organization (WIPO) based in Geneva, Switzerland, is an international treaty to facilitate the applicant in seeking patent protection for his invention in several countries simultaneously by filing an international application with a single office, in one language and a single set of forms and fees. It may be initiated by a resident or national of a PCT contracting country wanting to seek protection in other PCT Contracting States.

Once the PCT application has been filed it is subjected to an "international search", carried out by one of the major patent offices. The search results are then provided in an "international search report", which is a listing of published documents that might affect the patentability of the invention claimed in the international application. On the basis of the international search report the applicant may decide to proceed or withdraw the application. However, if the PCT application is not withdrawn, it is, together with the international search report, published by the International Bureau. The applicant can also request preliminary examination, which is a report prepared by one of the major patent offices that gives a preliminary and non-binding opinion on the patentability of the claimed invention. To continue with the application, the applicant must, within thirty (30) months of the provisional patent application filing date, file national patent applications in one or more countries designated in the original PCT application. This is also known as the “national phase”. Entry into the national phase is similar

to filing national application in the first instance. The standard documentation and fee requirements will need to be satisfied in each country. For non-English speaking countries, translating the PCT application may be required. Failure to enter the national phase within the thirty (30) month period will result in abandonment of the ability to secure patent protection in most PCT countries.

As of December 2014, there are 148 Contracting States. Note that Taiwan (Republic of China) is not a Contracting State. For this reason, Stemcell Essentials Pte Ltd filed separate applications with the Taiwan Intellectual Property Office.

For countries that falls outside of the PCT, the applicant may rely on the Paris Convention to file the same patent in the 176 signatory countries within twelve (12) calendar months of the initial filing.

2.4 Granted Patents: Renewal fees, validity, exploitation and enforcement

The patent owner needs to pay annual maintenance fees or renewal fees, otherwise the patent will cease. In some countries, maintenance or renewal fees are payable even during the application stage. Stemcell Essentials Pte Ltd recognizes the importance of timely payment of the annual fees.

A grant of a patent does not guarantee that the patent is valid and enforceable. In most countries these are subjected to interpretation and application of the patent and applicable patent law by the local courts or appointed administrative bodies. Intelleigen Legal LLC provides no assurance that Stemcell Essentials Pte Ltd's pending patent applications will be granted or will be held valid and enforceable following grant.

Once a patent has been granted and throughout the lifetime of a patent, the patent owner has the exclusive rights to practice the patented technology. This means that they can exclusively use it for their own benefit (for instance, by means of application in their own products) and prevent others from using it. Alternatively, they can allow others to use it under the terms of a license agreement. The terms of the license agreement generally define the scope of the use of the patent and the license fees or royalties to be paid for the use of it.

Enforcement of patent rights varies from country to country. The remedies for unauthorised use

(or patent infringement) includes an injunction to stop further infringement of the patent, claims for damages or account of profits, and costs. In many jurisdictions, criminal and administrative sanctions are also available.

3. PATENT PORTFOLIO

Background

Dendrobium Officinale, or T'ieh-p'i Shih-hu (铁皮石斛), is a rare, endangered orchid found mainly in tropical and subtropical areas of China. It is also an important ingredient in traditional Chinese medicine (“TCM”) and commands a high value on the market. The growth cycle of this plant is relatively long (3-5 years) and its original habitat is shrinking. Stem cell tissue culturing techniques provide one feasible way to accelerate the reproduction process of *Dendrobium Officinale* and increase the annual output.

Subject matter of the patent application

The patent application describes methods to isolate and preserve meristematic cell line from a plant root tissue namely *Dendrobium Officinale* and medical applications of the cell line.

In regard of the methods, the patent application claims a method for the isolation of a meristematic cell line derived from the root tissue of a plant (including the endangered *Dendrobium officinale* plant). This method purports to provide a meristematic plant cell line that can be cultured under stable conditions. Another advantage is that it provides a meristematic cell line that does not require a de-differentiating process.

The application also described a method of preserving the meristematic cell line through freezing. The freezing methodology enables the cells to be preserved for long-term storage.

As the methodology described above purports to provide superior results it is possible that the techniques will be used frequently by other companies. This provides licensing opportunities but one issue might be policing the use of the method and obtaining license fees.

Lastly the application also describes an application of the extract of *Dendrobium officinale* in a preparation for treating seborrhic alopecia and preventing aging.

The application

The PCT application entitled "Meristematic plant cells and method of isolating them" with an application number PCT/SG2014/000515 was filed on November 4, 2014 through the Intellectual Property Office of Singapore as the receiving office. The application is claiming a priority date of September 22, 2014 based on a Chinese application CN 201410486185.1 filed by the inventor Gu Huan Qing. The applications were assigned to Stemcell Essentials Pte Ltd through a deed of assignment agreement dated January 15, 2015

The scope of the application is wide and Stemcell Essentials Pte Ltd intends to explore the possibility of multiple patent filings under a patent fortification strategy once the international search report is obtained by the international search authority.

The PCT application is able to enter national phase in all 148 contracting states and we understand that Stemcell Essentials Pte Ltd intends to enter national phase in the following countries:

1. Switzerland
2. Singapore
3. Japan
4. Korea
5. Australia
6. Iran
7. Turkey
8. India
9. Mexico
10. United States of America
11. France
12. Brazil

These are countries which the applicant feels are its key markets and where its competitors or potential licensees are located.

Both PCT/SG2014/000515 and CN201410486185.1 are currently under examination by, respectively, the Australian Patent Office (on behalf of the Intellectual Property Office of

Singapore) and the State Intellectual Property Office of the Peoples' Republic of China (SIPO).

A separate application has been filed in Republic of China (Taiwan) on January 29, 2015 with the filing number 104103026. This application is filed in the name of Stemcell Essentials Pte Ltd. The application is currently under review by the Taiwan Intellectual Property Office.

As at the date of this report, we have not received any objections or adverse search reports.

4. QUALIFICATIONS RELATING TO THE PATENT

4.1 Patent Ownership or Entitlement: Third Party Rights

Our investigation of the records of the China office discloses Mr. **GU Huan Qing** as the inventor. Mr Gu is also the initial applicant for the PCT applications in the portfolio. Stemcell Essentials Pte Ltd is recorded as the applicant by virtue of an assignment agreement.

4.2. Enforceability

Infringement proceedings may only be initiated after a patent has been granted; not on the basis of a pending application. Since a patent is a prohibitory right, i.e. a right to stop others from using your invention, filing an application does not mean that the applicant is free to commercialise the invention. It is possible that the intellectual property rights or common law rights of another party may be infringed by doing so.

A patent and technology landscape search conducted in November 2014 discloses 10321 patents relating to plant stem cells and 750 patent relating to *Dendrobium officinale*. Only 143 patents are for plant stem cells specific to *Dendrobium officinale*. The report also suggested that unlike general stem cells techniques which is held by a few companies, a majority of the research paper and patents in the area of meristematic stemcells for *Dendrobium officinale* are filed by many Chinese entities, a majority of which are Government related research institutes and universities. The technology landscape is rather fragmented with not a single entity owning more than 5% of the total patents.

As at March 3, 2015 we are not aware of an application referred to in this report being the subject of any opposition or litigation. We have not, however, conducted comprehensive and

detailed infringement search in order to attempt to identify rights of any other parties.

4.3. Validity of Patent Applications

The validity of the claims of patent cannot be guaranteed and can be challenged at various stages of its life cycle:

- (a) during examination;
- (b) in opposition proceedings after clearing the examination;
- (c) in court during revocation proceedings brought by a third party; or
- (d) during infringement proceedings initiated against an alleged infringer by the patentee.

The patent rights set out in section 3 are still pending patent applications and will undergo examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible that the scope of the claims of the patent applications may be restricted during examination of the application.

5. LIMITATIONS AND QUALIFICATIONS

5.1. Information sources

In the course of preparing this report, we have relied on information from our internal databases, information contained in third party paid databases as well as publicly available databases including non-english materials. Intelleigen Legal LLC is not responsible for the completeness or accuracy of the information available in both the paid databases and public databases, and accordingly cannot guarantee the accuracy of this information.

5.2. Jurisdictional requirements

Patents are territorial in nature and its rights are subject to the laws of each country. Each jurisdiction has its own laws and particular requirements that need to be met for the grant and maintenance of patent. The patentability assessment varies from jurisdiction-to-jurisdiction, and inventions which may be granted and deemed capable of being registered in one

jurisdiction does not automatically mean that the same may similarly be registered in another.

In addition, different jurisdictional requirements may result in variation of the scope of patent protection obtained for the same patent in different jurisdictions. The outcome of examination of the patent application by the office of one jurisdiction is not binding on the office of any other jurisdiction. Similarly, international PCT searches and examination reports are persuasive but not binding on national patent applications during examination in the national phase. Examination of patent applications often occurs at different times in different jurisdictions. This means there is also a risk that a patent may be granted on application in one jurisdiction, and a third party patent may subsequently be cited during examination of another patent application that has been filed elsewhere.

In some jurisdictions, such as the United States, there is a duty to disclose certain information to the relevant patent office. This information can include relevant prior art information known to the applicant or its agents or search results issued in respect of corresponding foreign applications. Failure to disclose such information may adversely affect the validity and/or enforceability of the patent.

Further there may be changes to patent law in the various jurisdiction from time-to-time which may have an impact on patents in the relevant country.

5.3. Patentability search limitations

A patentability search, including international searches carried out by various patent offices under the PCT procedure, may not locate all prior art that may exist which is relevant to the assessment of novelty and inventive step of a claimed invention. Searches are generally computer-based and thus dependent on the database search strategy and the comprehensiveness of the databases used. In almost all situations, the database may not be comprehensive as they may not capture older published records. Further all patentability searches are subject to the accuracy of records, as well as the indexing and classification of the subject matter comprising the records. The scope of each search is also dependent on the search strategy utilised and, for example, the keyword(s) selected for the search. The lack of a standard terminology or keyword use may result in certain records not being identified or captured in a search.

Although patentability searches provide a reasonable indication of patentability, it is not

possible to guarantee that every relevant prior art record has been located and considered. As a result, any conclusions regarding the validity of the claims of a particular patent based on professional searches or patent office searches should be regarded as indicative rather than conclusive.

Further, non-provisional patent applications are not normally published until at least 18 months from the earliest acceptable priority date. As such, a patentability search would not normally identify any third party patent application that may be relevant to the assessment of patentability that have a priority date which is less than 18 months prior to the date of the patentability search. There may be delays between official publication and the incorporation of information into the relevant database. This means that some documents may not be located at the time of the patentability search.

5.4. Patentability of an invention

Besides documentary prior art, public use of an invention and general undocumented disclosures before the priority date of a patent application is also relevant to the assessment of patentability of invention to which the patent application relates. As patentability searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

Commercialisation or use of an invention in a jurisdiction by, or with the authority of, a patent applicant (or their predecessor in title) before the priority date of a patent application may also be relevant to the patentability of intervention and the validity of any patents that may ultimately be granted on the application. Such commercial exploitation or use would not normally be identified by documentary patentability searches of publicly accessible databases.

5.5. Opposition Proceedings

Depending on jurisdictions, opposition proceedings may be initiated at the application stage (example Australia) and/or after the patent has been granted (example Europe).

Successful opposition proceedings may result in some or all of the claims of an application being refused. Successful opposition proceedings to a granted patent may result in some or all of the claims being invalidated or restricted in scope.

5.6. Entitlement to claimed priority date

In many jurisdictions, including Singapore and Australia, for subject matter contained in a non-provisional patent application to be entitled to the priority date established by a corresponding priority patent application or provisional patent application there must be “real and reasonably clear disclosure” of the subject matter in the priority application. Subject matter disclosed in a non-provisional patent application that is not contained in a corresponding priority application is generally only entitled to the filing date of the non-provisional application as a priority date.

5.7. Renewal fees

There are annual renewal fees to maintain a patent. These fees are payable even before a patent is finally granted. Failure to pay the fees may result in the termination of the patent.

At the time of preparing this report, no renewal fees are currently overdue.

5.8. Qualifications & Independence

Intelleigen Legal LLC is a firm of commercial and intellectual property lawyers that provide advice in relation to all aspects of intellectual property and corporate and commercial transactions.

Chee Chun Woei is a director of the firm and is an advocate and solicitor with the Supreme Court of Singapore. He has extensive experience structuring intellectual property based financing, technology acquisition and licensing, protecting and defending intellectual property.

Chee Chun Woei provides a holistic and comprehensive intellectual property services through its patent and trade mark practices, law firm, associated law firms in various jurisdictions and through its partnership with a major international intellectual property service providers.

Intelleigen Legal LLC has no interest in Stemcell Essentials Pte Ltd, Stemcell United Pte Ltd or ON Q Group Limited other than fees for professional work done. Intelleigen Legal LLC has no involvement in the preparation of the Notice of Meeting and Explanatory Memorandum referred to in Section 1 of this Report other than the preparation of this Report. Chee Chun

Woei is independent of Stemcell Essentials Pte Ltd, Stemcell United Pte Ltd and ON Q Group Limited for the purpose of preparing this report and gives its consent for its inclusion in the Prospectus.

The person responsible for preparing this Report is Chee Chun Woei, Director of Intelleigen Legal LLC. He is supported by Dr. Melvin Lim, Patent Executive.

Report prepared on 10 April 2015
by:

CHEE Chun Woei
Advocate & Solicitor
Supreme Court of Singapore

SCHEDULE 1

Territory	Application No.	Filing Date	Priority Date
PCT (via IPOS)	PCT / SG 2014 / 000515	14-Nov-14	2014/9/22
China	CN201410486185.1.	22/9/2014	2014/9/22
Taiwan	104103026	29/1/2015	2014/9/22

Annexure E

Summary of Proposed Constitution

The following is a summary of the key provisions of the Constitution which is proposed to be adopted by Resolution 7:

1. Compliance with Listing Rules

If the Company is listed on ASX, the Company is required to comply with ASX Listing Rules regardless of any inconsistency between the Constitution and the Listing Rules and regardless of any omission from the Constitution.

2. Share Capital and Variation of Rights

Subject to the Constitution, Listing Rules and the Corporations Act, the Directors may issue Shares or grant options at their discretion, except that they may not, without the prior approval of Shareholders in General Meeting, allot any Shares where the allotment would have the effect of transferring a controlling interest in the Company.

If at any time the share capital of the Company is divided into different classes of Shares, the rights attaching to any class may be varied only with the consent in writing of the holders of three quarters of the issued Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class, unless their terms of issue specify otherwise.

3. Liens on Shares

The Company has a lien on every Share and any dividends it pays on those Shares where an unpaid call or instalment is due but unpaid on that Share.

If the Company has given the holder of the Share a written notice demanding payment of such amount and the member fails to pay all of the amount demanded, then 14 days after having given such notice, the Directors may sell the Shares in any manner determined by them.

4. Transfers of Shares

A member may freely transfer all or any of the members' Shares except where such Shares are Restricted Securities as defined in the ASX Listing Rules.

The Directors may only decline to register a transfer of Shares in limited circumstances, including where the transfer is not in registerable form.

5. General Meetings

The quorum for a General Meeting is 3 members being present in person or by a proxy, attorney or representative and entitled to vote at the Meeting.

The Chairman may at his discretion and must if so directed by the Meeting, adjourn a General Meeting. If General Meeting is adjourned for 30 days or more, notice of the adjourned Meeting must be given as in the case of the original Meeting.

A Resolution put to a General Meeting will be decided on a show of hands unless a poll is demanded by the Chairman; at least 5 members entitled to vote on the Resolution; or members with at least 5% of the votes that may be cast on the Resolution.

The Chair shall have the casting vote in the case of an equality of votes on a show of hands or on a poll in addition to any deliberative vote to which the Chair may be entitled.

The Directors may determine that members are entitled to direct vote at a General Meeting and may prescribe rules to govern direct voting.

6. Directors

The number of Directors shall be not less than 3 and not more than 7 as the Directors determine.

One third of the Directors shall retire by rotation at each General Meeting.

The Directors may at any time appoint a Director to fill a casual vacancy or as an additional Director. Any such Director shall cease to hold office at the end of the next Annual General Meeting, except that he or she shall be eligible for election at that Meeting.

A Director is not required to hold any Shares in the Company.

The maximum aggregate sum per annum to be paid to the Directors (not including any Managing Director or Executive Director) as remuneration for their services is \$350,000 or any other maximum amount as the Shareholders may determine.

The Directors are responsible for managing the Company's business, and may exercise all powers of the Company which are not required to be exercised by the Company in General Meeting under the Corporations Act, Listing Rules or otherwise under the Constitution.

The quorum for a Meeting of Directors is 2 or such greater number as the Directors may determine from time to time.

The Directors may delegate any of their powers to a committee or committees consisting of at least one of their number and such other persons as they think fit.

7. Dividends and Reserves

Subject to the rights of persons (if any) holding Shares with special rights to a dividend, the Directors may declare a dividend in accordance with the Corporations Act and the Listing Rules. The payment of any dividend does not require confirmation by the Members in General Meeting.

8. Indemnity and Insurance

To the extent permitted by law, the Company must indemnify any present or previous Director against any liability, except for persons who were Directors of the Company prior to 3 September 2014.

The Company may pay, or agree to pay a premium for a contract insuring a person who has been an officer or order of the Company against liability to the extent permitted by law, except for such persons.



Australian Financial Services Licence Number 253134

Independent Expert's Report

ON Q Group Limited

20 May 2015

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20 May 2015

The Directors
ON Q Group Limited
Level 2, 350 Kent Street
SYDNEY NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

ON Q Group Limited ("ONQ" or "the Company") is an Australian public company with securities listed on the Australian Securities Exchange ("ASX") (ASX code: ONQ). The securities are currently suspended from quotation. ONQ has entered into an agreement to acquire 100% of the fully paid ordinary shares of StemCell United Pte Ltd ("SCU"), a company incorporated in Singapore (referred to as the "Proposed Transaction").

The structure of the Proposed Transaction is set out in the sale and purchase agreement dated 22 December 2014 between ONQ, and Mr Gu Huanqing, the shareholder vendor of SCU ("Mr Gu"). The details of the transaction and the consideration proposed for SCU is detailed in Section 4 of our report.

The Directors of ONQ have unanimously recommended that ONQ shareholders vote in favour of the Proposed Transaction.

All amounts stated in this report are in Australian Dollars unless otherwise stated.

2. Purpose of Our Report

An acquisition of securities that enables a shareholder to increase its relevant interest in a listed company ("the target company") from below 20% to above 20% is prohibited under Section 606 of the *Corporations Act 2001*, except in certain circumstances. One of the exceptions to this is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of Section 611 of the *Corporations Act 2001*. In the Proposed Transaction ONQ is the target company.

The Proposed Transaction will result in Mr Gu holding a relevant interest in up to 32.95% of the issued capital in ONQ. The issue of these shares must be approved by ONQ shareholders not associated with SCU.

The ultimate size of the relevant interest held by Mr Gu will depend on the outcome of the proposed ONQ capital raising (described in Section 4 of our report) and the level of participation by Mr Gu and/or his related parties in that proposed capital raising.

Further, as Mr Gu will gain control of ONQ for the purposes of Chapter 2E of the Corporations Act 2001, shareholders are required to be provided with a valuation of the benefit provided to Mr Gu arising from the Proposed Transaction (*Regulatory Guide 76: Related Party Transactions*, “RG76”).

Item 7 of section 6.11 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders’ decision. *Regulatory Guide 74: Acquisitions Approved by Members* (“RG74”) issued by ASIC provides additional guidance on the information to be provided to shareholders. RG74 states inter alia that the directors of the target company should provide members with an independent expert’s report or a detailed directors’ report on the Proposed Transaction.

The Directors of ONQ have requested that HLB Mann Judd Corporate (NSW) Pty Ltd (“HMJC”) prepare an independent expert’s report (“Report”) to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of ONQ. This Report is to be included in the shareholder booklet accompanying the Notice of Meeting that will be sent to ONQ’s shareholders regarding the Proposed Transaction, and has been prepared for the exclusive purpose of assisting shareholders in their consideration of the Proposed Transaction.

This assignment is a valuation engagement as defined by APES 225 *Valuation Services* issued by the Accounting Professional & Ethical Standards Board. “Valuation engagement” means an engagement or assignment to perform a valuation and provide a valuation report where the independent expert is free to employ the valuation approaches, valuation methods and valuation procedures that a reasonable and informed third party would perform, taking into consideration all the specific facts and circumstances of the engagement or assignment available to the independent expert at that time.

Our opinion is as at 6 May 2015.

3. Summary of Opinion

We consider the Proposed Transaction to be fair.

The Proposed Transaction is fair because the assessed value of an ONQ share in the Proposed Merged Entity (represented by ONQ with 100% ownership of SCU after completing the Proposed Transaction) exceeds the value of an ONQ share before the Proposed Transaction.

In forming our view we have had regard to:

- whether a control premium has been paid by Mr Gu in relation to the interest obtained in ONQ;
- the advantages of the Transaction to the Non-Associated Shareholders of ONQ;
- the disadvantages of the Transaction to the Non-Associated Shareholders of ONQ;
- consideration of the impact of the Transaction on a future takeover bid of ONQ; and
- other factors which we consider to be relevant to the Non-Associated Shareholders in their assessment of the proposal.

As the number of shares being issued is likely to result in Mr Gu Huanqing obtaining control of ONQ, we have assessed the Proposed Transaction as if it were a takeover offer. ONQ’s shareholders will retain their existing shares should the Proposed Transaction occur and will not receive any compensation. The effective consideration to be received by ONQ’s shareholders is therefore one share in the Proposed Merged Entity for every one existing ONQ share held. We have therefore compared:

- the value of an existing ONQ share on a control basis before the Proposed Transaction; with
- the value of a share in the Proposed Merged Entity on a minority basis.

This is summarised in *Table 3.1* below. Our calculations of value have been performed on a post Share Consolidation basis (refer to Section 4 of this report for an outline of the Proposed Transaction).

According to RG111, for the Transaction to be fair, the value of SCU shares being acquired must be equal to or greater than the value of the consideration provided being, ONQ shares and cash consideration.

Based on the analysis contained in Section 11.5 of this report, the indicative value of SCU is between \$34,867,411 and \$39,867,411, with a midpoint value of \$37,367,411.

For the purposes of Chapter 2E of the Corporations Act 2001, in our opinion the value of the benefit to Mr Gu is between \$11,268,928 and \$13,662,281, as set out in *Table 3.2* below.

3.1. Fairness of Transaction

Table 3.1 – Assessment of Fairness

Assessment of Fairness	Ref	Low \$	Midpoint \$	High \$
Value of an ONQ share on a controlling interest basis - post consolidation	8.1	0.0022	0.0027	0.0033
Value of an ONQ share following the proposed transaction on a minority basis - post consolidation	13.112.1	0.0731	0.0828	0.0930

Table 3.2 – Valuation of Consideration

Valuation of Consideration	Shares	Low \$	Midpoint \$	High \$
Consideration Shares	120,000,000	8,768,928	9,941,313	11,162,281
Cash Consideration		2,500,000	2,500,000	2,500,000
Total Transaction Consideration		11,268,928	12,441,313	13,662,281

3.2. Conclusion on Fairness

In our opinion the Proposed Transaction is fair based on the following:

- The value range attributed to SCU exceeds the consideration range being paid by ONQ to Mr Gu; and
- The value of each ONQ share in the Proposed Merged Entity (on a minority basis) is greater than the value of a share in ONQ before the Proposed Transaction (on a control basis).

3.3. Reasonableness Assessment

The Proposed Transaction is reasonable as it is fair.

Regulatory Guide 111: Content of Expert Reports (“RG111”) issued by ASIC states that an offer is ‘reasonable’ if it is fair. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

3.4. Advantages

We set out below the main advantages to existing ONQ shareholders of approving the Proposed Transaction:

- Increased value of ONQ shares – *Table 3.1* shows that a share in the Proposed Merged Entity exceeds the value of an existing ONQ share.
- The proposed capital raising will be completed prior to the re-quotation of ONQ’s securities on ASX, and the re-quotation of the shares is a condition precedent of the Proposed Transaction. The capital raise should provide the necessary working capital to facilitate the ongoing development of the SCU business, in the near term.
- The Proposed Merged Entity will have an enlarged operating business – ONQ currently has no operating business and has to meet the compliance and administration costs of maintaining a listed company from shareholders’ funds. ONQ management have advised this represents an on-going expense of approximately \$150,000 to \$250,000 per year. The Company is therefore certain to continue to record losses if a transformational transaction such as the Proposed Transaction is not completed. The acquisition of SCU would provide ONQ with an operating business which may generate cash flow to offset the cost of maintaining a listed company.
- Additional sources of financing – The change in nature of the activities could enable ONQ to attract new investors and raise additional working capital and may increase the company’s ability to acquire further projects.
- No alternatives – We are not aware of any alternative offers for ONQ. Other than a similar recapitalisation/reconstruction transaction to the Proposed Transaction, we consider the probability of an alternative transaction to be low.
- Mr Gu will pay an effective control premium for his interest in ONQ as the value of the SCU business transferred to the Proposed Merged Entity is greater than the value of the consideration being offered to Mr Gu.

3.5. *Disadvantages*

We set out below the main disadvantages to shareholders of approving the Proposed Transaction:

- Different risk profile – ONQ currently has no operations, but previously was an electronic payments business, whereas SCU is operational, operating in the biotechnology and pharmaceutical industries. The risk profiles of these two activities are very different from one another. ONQ’s shareholders may have bought ONQ shares due to a preference for the existing specific risk/reward profile offered by ONQ and may not be suited the risk/reward profile offered by an investment in SCU.
- Existing shareholders will lose control of ONQ – After the proposed Transaction the existing Shareholder interests in ONQ will change from a holding of 100% of the Company to holding an interest of 45.76%, assuming a minimum \$4.04 million capital raise (being \$3.44 million raised via converting notes pre-offer and a minimum of \$600,000 raised in the public offer). The actual percentage holding of individuals will depend on the size of the capital raising.
- Absence of significant operating cashflows– SCU is still in the early stages of commercialising its products and has only operated since July 2014. Therefore, there exists a high degree of uncertainty in relation to the future cashflows that may be generated by SCU.

3.6. *Other considerations*

- This Report does not include details of taxation considerations for shareholders of ONQ. We recommend that shareholders consult their own taxation adviser for detailed taxation advice before making a decision as to whether or not to support the Proposed Transaction.
- The composition of the post acquisition financial statements need to be considered as the transaction may be deemed a reverse acquisition under *AASB 3: Business Combinations*, with SCU deemed to be the accounting acquirer and parent entity in the new consolidated group. The result of this is that there may not be the opportunity to revalue and recognise intangible assets contained within the SCU business at their fair value upon acquisition.
- ONQ will be no less attractive to a future takeover offer from a third party as a result of the transaction. Due to the existing concentration of shareholdings (see *Table 7.5*), the support of ONQ’s existing largest shareholders would be required for any takeover proposal to be successful.

3.7. *Opinion*

In our opinion, the Proposed Transaction is fair and reasonable to ONQ’s non associated shareholders. This opinion should be read in conjunction with the entirety of this Report which sets out our scope, analysis and findings.

4. Outline of the Proposed Transaction

4.1. Acquisition of StemCell United Pte Ltd

ONQ is proposing to acquire 100% of the shares and the intellectual properties together with all the rights therein in SCU. In accordance with the Sale and Purchase Agreement entered between ONQ and Mr Gu, the consideration for the acquisition will be in aggregate the sum of \$38,500,000, comprised as follows:

- 240,000,000 ordinary shares in ONQ to be issued at \$0.15, or 120,000,000 ONQ shares following the proposed consolidation of shares on a ratio of 2:1, subject to shareholder approval; and
- \$2,500,000 in cash.

In accordance with the Sale and Purchase Agreement, completion of the acquisition is conditional on the following conditions precedent:

- None of the patent applications comprising the Intellectual Property being rejected or refused registration by the relevant authority or there being no competing patent registered or under application in any jurisdiction which will render the patent application ineffective, limit the rights, or reduce the value of the patents;
- Satisfactory completion of legal, financial, technical and commercial due diligence investigation on SCU and the intellectual properties ;
- All approvals including shareholders being provided;
- Re-quotations of ONQ shares on the ASX;
- A valuation of SCU being no less than \$40,000,000; and
- Such consents as may be required to the transfer of the shares in SCU and all business contracts, from all counterparties.

4.2. Issue of Shares for Capital Raising

Prior to the re-quotations of its securities on ASX, the Company intends to raise between \$4.04 million and \$8.04 million. The funds raised will be used to fund the cash component of the acquisition, to further develop the business being acquired and to provide the Company with working capital.

ONQ has conducted a placement within the limit prescribed by ASX Listing Rule 7.1, by issuing 49,101,374 Converting Notes at \$0.07 each raising a total of \$3,437,096. The Converting Notes will each convert into one ordinary share (pre consolidation) on ASX granting conditional approval to the re-quotations of ONQ's shares. Subject to shareholder approval of the proposed consolidation of shares, the Converting Notes will be consolidated on a ratio of 2:1. The Company then intends to subsequently conduct a Public Offering of ordinary post consolidation shares at \$0.20 per ordinary share to raise between \$600,000 and \$4,600,000.

We have calculated the number of shares on issue post the Proposed Transaction below in *Table 4.1*.

4.3. Share Consolidation

ONQ is proposing to complete a share consolidation at a ratio of one share for every two shares on issue, with any resulting fractions of a share to be rounded up to the nearest whole number of shares.

The following *Table 4.1* summarises the effect of the above transactions on the shares on issue.

Table 4.1 – Summary of Shares as a result of the Proposed Transaction

	Minimum		Maximum	
	Shares - pre consolidation	Shares - post consolidation	Shares - pre consolidation	Shares - post consolidation
Existing shares	433,355,149	216,677,575	433,355,149	216,677,575
Consideration shares	240,000,000	120,000,000	240,000,000	120,000,000
Placement - Converting Notes ¹	49,101,374	24,550,687	49,101,374	24,550,687
Total shares on issue immediately after approval of transaction	722,456,523	361,228,262	722,456,523	361,228,262
Public offer		3,000,000		23,000,000
Total shares of issue after Capital Raising		364,228,262		384,228,262

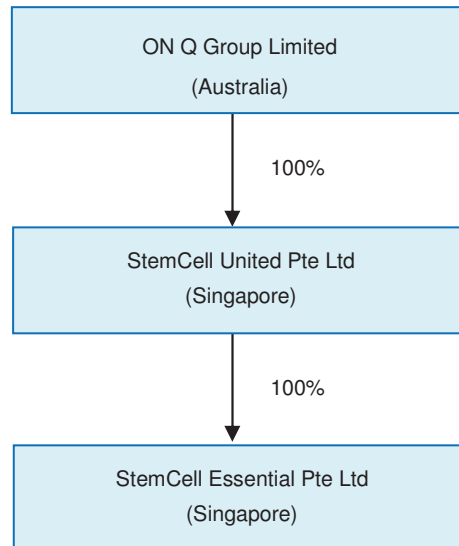
¹Relates to the conversion of 49,101,374 pre consolidation converting notes which were issued for \$0.07 each.

The existing and proposed corporate structures of ONQ and SCU are outlined in *Figures 4.1 and 4.2* below:

Figure 4.1 – Existing structure before the Proposed Transaction



Figure 4.2 –Structure after the Proposed Transaction



5. Basis of Our Evaluation

In determining how to evaluate the Proposed Transaction we have considered RG111 issued by ASIC. RG111 requires an independent expert to evaluate ‘control transactions’ as if they were a takeover offer. As the shareholders of SCU will hold a majority of the issued shares in ONQ should the Proposed Transaction be approved, we have evaluated the Proposed Transaction as a takeover of ONQ. RG111 requires a separate assessment of whether a takeover offer is ‘fair’ and whether it is ‘reasonable’. We have therefore considered the concepts of ‘fairness’ and ‘reasonableness’ separately as discussed below.

Fairness

RG111 defines a takeover offer as being fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. Accordingly, HMJC has assessed whether the Proposed Transaction is fair by comparing the value of an ONQ share before the Proposed Transaction to the effective consideration offered to ONQ’s shareholders. As the existing ONQ shareholders will retain their ONQ shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer’s scrip as in a takeover offer) the effective consideration to be received by ONQ Shareholders is the continued ownership of an ONQ share, which will become a share in the proposed merged entity.

The value of an ONQ share after the Proposed Transaction is effectively a share in the proposed merged entity (i.e. ONQ and SCU combined). This has been assessed on a minority interest basis (i.e. excluding a control premium) as ONQ’s current shareholders would own a minority stake in the proposed merged entity should the Proposed Transaction occur.

We have assessed the value of ONQ and the proposed merged entity at Fair Market Value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

This definition of Fair Market Value is consistent with the definition in RG111 at paragraph 11.

An amount a specific purchaser is willing to pay in excess of Fair Market Value is referred to as special value. Such a specific purchaser may be willing to pay a premium over Fair Market Value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies; these synergies should be included in Fair Market Value. Special value is typically not considered in forming an opinion on the Fair Market Value of an asset and our valuations of ONQ and the proposed merged entity do not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, we believe that there are sufficient reasons for ONQ's shareholders to vote for the proposal. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111:

- the vendors of SCU have no interest in ONQ at present;
- the size of existing shareholding parcels in ONQ;
- the liquidity of the market in ONQ's shares;
- any special value of ONQ to SCU;
- any control premium paid in relation to the transaction;
- the likely market price of ONQ shares if the Proposed Transaction is rejected; and
- the value of ONQ to an alternative bidder and the likelihood of an alternative offer.

We have also considered the other significant advantages and disadvantages to ONQ's shareholders of the Proposed Transaction.

6. Valuation Methodology

To estimate the Fair Market Value of ONQ before and after the Proposed Transaction we have considered common market practice and the commonly used valuation methodologies recommended in RG111. Some of these are summarised below:

- Discounted cash flow method ("DCF"): the net present value of future cash flows;
- Application of an earnings multiple to future maintainable earnings: the value of operations based on the capitalisation of future maintainable earnings;

- Orderly realisation of assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Quoted market value of listed securities: the quoted price for listed securities in a liquid and active market;
- Recent offers received: the attributable value based on any recent genuine offers received; and
- Comparable Market Proposed Transaction: the identification of comparable sale Proposed Transaction.

We have provided more detail on methodologies commonly used for valuing assets and businesses in Appendix A.

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, including as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information.

6.1. Selection of Valuation Methodology – ONQ

In selecting an appropriate valuation methodology to value ONQ we have considered the following factors:

- ONQ does not have any significant ongoing business, therefore the discounted cash flow and capitalisation of earnings approaches are not relevant;
- ONQ's shares have previously traded on the ASX;
- ONQ's main asset is cash. This asset is understood and can be valued; and
- We are not aware of any recent offers received for the shares of ONQ, other than those considered in connection with the Proposed Transaction.

Accordingly, we are of the opinion that the most appropriate methodology to value ONQ is an asset based method with a cross check to quoted market value of its listed securities.

6.2. Selection of Valuation Methodology – SCU

In selecting an appropriate valuation methodology for SCU we have considered the following factors:

- SCU is an operating business, is revenue generating, achieved a profit for the period ended 31 December 2014 and the SCU Director's have forecast to achieve profit in future periods. There is available data in relation to a number of publicly traded companies which have activities that are comparable to SCU. Thus a capitalisation of earnings approach is suitable;
- As detailed in RG111 the use of the DCF methodology requires the reliance on the long term cash flow forecasts of SCU. As detailed in the meeting materials and this report, SCU management forecast the business to achieve significant growth via expansion into new product ranges. As such any long term cash flow forecasts for the business are based on many assumptions and circumstances outside the control of the business which inherently contain a greater degree of uncertainty;

- SCU is an operational business, and management have indicated that they are not aware of any reason to indicate that the business is not a going concern. The Directors of ONQ have indicated that a significant consideration in the Proposed Transaction is access to the intellectual property held by SCU. This intellectual property is currently recorded at nil value within the statement of financial position of SCU, as such an asset based valuation approach is not considered relevant; and
- There have been no transactions in SCU shares since its incorporation in July 2014, and we are not aware of any recent offers for the SCU business, other than the Proposed Transaction.

Accordingly, we are of the opinion that the most appropriate methodology to value SCU is the capitalisation of maintainable earnings methodology. We have determined this as the most suitable methodology given SCU is an operating business, is revenue generating and there is recent and relevant comparable data available.

6.3. Selection of Valuation Methodology – proposed merged entity

In selecting an appropriate valuation methodology for the proposed merged entity we have considered the following factors:

- The proposed merged entity will combine the existing ONQ and SCU businesses plus the addition capital raised; and
- ONQ's existing shareholders will be minority shareholders in the proposed merged entity.

On this basis we have adopted a “sum of the parts methodology” excluding any control premium included in our valuation of ONQ.

The *Corporations Act 2001* states control may occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital of a company. In the Proposed Transaction, Mr Gu could gain control of up to 32.95% of the expanded issued capital of ONQ. In take-over transaction offers, it is often observed that a premium for control is paid in the range of 15% to 40%. The actual premium may be more or less. In this case, we assume a reasonable premium for control in the current circumstances could be 20%.

In our opinion, it is possible that Mr Gu is paying a small premium for control of ONQ, however, the non associated shareholders of ONQ are benefiting in that the theoretical value of ONQ share may rise following the Proposed Transaction.

6.4. Premium for Control

Premium for control for the purposes of this report has been defined as the difference between the price per share that a party would be prepared to pay to obtain a controlling interest in ONQ and the price per share at which the same party would be required to pay for a share which does not carry with it control of ONQ.

The *Corporations Act 2001* states control may occur when a shareholder or group of associated shareholders control more than 20% of the issued capital of a company. In the Proposed Transaction Mr Gu will gain control over up to 32.95% of the issued capital in ONQ. In takeover transactions it is often observed that a premium for control is paid in the range of 15% to 40% by the acquiring party.

As detailed in *Table 3.2* the assessed value of the total consideration paid to Mr Gu, which will result in his control of ONQ is less than the value of the SCU shares to be transferred by Mr Gu to the Proposed Merged Entity. On this basis Mr Gu appears to be paying a premium for control of ONQ. In our opinion the non-associated shareholders of ONQ are benefiting from the proposed transaction in that the calculated value of a share in ONQ may rise following the completion of the Proposed Transaction.

7. Profile of ONQ

7.1. History and Overview of ONQ

The company listed on the ASX in June 2000 and has previously operated an electronic payment and distribution system.

On 5 May 2008 the Company's shares were suspended from trading on the official list of the ASX and on 28 July 2008 joint and several administrators were appointed to the Company.

On 23 December 2008 the joint and several administrators were removed and joint and several liquidators were appointed.

On 23 January 2014 an Administrator was appointed to the Company by the liquidators for the purposes of recapitalising the Company, and on 12 March 2014 the creditors of the Company entered into a Deed of Company Arrangement in line with the proposed recapitalisation.

On 3 September 2014 the Shareholders approved the recapitalisation of the Company with the result that on 17 October 2014 the winding up of the Company was terminated pursuant to Section 482 of the Corporations Act and the recapitalisation of the Company was effectuated on 27 November 2014.

7.2. Historical Financial Performance

The draft 30 June 2014 Annual Report describes the activities of ONQ as the management and development of an electronic distribution system for pre-paid products and services. The reviewed Statement of Financial Performance of ONQ for the half year ended 31 December 2014 and the audited Statement of Financial Performance for the year ended 30 June 2014 is summarised in *Table 7.1* below.

Table 7.1 – Historical Earnings

Statement of Financial Performance	Period ended 31-Dec-14 Reviewed \$	Period ended 30-Jun-14 Audited \$
Interest	154	-
Other revenue	76,272,483	-
Total Income	76,272,637	-
<i>Expenses</i>		
Administration expenses	1,019	-
Directors fees	28,470	-
Professional fees	307,059	-
Regulator fees	27,579	-
Share based payments	226,630	-
Other expenses	168,000	-
Total Expenses	758,757	-
Operating Profit/(Loss)	75,513,880	-
Net Profit after Tax	75,513,880	-
<i>Source: ON Q Group Limited 2014 Interim Report for half year ended 31 December 2014, ON Q Group Limited Annual Report for the year ended 30 June 2014</i>		

We note the following in relation to the financial performance of ONQ for the period ended 31 December 2014:

- Other revenue relates to a gain on the write back of creditor claims on the effectuation of the Deed of Company Arrangement (DOCA) on 27 November 2014;
- Professional fees relate to expenses such as accounting, liquidator, legal and consulting fees, and company secretarial; and
- Other expenses relates to a payment made to the creditor trust in accordance with the DOCA.

7.3. Historical Statement of Financial Position

Table 7.2 – Historical Statement of Financial Position

Statement of Financial Position	As at 31-Dec-14 Reviewed \$	As at 30-Jun-14 Audited \$
Assets		
Cash and Cash Equivalents	501,211	-
Trade Debtors & Other Receivables	-	21,105
GST	24,904	-
Total Assets	526,115	21,105
Liabilities		
Trade & Other Payables	208,983	76,272,483
Total Liabilities	208,983	76,272,483
Net Assets/(Liabilities)	317,132	(76,251,378)
Equity		
Issued Capital	25,009,130	24,147,000
Reserves	192,500	-
Retained Profit	(24,884,498)	(100,398,378)
Total Equity/(Deficit)	317,132	(76,251,378)
<i>Source: ON Q Group Limited 2014 Interim Report for half year ended 31 December 2014, ON Q Group Limited Annual Report for the year ended 30 June 2014</i>		

We note the following in relation to ONQ's historical Statement of Financial Position:

- Cash and cash equivalents increased from \$Nil at 30 June 2014 to \$0.50 million at 31 December 2014 predominately as a result of cash proceeds from the issue of 175,503,704 shares; and
- Trade and other payables decreased from \$76.27 million at 30 June 2014 to \$0.21 million at 31 December 2014 as a result of the DOCA effectuated on 27 November 2014 which released ONQ from all creditors claims estimated at \$76 million.

7.4. Key Personnel

The directors of ONQ as at the date of this report are:

Name	Position
Ms (Jamie) Khoo Gee Choo	Non-Executive Chairman
Mr Chow-Yee Koh	Director & Company Secretary
Mr (Wayne) Ko Chun Way	Independent Director

7.5. ONQ Capital Structure

Table 4.1 summarises the current and proposed capital structure if the Proposed Transaction were to take place.

Table 7.3 shows ONQ's capital structure as extracted from its share register at 6 May 2015.

Table 7.3 – Shares on Issue as at 6 May 2015

Shares on Issue	As at 6 May 2015
Total shares on issue	433,355,149
Number of shareholders	1,735

Source: ON Q Group Limited share register maintained by Security Transfer Registrars Pty Ltd as at 6 May 2015.

Table 7.4 provides an analysis of the shares held in ONQ as at 6 May 2015.

Table 7.4 – Range of Shares Held as at 6 May 2015

No. of securities held per Shareholder Spread	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares
1 - 1,000	1,563	120,099	0.03%
1,001 - 5,000	92	196,910	0.05%
5,001 - 10,000	16	112,461	0.03%
10,001 - 100,000	37	1,338,237	0.31%
100,001 - and over	27	431,587,442	99.59%
TOTAL	1,735	433,355,149	100.00%

Source: ON Q Group Limited share register maintained by Security Transfer Registrars Pty Ltd as at 6 May 2015.

Table 7.5 sets out the ten largest shareholders in ONQ as at 6 May 2015, as extracted from the Company's share register.

Table 7.5 – ONQ Ten Largest Shareholders

Shareholder	Shares	% of Issued Capital
Mr Lai Danny Kong Sang	200,442,200	46.25
Mr Henry Chun Fung Ko	66,722,952	15.40
Ms Wu Tsai Yun	29,000,000	6.69
Mr Tse Chi Nang	28,000,000	6.46
Mr Li Chi Keung	21,280,752	4.91
Ms Kam Shun Betty Leung	13,000,000	3.00
Emerald Charm Investments Pte	12,107,900	2.79
Equinex Investments Limited	12,107,900	2.79
Ms Leow Lay Choo	10,000,000	2.31
Mr Yip Koon Wah	10,000,000	2.31
Total Top 10	402,661,704	92.92
Others	30,693,445	7.08
Total	433,355,149	100.00

Source: ON Q Group Limited share register maintained by Security Transfer Registrars Pty Ltd as at 6 May 2015.

An analysis of the shareholding of ONQ, assuming the Proposed Transaction proceeds, on a post consolidation basis is set out in *Table 7.6*. The details of the Proposed Transaction are set out in Section 4 of this Report.

Table 7.6 – Significant Shareholders if Proposed Transaction Proceeds

	Minimum		Maximum	
	Shares Held	%	Shares Held	%
SCU Shareholders				
Mr Gu Huanqing	120,000,000	32.95%	120,000,000	31.23%
Other Shareholders				
Existing ONQ Shareholders	216,677,575	59.49%	216,677,575	56.39%
Shareholders of New shares issued in Placement	24,550,687	6.74%	24,550,687	6.39%
Shareholders of New shares issued in Public Offer	3,000,000	0.82%	23,000,000	5.99%
Post Acquisition Shares on Issue	364,228,262	100.00%	384,228,262	100.00%

7.6. *ONQ ASX announcements*

Below is a table summarising the announcements made by ONQ to the ASX for a period commencing six months prior to the announcement of the transaction, to the end of February 2015. The Company's shares have been suspended from trading on the ASX since 5 May 2008, and as a result any announcements have not impacted the quoted share price.

Table 7.7 – Summary of ONQ ASX announcements

Date	Announcement
26/02/2015	Change of Director's Interest Notice
26/02/2015	Appendix 3B
30/01/2015	Appendix 3B
22/01/2015	Becoming a substantial holder
20/01/2015	Becoming a substantial holder
20/01/2015	Becoming a substantial holder
20/01/2015	Becoming a substantial holder
20/01/2015	Change in substantial holder
20/01/2015	Becoming a substantial holder
23/12/2014	Acquisition of business and re-quotation of shares
2/12/2014	Allotment of 175,503,704 shares
28/11/2014	Deed of Company Arrangement
21/11/2014	Company Secretary Appointment & Change of Address
24/10/2014	Initial Director's Interest Notice
24/10/2014	Initial Director's Interest Notice
24/10/2014	Initial Director's Interest Notice
24/10/2014	Corporate Update
24/10/2014	Supreme Court Judgement
8/10/2014	Waiver from ASX Listing Rule 14.7
3/06/2014	Results of General Meeting of Shareholders
4/08/2014	Update to Shareholders
4/07/2014	Update to Shareholders
27/03/2014	Update to Shareholders
29/01/2014	Update to Shareholders
15/01/2014	Update to Shareholders

At a General Meeting of Shareholders held on 3 September 2014, the following Resolutions were passed relating to the allotment and issue of securities:

- 12,330,820 fully paid ordinary shares to the trustee of the share trust for creditors and to Bennelong Capital Partners for \$nil consideration;
- 142,158,000 fully paid ordinary shares to sophisticated, professional and exempt investors at an issue price of \$0.00284894272 for gross proceeds of \$405,000;
- 175,503,704 fully paid ordinary shares to sophisticated, professional and exempt investors at an issue price of \$0.00284894272 for gross proceeds of \$500,000; and
- 100,000,000 performance options to the investment group, exercisable at \$0.00002 on or before 31 December 2015, at an issue price of \$0.00001 for gross proceeds of \$1,000. These options have been exercised at the date of this Report.

8. Value of ONQ before the Proposed Transaction

8.1. Value of ONQ before the Proposed Transaction

Net Asset Approach

We have assessed the current Fair Market value of ONQ utilising the net assets approach on a going concern basis as reflected in our valuation below in *Table 8.1*.

Table 8.1 – Net asset based valuation of ONQ

Net asset based valuation of ONQ	Low \$	Midpoint \$	High \$
Cash	118,641	118,641	118,641
Trade and other receivables	13,563	13,563	13,563
Trade and other payables	(163,016)	(163,016)	(163,016)
Listed vehicle	500,000	625,000	750,000
Value of ONQ on a control basis	469,188	594,188	719,188
Current shares on issue	433,355,149	433,355,149	433,355,149
Pre consolidation number of shares before the Proposed Transaction	433,355,149	433,355,149	433,355,149
Value per share pre consolidation on a control basis (\$)	0.0011	0.0014	0.0017
Share consolidation ratio (2:1)	(2:1)	(2:1)	(2:1)
Post consolidation number of shares before the Proposed Transaction	216,677,575	216,677,575	216,677,575
Value per share post consolidation on a control basis (\$)	0.0022	0.0027	0.0033

We have viewed the ONQ management accounts as at 31 March 2015, being the latest management accounts available, and note ONQ had cash of approximately \$292k, excluding cash received as a result of the Converting Notes issue. If the transaction does not proceed, ONQ management has advised there will be approximately \$173k of further costs that will be incurred which predominately relate to legal and compliance fees. Therefore a net cash amount of \$119k has been included in our valuation of ONQ. We have taken the value of trade and other receivables and trade and other payables as at their values in the management accounts as at 31 March 2015.

As well as the assets presented in its financial statements, the other significant asset of ONQ is its status as a listed vehicle on the ASX, which provides shareholder value as a vehicle for a backdoor listing. Based on our knowledge of similar transaction and discussions we have held with stock brokers and insolvency professionals, we have assessed the value of ONQ's shell to be \$0.5 million to \$0.75 million.

Consideration of Alternate Approach

As ONQ shares have been previously traded on the ASX we considered it appropriate to consider the quoted market value of the securities on issue based on information obtained from S&P Capital IQ. However the Company's shares have been suspended from trading on the ASX since 5 May 2008, as a result the last quotes share price recorded by S&P Capital IQ is the last quoted price before suspension, being \$1.584, and does not represent the current value of ONQ shares. Therefore, we have disregarded the quoted market value approach in our assessment.

As detailed in Section 7.6 of this Report we noted that at a general meeting of the Company on 3 September 2014, ONQ shareholders approved the issue of 318 million ordinary shares at a price of \$0.00284894272 per share. The pre consolidation value per share calculated under the net asset value methodology at Section 8.1 is lower than the 3 September 2014 share issue price. The difference between the share values can be explained by the dilutionary impact of the additional 100,000,000 shares issued in 2015 on the exercise of the performance options.

9. Profile of Stemcell United Pte Ltd

9.1. History and Overview of SCU

Stem Cell United Pte Ltd was founded in 2014 by Mr Gu Huanqing, an experienced biologist with over 20 years in the food and agriculture technology industry. The company was incorporated in Singapore in July 2014. SCU is a biotechnology company focused on the growth, reproduction, culture and extraction of stem cells for medicinal, health and beauty applications.

SCU's current business activity is the sourcing, production, marketing and sales of *Daemonorops Draco Blume* extract ("Resina"), also commonly known as Dragon's Blood Resin to traders and pharmaceutical companies in Hong Kong and China. *Daemonorops Draco Blume* is a plant found in the tropical rainforests of Indonesia. Resina has high medicinal value and is used as an active ingredient in Traditional Chinese Medicine ("TCM") products.

SCU is a pioneer in the use of fingerprint mapping technologies such as High Performance Liquid Chromatography (HPLC) to identify and determine the authenticity of the raw materials, test for active constituents, and ensure its potency. HPLC is an advanced technology that uses the unique 'fingerprint' all living organisms have to authenticate bio-specimens in modern biotechnology. SCU uses the HPLC technology to determine the concentration of active compounds in each batch of *Daemonorops Draco Blume* raw materials for the determination of its grade.

The graded *Daemonorops Draco Blume* raw materials are later outsourced to a processing partner for the processing of Resina extract and the cost for each batch being processed is determined by its grade. The production process extracts Resina from *Daemonorops Draco Blume*. Outsourcing the production process allows SCU to focus its operations on higher value-added activities such as procurement, research and development, and distribution, and lowers its fixed investment costs and operating costs.

SCU has developed proprietary technology to isolate meristematic plant stem cells (PCT/SG2014/000515). As part of its business expansion, the Company plans to apply this technology to *Dendrobium Officinale Kimura et Migo* (“Dendrobium”).

Wild Dendrobium is a rare and endangered orchid found in tropical and subtropical areas in China at high altitudes. Dendrobium extract has a high medicinal value and has been used as an active ingredient in TCM products for centuries. Dendrobium also has anti-aging and hair growth applications.

Producing the Dendrobium extract using SCU’s stem cell technology reduces the cost and production time of this popular product significantly.

9.2. Historical Financial Performance

SCU’s audited financial statements for the financial period from 29 July 2014 (date of incorporation) to 31 December 2014 set out the financial performance for that period. This is disclosed in *Table 9.1* below.

Table 9.1 – SCU Financial Performance

Statement of Financial Performance	Period ended 31-Dec-14 SGD\$	Period ended 31-Dec-14 AUD\$ ¹
Revenue	1,002,131	943,410
Cost of sales	(557,656)	(524,980)
Gross profit	444,475	418,431
<i>Expenses</i>		
Administration Expenses	(52,377)	(49,308)
Total Expenses	(52,377)	(49,308)
Operating Profit	392,098	369,123
Income tax expense	(16,105)	(15,161)
Net Profit after Tax	375,993	353,961
<i>Source: Stemcell United Pte. Ltd audited Financial Statements for the year ended 31 December 2014</i>		
¹ Converted from SGD to AUD at the rate of \$0.941404, current at 25 February 2015. We have reviewed the average FX rate at December 2014 between the major Australian commercial banks, and found this rate to be comparable.		

We note the following in relation to financial performance of SCU:

- SCU commenced operations on 29 July 2014, and as such, the Statement of Financial Performance for the period ended 31 December 2014 represents only five months of operations.
- Revenue relates only to sales of the Resina product.

9.3. Historical Financial Position

SCU’s audited financial statements for the period ended 31 December 2014 sets out the financial position at 31 December. This is summarised in *Table 9.2* below.

Table 9.2 – SCU Financial Position

Statement of Financial Position	Audited as at 31-Dec-14 SGD\$	As at 31-Dec-14 AUD\$ ¹
Assets		
Current assets		
Cash and Cash Equivalents	73,827	69,501
Trade and Other Receivables	606,302	570,775
Inventories	71,882	67,670
	752,011	707,946
Non-current assets		
Property, Plant and Equipment	11,763	11,074
	11,763	11,074
Total Assets	763,774	719,020
Liabilities		
Trade and Other Payables	168,676	158,792
Shareholder's Loan	202,999	191,104
Current Income Tax Liabilities	16,105	15,161
Total Liabilities	387,780	365,058
Net Assets	375,994	353,962
Equity		
Issued Capital	1	1
Reserves	375,993	353,961
Total Equity	375,994	353,962
Source: Stemcell United Pte. Ltd audited Financial Statements for the year ended 31 December 2014		
¹ Converted from SGD to AUD at the rate of \$0.941404 current at 25 February 2015. We have reviewed the average FX rate at December 2014 between the major Australian commercial banks, and found this rate to be comparable.		

We note the following in relation to SCU's historical Statement of Financial Position:

- Trade and other receivables includes SGD\$517,500 of trade receivables to non-related parties. We understand from SCU's auditors that as part of their audit they confirmed subsequent receipts of SGD\$225,000 were recovered while the balance of SGD\$292,500 was aged less than 30 days and there was no indication of impairment.
- Trade and other payables includes SGD\$123,693 of trade payables to a related party, being an entity that has a common director with SCU and SGD\$11,670 payable to the director. The balance also includes SGD\$21,313 of trade payables to non-related parties and SGD\$12,000 of accruals.
- The Shareholder's loan is unsecured, interest-free and repayable within 30 days after the re-quotation of ONQ's shares on ASX, or such other date as may be agreed between the parties with the consent of ONQ.

We have calculated SCU's net debt at 31 December 2014 to be approximately AUD\$132,589 as set out below in *Table 9.3*. Management have advised that this will not change materially to the transaction date.

Table 9.3 – Net Debt in SCU as at 31 December 2014

Net Debt	31-Dec-14 SGD\$	31-Dec-14 AUD\$
Cash and Cash Equivalents	(73,827)	(69,501)
Loan Payable - Director	11,670	10,986
Loan Payable - Shareholder	202,999	191,104
Total Net Debt	140,842	132,589

9.4. Key Management Personnel

The key management personnel involved in SCU as at the date of this report are:

Name	Position	Qualifications and Experience
Mr Gu Huanqing	CEO & Executive Director	Master of Science degree in Biology, South China Teachers University (renamed South China Normal University) Diploma Business Management, Australian Academy of Business Studies Mr Gu is the inventor of SCU's Dendrobium Officinale orchid plant stem cell products and has over 20 years experience in the food and agricultural technology industry. Mr Gu had previously served as a consultant to Food and Agriculture Organization (FAO) of the United Nations
Mr Tan Boon Seong	Financial Controller	Bachelor of Accountancy, National University of Singapore Member of the Institute of Singapore Chartered Accountants Mr Tan has more than 20 years experience in accounting, corporate finance, product costing, internal control and taxation
Mr Cowen Lim	Distribution Director	Bachelor of Business Administration, National University of Singapore

9.5. Capital Structure

SCU's capital structure as at the date of this Report is set out in *Table 9.4* below.

Table 9.4 – Capital Structure and Shareholders

Shareholder	Shares	% of Issued Capital
Mr Gu Huanqing	1	100
	1	100

10. Industry Overview

Both Resina and Dendrobium are ingredients that have been used in TCM for centuries. TCM encompasses many different medicine practices developed in China, and have evolved over a period of more than 2,000 years. The TCM market is currently worth A\$170 billion globally. There is strong demand for TCM products due to the size of China's population and the increased demand for TCM products from the international market. The ageing population in many markets around the world, together with the trend for consumers to seek out alternative and herbal products for their health will also contribute to growth in this industry.

Technology improvements, together with efforts in research and development are key to success in this industry. Developments in technology have the potential to enhance product quality and efficacy. Innovation and product development will also ensure the competitiveness and longevity of businesses in this industry.

10.1. Resina

Resina is used in TCM for its anticoagulant properties, including assisting with blood circulation and pain, stopping blood flow, and assisting with muscle recovery. The product is extracted from the resin produced by the *Daemonorops Draco Blume* plant, native to Indonesia.

More recently, Resina has also been used in western skin care products due to its anti-inflammatory properties.

10.2. Dendrobium

Dendrobium plants have been used in TCM for centuries and Dendrobium is acknowledged for its uses in clearing away toxic materials accumulated in human tissues, enhancing the body's immunity, reducing blood sugar levels, and prolonging life. Due to overexploitation and habitat deterioration, Dendrobium has been an endangered species since the 1950s.

The traditional cultivation of the Dendrobium requires three to five years for the plant to reach maturity and wild resources of the plant have been severely depleted.

Dendrobium products in both liquid and powdered form are used in the manufacture of anti-ageing, hair care, TCM and dietary supplement products. The market in China for Dendrobium is between 8,000 and 10,000 tonnes per annum and is increasing by 10% to 15% per annum.

SCU is the only company to own and use plant stem cell technology to produce Dendrobium extract which reduces cost and production time significantly. The advantages SCU's Dendrobium stem cell extract has over traditionally cultivated Dendrobium includes:

- Lower production cost due to ability to self-renew and multiply stem cell;
- The entire growth and processing cycle takes 3 months, whereas cultivated Dendrobium has a 3 to 5 year growth and processing cycle; and
- Patented technology.

11. Valuation of StemCell United Pte Ltd

11.1. Methodology

We have applied the capitalisation of maintainable earnings methodology as our primary valuation methodology in determining the Fair Market Value of SCU. The capitalisation of maintainable earnings methodology requires:

- An assessment of future maintainable earnings;
- Selection of an appropriate multiple;
- Analysis of net debt and surplus assets; and
- Consideration of a control premium.

These are discussed below.

11.2. Assessment of Future Maintainable Earnings (“FME”)

The first step in analysing FME is to determine a level of earnings to be capitalised for valuation purposes. We have selected EBITDA as the most appropriate measure of earnings for SCU. EBITDA is a profit measure that can be used to assess the financial performance of a company before taking account of different gearing or financing structures and effective tax rates. In selecting a future maintainable/adopted level of EBITDA for SCU we have considered its historical financial performance and the budgeted result for FY15 as follows:

Table 11.1 – Maintainable EBITDA for SCU

	FY14 Annualised ¹ \$	FY15 Forecast ² \$	Maintainable/ Adopted \$
EBITDA (SGD \$000s)	941,035	3,000,000	
EBITDA (AUD \$000s) ³	885,894	2,824,212	2,500,000
1. During FY14 SCU operated between 29 July 2014 and 31 December 2014. FY14 EBIT figure is an estimate of results had the business operated for 12 months, calculated by dividing actual results by 5 and multiplying by 12. 2. EBIT forecast for FY15 has been prepared by SCU management. 3. EBIT has been converted from SGD to AUD at the spot rate of \$0.941404 current at 25 February 2014.			

In selecting a maintainable/adopted EBITDA for SCU we have considered the following:

- The historical revenue in FY14 and the budgeted revenue in FY15 include only sales of Resina.
- We have been advised that sales in January and February 2015 have been in accordance with SCU’s budget.
- We have not considered in detail forecast earnings for FY16 or later, as these years include sales revenue for both the Resina and Dendrobium products. SCU’s production process from Dendrobium has not yet been commercialised.

As a result of the considerations above, we have selected a maintainable/adopted EBITDA for SCU of **\$2.5 million**, being approximately 11% less than the budgeted EBITDA for FY15. We have adopted a value lower than budget to be conservative as the business is forecasting significant growth for the FY14 results achieved.

11.3. Selection of Multiple

In determining the multiple we have had regard to multiples of similar companies operating in the Biotechnology and Pharmacy industries. Data in relation to these companies is set out in the *Table 11.2* below. A background of each of these companies is set out in Appendix B.

Table 11.2 – Comparable Company Data

Company Name	Exchange: Ticker	Country	Total Enterprise Value ("TEV") AUDm	Total EBITDA LTM AUDm	TEV/EBITDA LTM Current	TEV/EBITDA NTM Forecast
Singapore domiciled						
Haw Par Corporation Limited	SGX:H02	Singapore	1,198.6	40.9	21.2x	n/a
Eu Yan Sang International Ltd	SGX:E02	Singapore	448.0	20.2	14.7x	13.3x
SciGen Ltd.	ASX:SIE	Australia	86.6	2.7	32.9x	n/a
Suntar Eco-City Limited	SGX:CZ3	Singapore	21.1	0.2	45.4x	n/a
Hong Kong domiciled						
China Traditional Chinese Medicine Co. Limited	SEHK:570	Hong Kong	2,156.9	108.0	19.9x	16.4x
Hua Han Bio-Pharmaceutical Holdings Ltd.	SEHK:587	Hong Kong	960.6	90.7	10.6x	5.9x
China domiciled						
Yunnan Baiyao Group Co., Ltd.	SZSE:000538	China	12,902.7	534.3	24.1x	18.3x
Beijing Tongrentang Co., Ltd	SHSE:600085	China	5,971.8	324.2	18.4x	17.0x
China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.	SZSE:000999	China	4,762.2	315.8	15.1x	11.9x
Shan Dong Dong-E E-jiao Co., Ltd.	SZSE:000423	China	4,611.6	285.7	16.1x	11.3x
Hengkang medical Group Co., LTD.	SZSE:002219	China	3,498.3	66.0	53.0x	32.4x
China Meheco Co., Ltd.	SHSE:600056	China	3,408.9	219.7	15.5x	13.8x
Joincare Pharmaceutical Group Industry Co.,Ltd.	SHSE:600380	China	3,394.5	225.6	15.0x	n/a
Tianjin Zhongxin Pharmaceutical Group Corporation Limited	SHSE:600329	China	2,586.9	92.3	27.5x	16.6x
Guilin Sanjin Pharmaceutical Co., Ltd.	SZSE:002275	China	2,188.2	114.6	19.1x	n/a
Guangdong Taiantang Pharmaceutical Co., Ltd.	SZSE:002433	China	2,002.6	55.9	35.8x	n/a
Nantong Jinghua Pharmaceutical Co., Ltd.	SZSE:002349	China	1,848.1	16.8	110.2x	75.2x
Shenzhen Neptunus Bioengineering Co., Ltd.	SZSE:000078	China	1,837.1	83.9	21.9x	n/a
Jiuzhitang Co., Ltd.	SZSE:000989	China	1,215.3	33.3	36.5x	n/a
Shandong Wohua Pharmaceutical Co., Ltd.	SZSE:002107	China	1,175.3	8.7	135.8x	n/a
Hunan Hansen Pharmaceutical Co., Ltd.	SZSE:002412	China	1,018.7	30.3	33.6x	n/a
Guangdong Jiaying Pharmaceutical Co., Ltd	SZSE:002198	China	972.1	18.6	52.1x	n/a
Henan Taloph Pharmaceutical Stock Co., Ltd.	SHSE:600222	China	877.1	27.5	31.9x	n/a
Anhui Fengyuan Pharmaceutical Co., Ltd.	SZSE:000153	China	843.7	26.2	32.2x	n/a
Shanghai Furen Industrial (Group) Co., Ltd	SHSE:600781	China	804.0	18.0	44.7x	n/a
Lanzhou Foci Pharmaceutical Co.,Ltd.	SZSE:002644	China	723.7	9.0	80.8x	n/a
Coland Holdings Limited	TSEC:4144	China	226.5	14.0	16.9x	13.6x
Mean All					36.3x	20.5x
Mean Singapore					28.6x	13.3x
Mean Hong Kong					15.3x	11.2x
Mean China					39.8x	23.3x

Source: S & P Capital IQ

1. Enterprise value as at 23 February 2015 as sourced from S & P Capital IQ

2. "n/a" not available due to forecasts not being available

In relation to the above trading multiples we note:

- As SCU is a Singaporean based company, with revenue primarily generated in the China market, our multiple has been determined based on an analysis of comparable companies operating in similar Asian markets. Australian based biotechnology companies have not been included in our analysis as we don't consider such companies to be appropriate comparisons for the purpose of valuing SCU.
- The enterprise values set out in *Table 11.2* are based on quoted market prices on a minority basis and therefore do not include the impact of a control premium.
- There is a diverse range of EBITDA multiples for the comparable companies ranging from 10.6x to 135.8x for the current multiple and 5.9x to 75.2x on the forecast year.
- EBITDA multiples for the forecast year tend to be lower than the current year.
- If multiples over 30.0x are excluded, the mean for all companies is 18.3x for the current multiple and 13.8x for the forecast multiple.

In selecting an appropriate multiple for SCU, we have considered the following:

Based on the data and analysis above we have selected an EV/EBITDA multiple to apply to our selected maintainable revenue for SCU in the range of **14.0x to 16.0x**. We consider this is reasonable due to the following:

- SCU is based on Singapore and the minimum current EBITDA multiple for a listed comparable company based in Singapore as set out in *Table 11.2* is 14.7x on a minority basis, and the maximum is 45.4x. The mean of current multiples in this group is 28.6x.
- We are valuing SCU on a control basis and as stated above the comparable multiples set out in *Table 11.2* do not include the impact of a control premium.
- SCU is smaller compared to most of its comparable companies, and as such, a multiple at the lower end of the range of identified multiples should be attributed.
- Whilst SCU is currently revenue generating, the business is in its early stages of operating, and as such, a multiple at the lower end of the range of identified multiples should be attributed.
- The adopted FME on which the multiple is being applied does not allow for the significant potential future growth of the company.

We have been unable to identify recent transactions involving companies directly comparable to SCU where deal values and earnings multiples are made publically available.

11.4. Adjustments to Enterprise Value

Adjustment for Debt and Surplus Assets

As noted in Section 9.3 of our Report we have estimated SCU's net debt to be \$132,589. This is not expected to change materially up to the completion of the Proposed Transaction.

Our review did not disclose the existence of any other assets or liabilities that should be taken into account in the calculation of SCU's value per share.

11.5. Valuation

Based on our analysis above we have estimated the Fair Market Value of SCU to be in the range of **\$34.87 million** and **\$39.87 million** as set out in our calculation in *Table 11.3* below.

Table 11.3 – Valuation of SCU as at 31 December 2014

Calculation of Value	Ref	Low	Midpoint	High
Estimated maintainable revenue of SCU business	11.2	2,500,000	2,500,000	2,500,000
Capitalised at the selected earnings multiple	11.3	14.0x	15.0x	16.0x
To give an Enterprise Value of		35,000,000	37,500,000	40,000,000
Deduct: Net debt	9.3	(132,589)	(132,589)	(132,589)
Equity Value		34,867,411	37,367,411	39,867,411

12. Valuation of Proposed Merged Entity

12.1. Value of a Share in the Proposed Merged Entity

Our assessment of the Fair Market Value of a share in the proposed merged entity is summarised in *Table 12.1* below.

Table 12.1 – Value of a Share in the Proposed Merged Entity

Value of Proposed Merged Entity	Ref	Low \$	Midpoint \$	High \$
SCU (100%)	12.2	34,867,411	37,367,411	39,867,411
ONQ Cash	12.3	(323,774)	(451,582)	(579,391)
ONQ Other assets and liabilities	12.4	(149,453)	(149,453)	(149,453)
Liability for transaction consideration	12.6	(2,500,000)	(2,500,000)	(2,500,000)
Cash raised from capital raise	12.7	4,037,096	6,037,096	8,037,096
Value ONQ following the acquisition on a control basis		35,931,280	40,303,472	44,675,663
Discount for minority interest	12.8	26%	23%	20%
Value ONQ following the acquisition on a minority basis		26,615,763	31,002,671	35,740,531
Number of shares on issue post proposed transaction	12.9	364,228,262	374,228,262	384,228,262
Value per Share \$		0.0731	0.0828	0.0930

Our assessed value of an ONQ share following the Proposed Transaction on a minority basis is between \$0.0731 and \$0.0930, with a midpoint value of \$0.0828.

Each of the components of the calculated value of a share in the proposed merged entity is discussed below:

12.2. SCU

In Section 11.5 above, our assessed valuation of SCU was in the range of \$34.87 million to \$39.87 million. As ONQ will own all of the equity in SCU after the Proposed Transaction, with no contingent claims on equity outstanding, we have included this full amount in the assessed value of the proposed merged entity.

12.3. ONQ Cash

As noted in Section 8.1, ONQ currently has cash of approximately \$291,641 excluding cash received as a result of the issue of Converting Notes. Cash has been adjusted downwards to represent the estimated total costs of the transaction including broker costs, legal fees, ASX listing costs, registry and printing costs. We have provided low and high range costs, to represent the listing costs associated with a minimum and a maximum subscription.

Table 12.2 – Net cash in ONQ post transaction and listing

Net Cash in ONQ	Low \$	Midpoint \$	High \$
Cash balance as at 31 December 2014	291,641	291,641	291,641
Transaction and listing costs	(615,415)	(743,223)	(871,032)
Net cash in ONQ post transaction and listing	(323,774)	(451,582)	(579,391)

12.4. ONQ Other assets and liabilities

As noted in Section 8.1, ONQ currently has other net liabilities of \$149,453, being the net of trade and other receivables and trade and other payables.

12.5. Listed shell

Once the Proposed Transaction has been completed, ONQ will recommence trading on the ASX and any separate value as a potential shell will no longer be relevant. Thus in valuing the proposed merged entity this component of ONQ's stand-alone value has been excluded.

12.6. Liability for transaction consideration

As noted in Section 4.1, the transaction consideration includes \$2.5 million cash. We have provided for a liability for the payment of the transaction cash consideration.

12.7. Cash raised from capital raising

As noted in Section 4.2, prior to the re-quotation of its securities on ASX, the Company intends to raise between \$600,000 and \$4.6 million by way of a public offering of post consolidation shares. This is in addition to the \$3.44 million raised by the issue of the Converting Notes prior to the Public Offering.

12.8. Discount for minority interest

Empirical data suggests the long term average control premium paid for ASX-listed companies is in the range of 30% to 40%. However given ONQ shares have been suspended from trade since 2008, and hence the lack of liquidity for the company's shares, we consider an appropriate control premium to be in the range of 25% to 30%.

The net asset value of an ONQ share following the acquisition is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of the company. Therefore, if the acquisition is completed shareholders may become minority shareholders in ONQ.

We have therefore adjusted our valuation of an ONQ share following acquisition, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula $[1-(1/1+\text{control premium})]$. We consider an appropriate minority interest discount for ONQ to be in the range of 20% to 26%.

12.9. Number of shares on issue

Our adjustment to the number of shares on issue post the Proposed Transaction is set out in *Table 12.3* below.

Table 12.3 – Total shares on issue post Proposed Transaction

Post consolidation shares on issue	Low	Midpoint	High
Current shares on issue	216,677,575	216,677,575	216,677,575
Consideration shares	120,000,000	120,000,000	120,000,000
Placement shares (Converting Notes)	24,550,687	24,550,687	24,550,687
Public Offer shares	3,000,000	13,000,000	23,000,000
Total post consolidation shares on issue post proposed transaction	364,228,262	374,228,262	384,228,262

13. Fairness of Transaction

According to RG111, for the Transaction to be fair, the value of SCU shares being acquired must be equal to or greater than the value of the consideration being, ONQ shares and cash consideration.

Based on the analysis contained in Section 0 of this report, the indicative value of SCU is between \$34,867,411 and \$39,867,411, with a midpoint value of \$37,367,411.

The value of the shares being issued by ONQ for SCU shares is based on the value of an ONQ share following the Proposed Transaction on a minority basis, as shown below in *Table 13.1*.

Table 13.1 – Assessment of Fairness

Assessment of Fairness	Ref	Low \$	Midpoint \$	High \$
Value of an ONQ share on a controlling interest basis - pre consolidation	8.1	0.0011	0.0014	0.0017
Value of an ONQ share on a controlling interest basis - post consolidation	8.1	0.0022	0.0027	0.0033
Value of an ONQ share following the proposed transaction on a minority basis - post consolidation	12	0.0731	0.0828	0.0930

Table 13.2 – Valuation of Consideration

Valuation of Consideration	Shares	Low \$	Midpoint \$	High \$
Consideration Shares	120,000,000	8,768,928	9,941,313	11,162,281
Cash Consideration		2,500,000	2,500,000	2,500,000
Total Transaction Consideration		11,268,928	12,441,313	13,662,281

13.1. Conclusion on Fairness

As the value of each ONQ share before the Proposed Transaction (on a control basis) is below the value of a share in the proposed merged entity (on a minority basis), the Proposed Transaction is fair to the non-associated ONQ shareholders, being all shareholders other than those associated with SCU.

As the value attributed to SCU of \$37,367,411 exceeds the value range of consideration being paid by ONQ shown in *Table 13.2*, the Proposed Transaction is fair to the non-associated ONQ shareholders, being all shareholders other than those associated with SCU.

14. Reasonableness of Transaction

The Proposed Transaction is reasonable as it is fair.

Regulatory Guide 111: Content of Expert Reports (“RG111”) issued by ASIC states that an offer is ‘reasonable’ if it is fair. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

15. Qualifications, Declarations and Disclosures

HMJC, which is a wholly owned entity of HLB Mann Judd's New South Wales Partnership, holds an Australian Financial Services Licence under the Corporations Act 2001 and its authorised representatives are qualified to provide this Report. The authorised representatives of HMJC responsible for our Report have not in the past provided financial advice to ONQ.

Prior to accepting this engagement, HMJC considered its independence with respect to ONQ with reference to ASIC Regulatory Guide 112 "Independence of Expert's Reports". In HMJC's opinion, it is independent of ONQ.

Our Report has been prepared specifically for the shareholders of ONQ with reference to ASIC Regulatory Guides and APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board. It is not intended that our Report be used for any other purpose other than to accompany the Explanatory Memorandum to be sent to the ONQ shareholders.

We have considered the position of ONQ shareholders before and after the Proposed Transaction. We have evaluated the Proposed Transaction for ONQ's shareholders as a whole and have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this Report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser.

Our opinion is based on current economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over a relatively short period of time. Any such changes subsequent to the issue of this report could change our opinion. In preparing this report we have considered the information set out in Appendix D of our Report. We have undertaken limited analysis and enquiry in relation to this information. Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

In particular, it is not intended that our Report should be used for any purpose other than as an expression of an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of ONQ. HMJC disclaims any assumption of responsibility for any reliance on our Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions included in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HMJC has relied on and considered information believed, after due inquiry, to be reliable and accurate. HMJC has no reason to believe that any information supplied to it was false or that any material information has been withheld.

Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the Proposed Transaction are concluded.

HMJC has evaluated the information provided to it by ONQ and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate that the information provided was materially misstated or would not provide a reasonable basis for our Report. HMJC has not, nor does it imply that it has, audited or in any way verified any of the information provided to it.

HMJC has been indemnified by ONQ in respect of any claim arising from HMJC's reliance on information provided by ONQ or any of its representatives which is false, misleading or incomplete.

We provided draft copies of this Report to the Directors for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Changes made to this Report, as a result of review by the Directors, have not changed the methodology or conclusions reached by us.

We will receive a professional fee based on time spent in the preparation of this Report, estimated at approximately \$33,000 exclusive of GST and expenses. We will not be entitled to any other pecuniary or other benefit, direct or indirect, in connection with preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction. None of HMJC, its directors or any related entity or person has an interest in the promotion of the Proposed Transaction.

The principal person responsible for the preparation of this Report is Simon James.

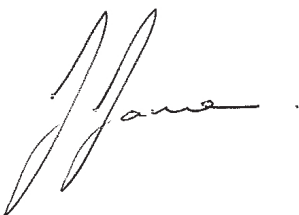
Simon James, a Director and authorised representative of HMJC and a Partner of HLB Mann Judd's New South Wales Partnership, has more than 21 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being provided.

HMJC provides the following information and disclosures:

- Neither HMJC, nor any of its directors or associates, has any interest in ONQ or SCU.
- HMJC has not had a previous relationship with ONQ or SCU.
- An entity related to HMJC has been engaged to provide assurance services to ONQ for which it will receive usual professional fees based on time costs incurred.

Yours faithfully

HLB MANN JUDD CORPORATE (NSW) PTY LTD
Licensed Investment Advisor (AFSL Licence number 253134)



Simon James
Director and Authorised Representative

APPENDIX A – Valuation Methodologies

In this Appendix we summarise the methodologies that were considered for the purposes of preparation of this Report.

Discounted future cash flows (“DCF”)

DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the selected discount rate.

Capitalisation of future maintainable earnings (“FME”)

This method places a value on a business by capitalising estimated future maintainable earnings (“FME”), at a rate that reflects the business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach generally relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique for businesses and is particularly applicable to entities with relatively stable earnings histories and reliable forecasts.

FME used in a valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”), earnings before interest, tax, depreciation and amortisation (“EBITDA”) or revenue.

The capitalisation rate or "earnings multiple" is adjusted to in accordance with the selected FME base.

Net assets

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based approaches reflect the circumstances of the business being valued and include:

- Orderly realisation of assets
- Liquidation of assets
- Net assets of a going concern

An orderly realisation of assets approach estimates fair market value by determining the amount that would be distributed to equity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

A liquidation approach is similar to the orderly realisation of assets method but there is an assumption that assets will be sold in a shorter time frame.

A net assets of a going concern approach estimates the going concern values of the net assets of an entity but generally does not take into account realisation costs.

Asset based methods generally disregard the possibility of an entity's value exceeding the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. They are therefore more appropriate for entities that are not profitable or have low returns on assets employed, entities that have a significant proportion of liquid assets or asset holding companies.

Quoted market prices

The quoted market price of listed securities is generally the most reliable guide to value if a company's shares are listed on a stock exchange or other market open to the public. Recent prices at which shares are bought and sold can be taken as the market value per share with allowance for public knowledge of factors and influences that impact upon the share price. Use of market pricing is particularly relevant where a security displays regular high volume trading, creating an active market in that security.

Price of recent offers

The attributable value based on any recent genuine offers received provides strong indications of the value of the assets.

Comparable Proposed Transactions

Recent genuine Proposed Transaction of comparable assets in the market provides a strong indication of value that may be attributable to the assets subject to the Proposed Transaction.

APPENDIX B – Comparable Entities

The following descriptions of the comparable companies examined are provided by S&P CapitalIQ:

China Traditional Chinese Medicine Co. Limited, an investment holding company, researches and develops, produces, and sells Chinese medicine and pharmaceutical products in the People's Republic of China. The company provides traditional Chinese medicines and chemical medicines in the form of granules, tablets, capsules, medical wine, antibiotics, and oncology powder for injection. It is also engaged in the extraction of Chinese medicinal herbs, preparation of modern Chinese medicine, sustained or controlled release preparation, and manufacture of traditional pills. The company offers its products primarily under the China TCM, Dezhong, Fengliaoqing, and Tongjitang brand names. It sells its products to hospitals and retail pharmacies. The company was formerly known as Winteam Pharmaceutical Group Limited and changed its name to China Traditional Chinese Medicine Co. Limited in November 2013. China Traditional Chinese Medicine Co. Limited is based in Central, Hong Kong. The company is considered a Red Chip company due to its listing on the Hong Kong Stock Exchange.

Beijing Tongrentang Co., Ltd manufactures and sells traditional Chinese medicines under the Tongrentang brand name in China and internationally. The company offers medicinal products for kidney health, as well as for treatment of rheumatism, gynecopathy, apoplexy, and others. Beijing Tongrentang Co., Ltd was founded in 1669 and is based in Beijing, China.

Yunnan Baiyao Group Co., Ltd. manufactures and sells pharmaceutical products consisting of traditional Chinese medicines and modern medicines. The company provides Yunnan Baiyao series of products, including powders, capsules, plasters, woundplasts, and aerosols for activating blood circulation, dispersing blood stasis, reducing swelling, and relieving pain, as well as to treat traumatic injuries, rheumatic paralysis, pains in bones, muscle aches, and cold injuries. It also offers phytobiological medicines in the forms of oral liquids, tablets, powders, flower-leave granules, and capsules; and health products consisting of toothpastes, itching-relieving and smoothing essential skin cares, shower and foot bath effervescent tablets, shoe disinfectant and deodorize aerosols, and first aid kits. In addition, the company provides modern medicines, such as paracetamol, aminophenazone, caffeine, and chlorphenamine maleate tablets, as well as oxytetracycline tablets and norfloxacin capsules. Yunnan Baiyao Group Co., Ltd. markets its products in China and internationally. The company is based in Kunming, China.

Joincare Pharmaceutical Group Industry Co., Ltd. manufactures and sells pharmaceutical products in China. It provides healthcare products under the Taitai, Jingxin, and Eagle brands; antibiotics and their intermediates comprising 7ACA, 4AA, and F9; and prescription drugs in the areas of digestive tract, blood vessel of heart and brain, infection, tumor, nervous cerebrovascular section, urinary system, etc. The company also offers over the counter medicines, such as Dele-Livzon, a gastrointestinal drug; Live Bifidobacterium preparations; Yiketie, an oral ulcer drugs; Antiviral Oral Granule, a cold medicine; external use skin medicine; compound dexamethasone acetate cream, etc. In addition, it provides Chinese traditional medicines, chemical formulations, detection reagents, health food products, oral solutions, fat eliminating capsules, oral band-aids, effervescent tablets, etc. Further, it offers troches, hard capsules, soft capsules, ointments, creams, gelatas, solutions, etc. The company also exports its products primarily to the United States, Australia, Singapore, Malaysia, Taiwan, Marco, and Hong Kong. Joincare Pharmaceutical Group Industry Co., Ltd. was founded in 1992 and is headquartered in Shenzhen, China.

Anhui Fengyuan Pharmaceutical Co., Ltd. engages in the research and development, production, and sale of biological pharmacy, chemical pharmacy, and traditional Chinese medicine. The company provides APIs, including antipyretic-analgesic and sedative-hypnotic drugs, as well as cardiovascular, antibiotic, nervous system, anti-tumor, antiulcer, and hormone drugs. It also offers general medicine for vitamin and mineral deficiency, such as tablets and injections. In addition, the company provides chloramphenicol tablets, chloramphenicol capsules, ciprofloxacin hydrochloride tablets, ofloxacin capsules, compound sulfamethoxazole tablets, compound sulfadiazine tablets, erythromycin enteric-coated tablets, erythromycin ethylsuccinate granules, metronidazole tablets, gentamycin sulfate injection, gentamycin sulfate tablets, meleumycin tablets, tetracycline tablets, oxytetracycline tablets, acetylspiramycin tablets, cefotaxime sodium for injection, cefradine capsules, cefalexin capsules, micronomicin sulfate injection, amikacin sulfate injection, etc. for resisting the microorganisms. Further, it offers compound quinine injections for resisting parasitic diseases; ribavirin injection, an antiviral medicine; and oxytocin injection, a uterine contractive medicine. Additionally, the company engages in the retail and wholesale of drugs. Anhui Fengyuan Pharmaceutical Co., Ltd. sells its products through sales networks in Southeast Asia, Africa, and South America. The company is headquartered in Hefei, China.

Shandong Wohua Pharmaceutical Co., Ltd. engages in the research, development, production, and sale of Chinese traditional patent medicines for the treatment of cardiovascular and cerebrovascular disease in China. The company offers tablets, hard capsules, granules, pills, powders, oral solutions, mixtures, alcoholature, soft extracts, syrup, dripping pills, extracorporeal diagnostic reagents, and others for cardiovascular, respiratory, women and children's medication, urinary system, heat purging fire, digestive, antirheumatic drugs, and tonic sedative class diseases. Its primary products include Xinkeshu tablets and capsules for the treatment of coronary heart disease; Naoxueshu oral liquid, which promotes blood circulation by removing blood stasis; Hupo Xiaoshi granules for the treatment of urethral calculus; and Yuandu granules for the treatment of influenza. Shandong Wohua Pharmaceutical Co., Ltd. is based in Weifang, China.

Hengkang medical Group Co., Ltd. is engaged in the research, development, manufacture, and sale of traditional Chinese medicines in China and internationally. Its products include analgesic and haemostatic drugs, including Duyiwei Capsules; drugs for replenishing Qi, nourishing blood, and tranquillization, such as Shenqi Wuweizi tablets; cardiovascular drugs comprising Maiping tablets; and drugs for urinary and reproductive systems, including Qianlie Antong tablets. The company offers its products in various forms, including tablet, syrup, granular, pulvis, vinum, hard capsule, soft capsule, oral liquid, mixture, pill, dripping pill, and others. The company was formerly known as Gansu Duyiwei Biological Pharmaceutical Co., Ltd. and changed its name to Hengkang medical Group Co., Ltd. in January 2014. Hengkang medical Group Co., Ltd. is based in Chengdu, China.

Guilin Sanjin Pharmaceutical Co., Ltd is engaged in the research, production, and distribution of traditional Chinese medicine (TCM), natural medicines, and biological preparations in China and internationally. It has approximately 193 TCM varieties, including 11 preparations of tablet, capsule, granule, injection, spray, powder, etc. The company provides Watermelon Frost series, including Watermelon Frost lozenge, Guilin Watermelon, and Watermelon Frost throat lozenge primarily used for the treatment of throat and mouth diseases; Sanjin tablets used for the treatment of urinary system infection; and Naomaitai capsules used for the treatment of cardiovascular and cerebrovascular diseases. It also offers Xuanyunning granulas and tablets used for the treatment of dizziness. The company was founded in 1967 and is based in Guilin, China.

Goangdong Taiantang Pharmaceutical Co., Ltd. researches, develops, manufactures, and distributes traditional Chinese medicines primarily in China. It provides ointments, pills, and other products, including medicines for skin and cardiovascular diseases, anti-inflammatory products, and infertility drugs, as well as medicines for women, children, and reproductive health. The company is headquartered in Shanghai, China.

Hunan Hansen Pharmaceutical Co., Ltd. is engaged in the research, development, production, and distribution of Chinese traditional medicines for the treatment of gastrointestinal, orthopedic traumatism, cardiovascular, cerebrovascular, and other diseases. It produces various forms of medicine, including tablets, capsules, granules, pills, soft extracts, syrups, oral liquids, tinctures, large-volume and small-volume injections, psychotropic substances, and bulk drugs, as well as others. The company's principal products include Simotang oral liquid used to treat abdominal distention and phlegmatic abdominalgia; Yushangling capsules used for injuries from falls; Yinxingye capsules for stroke and chest distress; Suoquan capsules used for kidney deficiency; respiratory system drugs; traumatology medication products; and diagnostic agents. Hunan Hansen Pharmaceutical Co., Ltd. is based in Yiyang, China.

China Meheco Co., Ltd. is engaged in the production, distribution, and trade of pharmaceuticals primarily in China. It offers botanic medicines and herbal products, as well as exports natural medicines, including herbs, spices, plant extracts, bee products, Chinese traditional medicines, health food materials, food ingredients and additives, organic products, and other natural products to approximately 40 countries and regions, such as Japan, Europe, the United States, Southeast Asia, etc. The company also imports and exports pharmaceutical chemicals and related products; and offers medical equipment. In addition, it trades in bulk commodities. The company was founded in 1984 and is based in Beijing, China.

China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. develops, manufactures, and distributes pharmaceutical products in China. The company offers pharmaceuticals, such as over the counter drugs, antibiotic drugs, raw materials, Chinese prescription medicines, and traditional Chinese medicine (TCM) formula granules. Its products also include replenishing conditioner drugs; TCM injections; cold cough, gastrointestinal digestive, and gynecological medicines; topical skin products; antineoplastic and qingrejiedu drugs; and quxie positive body drugs. The company also provides medical healthcare and packaging printing services, as well as engages in trading business. The company was formerly known as Sanjiu Pharmaceutical Co., Ltd. and changed its name to China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. in February 2010. China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. was founded in 1999 and is based in Shenzhen, China. As of November 14, 2008, China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. operates as a subsidiary of China Resources (Holdings) Company Limited.

Shanghai Furen Industrial (Group) Co., Ltd primarily engages in the manufacture and distribution of pharmaceuticals in Henan Province and Shanghai, China. The company produces traditional Chinese medicines, such as capsules, tablets, granules, gels, injections, oral liquids, and others. It provides granules for heart attacks; capsules for diabetes and hyperlipidemia; and others. It is also involved in warehousing and trading businesses. The company was founded in 1996 and is based in Shanghai, China.

Coland Holdings Limited, together with its subsidiaries, operates as a bio-pharmaceutical company focusing on the China medical market. The company is engaged in the research and

development, innovation, and sale of generic medicine, traditional Chinese patent medicine, biochemical drugs, and medical equipments. It develops and sells medical products, which cover the therapeutics of various areas, including hepatology, respiratory system, oncology, cardiovascular, medical devices, dental materials, spine surgery, antibiotics, and IVD reagents, as well as offers orthopedic equipment. Coland Holdings Limited has strategic alliance with ScinoPharm Taiwan Ltd. for the development of oncological injectable products in China. The company was incorporated in 2010 and is based in Grand Cayman, Cayman Islands.

Tianjin Zhongxin Pharmaceutical Group Corporation Limited, an investment holding company, produces and sells traditional Chinese medicines, western medicines, and healthcare products primarily in the People's Republic of China. It offers Chinese patent medicines, Chinese medicinal materials, pharmaceutical raw materials and western medicines, bioengineering drugs, nutritious and health products, etc. The company's principal products include Suxiao Jiuxin Wan, Huoxiang Zhengqi Ruan Jiaonang, Zilong Jin Pian, Jinqi Jiangtang Pian, Weichang An Wan, Biqu Jiaonang, α -2b Interferon, Gliclazide, Te Zi She Fu, etc. It is also involved in the wholesale and retail sale of medicines, biochemical pharmaceutical products, and daily use products. In addition, the company sells medicinal products under its own brand and other brands to wholesalers. Tianjin Zhongxin Pharmaceutical Group Corporation Limited was founded in 1992 and is based in Tianjin, China.

Shenzhen Neptunus Bioengineering Co., Ltd is engaged in pharmaceutical manufacture and pharmaceutical distribution businesses primarily in China. It produces chemical pharmaceuticals, biological pharmaceuticals, traditional Chinese medicines, and healthcare products. The company is based in Shenzhen, China.

Hua Han Bio-Pharmaceutical Holdings Limited, an investment holding company, researches and develops, manufactures, and sells traditional Chinese and biopharmaceutical medicines in the People's Republic of China. The company primarily offers gynecological pharmaceutical products, and bio-pharmaceutical medicines and technologies. It offers prescription drugs, including the Yeosure series of gynecological anti-inflammatory products; Camptothecine series of gynecological anti-tumor products; Paclitaxel injection, a gynecological anti-tumor product; Xinshenghua keli, a gynecological endocrine product; and Cefadroxil granules, a medicine for children. The company also provides over-the counter products, such as Fuke Zhaizaowan and Huangqi granule, which are gynecological endocrine products. In addition, it is involved in the manufacture and trade of feminine medicinal healthcare products, as well as the trade of pharmaceutical products. Hua Han Bio-Pharmaceutical Holdings Limited was founded in 1992 and is headquartered in Central, Hong Kong.

Shandong Dong-E E-Jiao Co. Ltd. manufactures and sells traditional Chinese medicines of Ejiao and Ejiao series, medical equipment, and pharmaceutical necessities China. The company distributes its products under the Dong-E E-Jiao brand. It is also involved in drug trading business. Shandong Dong-E E-Jiao Co., Ltd. is based in Liaocheng, China.

Henan Taloph Pharmaceutical Stock Co., Ltd. develops, manufactures, and sells traditional Chinese medicines and western pharmaceuticals in China. The company primarily offers its products in the form of oral liquids, tablets, capsules, and infusions. Its products include Chinese medicinal oral solutions, such as Shuanghuanglian oral solutions for curing cold; Fluconazole injection for curing virus infection; and solid preparations, including Glipizide tablets for curing

diabetes, as well as Huperzine A tablets for memory improvement and senile dementia. The company also offers bamboo amine, a phenoxybenzamine hydrochloride tablet; and mesylate pazufloxacin sodium chloride injection, as well as provides pharmaceutical raw materials. It serves hospitals, pharmacies, and patients. The company was formerly known as Henan Joyline & Joysun Pharmaceutical Stock Co., Ltd. Henan Taloph Pharmaceutical Stock Co., Ltd. is based in Zhengzhou, China.

Jiuzhitang Co., Ltd. produces and sells traditional Chinese medicines in China. The company offers condensed pills, health food, herbal extracts, and tablets products. Its products also include donkey-hide gelatin blood tonic and yiganning granules, Jianweiyuyang Pian, Ganlike, Piantanling, Yilingjing, and Siqikang. The company also exports its products to Europe, the Americas, Japan, and Southeast Asia. Jiuzhitang Co., Ltd. is based in Changsha, China.

Guangdong Jiaying Pharmaceutical Co., Ltd. engages in the research, development, production, and distribution of Chinese traditional medicines. It offers Chinese traditional preparations, powders, tablets, capsules, and granules. The company's principal products include Shuangliao Houfeng San powder for the treatment of throat diseases; and Zhongganling tablets for the treatment of cold. Guangdong Jiaying Pharmaceutical Co., Ltd. offers its products through distribution agencies and sales outlets in Mainland China, Taiwan, Hong Kong, Southeast Asia, Europe, and other countries and regions. The company is based in Meizhou, China.

Nantong Jinghua Pharmaceutical Co., Ltd. engages in the research and development, manufacture, and sale of pharmaceutical products primarily in China. The company offers its products in the forms of injections, tablets, capsules, granules, pills, powders, and syrups. It provides APIs, intermediates, western medicines, and Chinese traditional medicines, as well as special recommended processing products. The company was founded in 1957 and is based in Nantong, China.

Lanzhou Foci Pharmaceutical Co., Ltd. manufactures and distributes traditional Chinese medicines, western drugs, and raw herbs in China. It offers antibiotics; and products for gastrointestinal disorders and gynecological problems, as well as pediatric products. The company provides its products in various dosage forms, including pills, tablets, granules, capsules, concentrated decoctions, mixtures, oral liquids, syrups, and medicinal wines under the Min Shan and Foci brand names. It exports its products to approximately 27 countries and areas, which include the United States, the United Kingdom, Canada, Japan, Singapore, Indonesia, Thailand, Malaysia, Germany, the Netherlands, New Zealand, Australia, Russia, Ukraine, and Hong Kong. The company was founded in 1929 and is based in Lanzhou, China.

Haw Par Corporation Limited, together with its subsidiaries, manufactures, markets, and trades healthcare products; provides leisure-related goods and services; and invests in properties and securities. The company's Healthcare division principally manufactures and distributes topical analgesic products. This division offers ointments, soft, plasters, muscle rubs, liniments, oils, mosquito repellent sprays, mosquito repellent patches, mosquito repellent lotions, arthritis rubs, joint rubs, neck and shoulder rubs, neck and shoulder rub boosts, back pain patches, and ultra thin patches under the Tiger Balm name; indomethacin plasters under the Tiger name; and muscle gels, muscle rubs, and muscle sprays under the Tiger Balm ACTIVE name to invigorate the body, and relieve aches and pains, as well as medicated oils and refreshers under the Kwan Loong name. Its Leisure division provides family and tourist oriented leisure alternatives through its two owned and

operated oceanariums comprising the Underwater World Singapore located in Sentosa and Underwater World Pattaya located in Thailand. The company's Property division owns and leases out various investment properties in the Asia region. This division's investment property portfolio comprises 45,816 square meters of commercial and industrial space in Singapore, Malaysia, and Hong Kong. The company's Investment division invests primarily in quoted and unquoted securities in Asia region. Haw Par Corporation Limited also provides management support services. The company distributes its products in America, Europe, the Middle East, Africa, Asia, and Australasia. Haw Par Corporation Limited was formerly known as Haw Par Brothers International Limited and changed its name to Haw Par Corporation Limited in 1997. The company was incorporated in 1969 and is headquartered in Singapore.

Eu Yan Sang International Ltd, an investment holding company, manufactures, processes, distributes, retails, and sells traditional Chinese and other medicines. It operates through four segments: Traditional Chinese Medicine, Non-Traditional Chinese Medicine, Clinics, and Others. The company offers approximately 300 products under the 'Eu Yan Sang' brand name; and approximately 1,000 types of Chinese herbs and other medicinal products, which range from Chinese herbs and Chinese proprietary medicines to health foods and supplements. It is also involved in the property investment activities; development, manufacture, and distribution of spa products; and development of iGates, an advanced technology to decipher chemical components in traditional Chinese medicine. In addition, the company acts as a commission agent for various pharmaceutical products; and manufactures medical pills and capsules, as well as provides integrative medical, medical consultancy, advertising agency, and packing and sub-processing services. Further, it is engaged in the import, distribution, and sale of honey products; ownership, distribution, retail, and franchising of healthy, beauty, and natural products; sale of food, beverages, and packed food products; and manufacture and retail of ready-to-drink bird's nest products. As of June 30, 2014, the company had a distribution network of 249 company-operated Eu Yan Sang and Healthy Life retail outlets in China, Hong Kong, Macau, Malaysia, Singapore, and Australia, as well as 32 franchise outlets under the Healthy Life brand in Australia. It also operated a chain of 32 traditional Chinese medicine clinics in Singapore and Malaysia, and 2 integrative medical centers in Hong Kong. The company also offers its products through drugstores, pharmacies, medical halls, supermarkets, convenience stores, hospitals, health clubs, and spas worldwide. Eu Yan Sang International Ltd was founded in 1879 and is headquartered in Singapore.

SciGen Ltd, a biopharmaceutical company, develops, manufactures, markets, and distributes recombinant human health care biotechnology derived products. It focuses in the areas of endocrinology, gastroenterology, and immunology. The company's principal products include SciLin, a recombinant human insulin expressed in *E. coli* for treating diabetes; SciTropin A, a human growth hormone synthesized in *E. coli* cells; and SciLocyte, a recombinant granulocyte colony stimulating factor used to prevent and treat the decrease of white blood cells resulting from chemotherapy. It also in-licenses and distributes pharmaceutical products and medical devices, such as Seruderm, an anti-wrinkle serum; Pedimed, a diabetic foot care cream to treat dehydrated skin; Zonegran, an adjunctive anti-epileptic drug to treat adult patients with partial seizures with or without secondary generalization; Strataderm, a silicone gel for scar therapy; and Stratamed, a wound healing product that can be used on open wounds and compromised skin. SciGen Ltd has operations in Singapore, Australia, Korea, Thailand, the Philippines, India, China, Indonesia, Pakistan, Vietnam, Hong Kong, and Malaysia. The company is headquartered in Singapore. SciGen Ltd is a subsidiary of Bioton S.A.

Suntar Eco-City Limited, an investment holding company, manufactures and sells hormone-type pharmaceutical products in the People's Republic of China. It operates through two divisions, Pharmaceutical Ingredients Products and Property Development. Suntar Eco-City Limited is also involved in eco-tourism real estate development and management activities. The company was formerly known as Reyphon Agriceutical Limited and changed its name to Suntar Eco-City Limited in June 2012. Suntar Eco-City Limited was founded in 2006 and is based in Singapore. Suntar Eco-City Limited is a subsidiary of Suntar Investment Pte. Ltd.

APPENDIX C – Financial Services Guide

Dated 24 April 2015

1. HLB Mann Judd Corporate (NSW) Pty Ltd

HLB Mann Judd Corporate (NSW) Pty Ltd ABN 94 003 918 125 (“**HMJC**” or “**we**” or “**us**” or “**our**” as appropriate) has been engaged to issue general financial product advice in the form of a Report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence**, No. 253134;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, securities valuations or reports and to provide general financial product advice for the following classes of financial products:

- (i) debentures, stocks or bonds issued or proposed to be issued by a government;
- (ii) interests in managed investment schemes excluding investor directed portfolio services;
- (iii) securities; and
- (iv) superannuation;

to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not

have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared for the shareholder group as a whole without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HMJC, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HMJC has no employees. All personnel who complete reports for HMJC are either partners of, or personnel employed by, HLB Mann Judd's New South Wales Partnership. None of those partners or personnel is eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HMJC is wholly owned by HLB Mann Judd (NSW) Pty Limited. Also, all directors of HMJC are partners in HLB Mann Judd's New South Wales Partnership. Ultimately the partners of HLB Mann Judd's New South Wales Partnership own and control HMJC.

From time to time HMJC, HLB Mann Judd (NSW) Pty Ltd or HLB Mann Judd's New South Wales Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of their business.

9. Complaints resolution

9.1. *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (NSW) Pty Ltd, Level 19, 207 Kent Street NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2. *Referral to external disputes resolution scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3, Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.

APPENDIX D – Sources of Information

This report has been based of the following information:

- Draft Notice of General Meeting and Explanatory Memorandum on or about the date of this report
- Sale and Purchase Agreement between ONQ and Mr Gu Huanqing, 22 December 2014
- Audited financial statements of ONQ for the year ended 30 June 2014
- Reviewed financial statements of ONQ for the half year ended 31 December 2014
- Audited financial statements of SCU for the year ended 31 December 2014
- Management accounts of ONQ for the 9 months to 31 March 2015
- Management accounts of SCU for the 3 months to 31 March 2015
- Notes Subscription Agreement, 2 March 2015
- Memorandum and Articles of Association of StemCell United Pte Ltd, 29 July 2014
- Share registry information for ONQ
- S & P Capital IQ
- Trading Room, www.tradingroom.com.au
- Invention Capital, “Extraction and processing/cultivation of stem cells from a plant (Dendrobium Officinale)”
- SCU Corporate Presentation 2015
- XE Currency, www.xe.com
- Commonwealth Bank of Australia’s *Global Markets Research: Economics Perspective* dated 9 March 2015;
- Westpac’s *Australia and NZ Weekly* dated 2 March 2015;
- NAB’s exchange rate forecast as at 18 February 2015;
- ANZ’s *FX Monthly Outlook*, December 2014;
- Information in the public domain
- ASIC Regulatory Guide 111 “Content of Expert Reports”
- ASIC Regulatory Guide 112 “Independence of Expert Reports”
- APES 225 “Valuation Services”
- Discussions with Directors and Management of ONQ and SCU

ON Q GROUP LIMITED

ACN: 009 104 330

REGISTERED OFFICE:

LEVEL 2
350 KENT STREET
SYDNEY NSW 2000
AUSTRALIA

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
AUSTRALIA
770 Canning Highway, APPLECROSS WA 6153
AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

«EFT_REFERENCE_NUMBER»

«HOLDER_NAME»
«ADDRESS_LINE_1»
«ADDRESS_LINE_2»
«ADDRESS_LINE_3»
«ADDRESS_LINE_4»
«ADDRESS_LINE_5»

Code: ONQ

Holder Number: «HOLDER_NUM»

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE»

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote, hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00am AEST on Monday 29 June 2015 at Level 21, 20 Bond Street, Sydney NSW 2000 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies **in FAVOUR** of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION

1. Change to Nature and Scale of Business

2. Approval to Issue Shares for Capital Raising

3. Issue of Shares to Vendor

4. Consolidation of Shares

5. Election for Gu Huanqing as a Director

6. Approval of Deeds of Access, Insurance and Indemnity

7. Change of Name to Stemcell United Limited

8. Adoption of New Constitution

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10:00am AEST on Saturday 27 June 2015.

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ONQPX1290615

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My/Our contact details in case of enquiries are:

Name:

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Number:

(

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)

1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Registrars Pty Ltd

Online	www.securitytransfer.com.au
Postal Address	PO BOX 535 Applecross WA 6953 AUSTRALIA
Street Address	Alexandrea House Suite 1, 770 Canning Highway Applecross WA 6153 AUSTRALIA
Telephone	+61 8 9315 2333
Facsimile	+61 8 9315 2233
Email	registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

