

**ON Q Group Limited (ASX : ONQ)**  
changing its name to StemCell United Limited  
ACN 009104330



# Prospectus

**For the offer of up to 23,000,000 Shares at a price of \$0.20 per Share to raise up to \$4,600,000 (subject to a minimum subscription of \$600,000) (Offer)**

## **Important Information**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The New Shares offered pursuant to this Prospectus should be considered speculative.**

**Lead Manager**  
**APP Securities Pty Ltd**



**Asia Pacific**  
Prudential Securities

## **Important Notice**

### **Offer**

The Offer contained in this Prospectus is an invitation to acquire shares in On Q Group Limited (changing its name to StemCell United Limited) ABN 57 009 104 330 (**Company**).

### **Lodgement and Listing**

This Prospectus is dated 29 June 2015 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

The Company is suspended from Official Quotation and will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the Listing Rules. An application will be made to ASX no later than seven days after the date of this Prospectus for the Company to be re-admitted to the Official List and for Official Quotation of the New Shares on ASX. No New Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. In any event the New Shares will be issued not later than 30 July 2016 or such later date permitted by any ASX waiver or modification of the Listing Rules.

### **Change in nature and scale of activities**

At the General Meeting held on 29 June 2015 the Company obtained Shareholder approval for a change in the nature and scale of its activities. ASX now requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to enable the Company to comply with these requirements and to raise sufficient additional funds to carry out its corporate objectives.

There is a risk that the Company may not be able to meet the requirements of ASX for quotation on the ASX. In the event the Company does not receive conditional approval for quotation on ASX then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).

### **Stemcell Transaction**

This Prospectus has been prepared notwithstanding completion of the Stemcell Transaction has not yet occurred. Completion of which must occur simultaneously with completion of the Offer. Completion of the Stemcell Transaction is therefore conditional on the Minimum Amount being raised.

If the Minimum Amount is not raised, then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).

### **No offering where offering would be illegal**

This Prospectus does not constitute an offer or invitation in any jurisdiction or to any person to whom it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of the New Shares, in any jurisdiction outside Australia or New Zealand. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Please refer to Section 3.12 for information about foreign selling restrictions that apply.

This Prospectus does not constitute an offer for sale of the New Shares in the United States or to U.S. persons. The New Shares have not been, and will not be, registered under the U.S.

Securities Act and must not be offered or sold within the United States or to U.S. persons unless they are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

### **Representations**

No person is authorised to give information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Directors or the Company in connection with this Prospectus.

### **Investment decisions**

The information in this Prospectus does not constitute financial product advice and does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company, in particular Section 10. Investors should obtain their own independent advice and consider the appropriateness of the Offer under this Prospectus having regard to their objectives, financial situation, tax position and particular circumstances.

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus. An investment in New Shares offered by this Prospectus should be considered speculative.

### **Prospectus availability**

A hard copy of this Prospectus is available free of charge to any person in Australia or New Zealand by calling the Lead Manager on +61 2 9226 0278.

This Prospectus is available in electronic form via [www.scu.com.sg](http://www.scu.com.sg). The Offer constituted by this Prospectus is available electronically only to investors in Australia and New Zealand accessing or downloading or printing the electronic version of this Prospectus within Australia or New Zealand. Persons having received a copy of this Prospectus in its electronic form may, during the offer period, obtain a hard copy by calling the Lead Manager on +61 2 9226 0278.

Applications may only be made on the Application Form attached to or accompanying this Prospectus or in its hard copy form as downloaded in its entirety from [www.scu.com.sg](http://www.scu.com.sg).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

### **Website**

Any documents included on [www.scu.com.sg](http://www.scu.com.sg) (and any reference to them) are provided for convenience only and none of the documents or other information on the website is incorporated by reference into this Prospectus.

## **Exposure Period**

Under the Corporations Act, the Company is not permitted to process Applications in the period of seven days after the date of lodgement of this Prospectus with ASIC. ASIC may extend this period for up to a further seven days. The Exposure Period enables the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## **Forward-looking Statements**

This Prospectus contains forward-looking statements which are identified by words such as “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “goals”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management.

The Company does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these. Key risk factors are set out in Section 10. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements contained in this Prospectus.

## **Photographs and Diagrams**

Photographs that appear in this Prospectus without descriptions are for illustrative purposes only and do not provide any form of endorsement and do not purport to represent the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

## **Privacy**

The privacy policy relating to this Prospectus is contained in the privacy disclosure statement in Section 12.13.

## **Defined Terms**

A number of terms used in this Prospectus are defined in Section 13.1 of this Prospectus. Unless the contrary intention appears, terms used in this Prospectus have the same meaning as in the Corporations Act.

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## 1. Investment Overview

Question	Response
<b>Who is issuing this Prospectus?</b>	<p>On Q Group Limited (changing its name to StemCell United Limited) is an Australian public listed company on ASX (ASX code: ONQ), currently suspended from Official Quotation.</p> <p>At the General Meeting, Existing Shareholders approved the acquisition by the Company of all the issued capital of StemCell United Pte Limited. It is a requirement of ASX that the completion of the Stemcell Transaction occurs simultaneously with completion of the Offer. Completion of the Stemcell Transaction is therefore conditional on the Minimum Amount being raised.</p> <p>The Company also resolved to change its name from On Q Group Limited to StemCell United Limited at the General Meeting.</p> <p>Refer to Section 3.3 for more information.</p>
<b>What shares are being offered under this Prospectus?</b>	<p>The Offer is a public offering of 23,000,000 New Shares at the Offer Price of \$0.20 per Share. The Offer will raise up to \$4,600,000 before payment of the expenses of the Offer.</p> <p>If the Minimum Amount of \$600,000 is not raised, then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).</p> <p>Refer to Section 3.1 for more information.</p>
<b>Is the Offer underwritten?</b>	<p>No, the Offer is not underwritten.</p>
<b>What is the Company's business currently?</b>	<p>The Company is not currently carrying on any business. Following completion of the Stemcell Agreement, StemCell United Pte Limited will become a wholly owned subsidiary of the Company. StemCell United Pte Limited is a biotechnology company which focuses on the extraction, culture, reproduction, and growth of plant stem cells for medicinal health and beauty applications in Traditional Chinese Medicine ("TCM"). This includes sourcing and production of Daemonorops Draco Blume extract ("Resina"), a plant that grows in the tropical rainforest of Indonesia, to traders and pharmaceutical companies in Hong Kong and China.</p> <p>Refer to Section 4 for more information.</p>
<b>What is Traditional Chinese Medicine?</b>	<p>Traditional Chinese Medicine is a system of healthcare that includes herbal medicines. It has a history of development in China and other parts of East Asia dating back thousands of years. The underlying principles of TCM are very different from traditional western notions about health and illness. Whether or not TCM is believed, studies have shown that Chinese herbal medicine can be successful in treating a range of disorders.</p>

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**What is the Company's business model?**

Following completion of the Stemcell Agreement, the Company aims to be the leading plant stemcell researcher, developer and producer offering a range of TCM products to preserve the health and youth of human beings. SUP currently sources, produces, markets and sells Resina, commonly known as Dragon's Blood Resin, to TCM distributors and TCM manufacturing companies in Hong Kong and China. The Company also intends to produce and distribute Dendrobium.

Refer to Section 4 for more information.

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**What are the benefits of investing in the Company?**

Investing in the Company provides an opportunity to participate in a business that aims to supply high value product into the large TCM market in China.

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**What are the key risks of investing in the Company?**

The Shares offered pursuant to this Prospectus should be considered as a **Speculative Investment**. There are a number of risks associated with investing in Shares in the Company, which include the following;

**Re-quotations:** The Company is required by ASX to re-comply with Chapters 1 and 2 of the Listing Rules before the Shares are relisted. There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX.

**Stemcell Transaction:** Completion of the Stemcell Transaction is conditional on the Minimum Amount being raised. There is a risk that the Minimum Amount may not be raised. This would prevent the Stemcell Transaction from reaching successful completion.

**New Business and Mr Gu Huanqing:** SUP has only been carrying on business since July 2014, and has a limited track record. The Board considers that Mr Gu Huanqing's participation in running and developing the SUP business is important to achieving success during its development phase. If for any reason Mr Gu Huanqing's services are not available, the development of the SUP business may be impaired.

**Patent Applications:** SUP's intellectual property includes certain technologies for which patent applications have been made. Such applications may not result in patents being granted. In addition, if patents are granted, it may be difficult to prevent the unauthorised use of the technology with the result that SUP may obtain no competitive advantage from its technology. Further, until the patents are granted, the Company cannot be certain that others will not independently develop the same or similar technology on their own account or gain access to trade secrets and unpatented knowhow.

**Supply of Raw Materials:** SUP is dependant on the supply of raw materials to carry on its business. Such supply may be disrupted.

**Manufacturing of Product:** Until SUP has the capacity to manufacture product itself, it is reliant on third parties having the capacity to do so within the timeframes required by SUP and at a reasonable cost. Circumstances may arise where SUP is unable to

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achieve the manufacture of product on this basis.

**Supply of Product into Market:** SUP's business model depends on being able to supply product into markets outside Singapore. Access to these markets could in future be restricted or these markets may become regulated.

**Supply and Demand:** The price of raw materials used by SUP may fluctuate, as may demand for its product. SUP's ability to make a profit on sales will depend on SUP being able to maintain a margin between its cost of raw materials and production and distribution and the price at which it is able to sell its product.

**Product Liability:** If Traditional Chinese Medicine incorporating SUP's products causes damage or loss of life, SUP may be subjected to legal claims for supplying defective materials.

**Personnel:** SUP may not be able to attract suitably qualified persons to enable it to grow its business.

**Currency Risk:** The Shares the subject of the Offer are denominated in Australia dollars whereas SUP carries on business in Singapore and receives income and has expenditure denominated in Singapore dollars. Further, SUP supplies product into markets outside Singapore and receives income in other currencies. Accordingly, an investment in ONQ will involve currency risks as between the Australian dollar, the Singapore dollar and other currencies.

**Market Adoption Risk:** The successful commercialisation of the Company's products depends on market acceptance. The take up of product will rely on intensive marketing and education of manufacturers and distributors of TCM. Competition in the market may also result in a slower adoption rate.

**Additional Requirements for Capital:** The Company may need to raise additional capital in future which could dilute shareholders at that time.

**Existing Shareholders' Shares:** Because a larger number of Existing Shareholders' Shares are subject to restriction arrangements, there may be a reduction in the liquidity in the market for shares in the Company.

Refer to Section 10 for more information.

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**No forecasts**

Given the speculative nature of SUP's business and the early stage of its development, there is significant uncertainty associated with forecasting future revenues and expenses of the Company. Accordingly, the Directors believe that reliable financial forecasts for the Company cannot be prepared and have not included financial forecasts in this Prospectus.

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**What is the financial position of the Company?**

The financial position of the Company, assuming that the Minimum Amount is raised, and assuming that the Maximum Amount is raised, is set out in the Proforma Consolidated Statement Of Financial Position as at 31 December 2014 in section 7. You should also refer to Section 3.5, which explains the proposed use of the proceeds of the Offer if the Minimum Amount is raised and if the Maximum Amount is raised.

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<b>Who are the Directors of the Company?</b>	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> <li>• Ms Jamie Gee Choo Khoo, Independent Non-Executive Chairman</li> <li>• Mr Paul Sun, Independent Non-Executive Director</li> <li>• Mr Chow-Yee Koh, Independent Non-Executive Director &amp; Secretary</li> <li>• Assuming completion of the Stemcell Agreement, Mr Gu Huanqing will become a director of the Company. As a major shareholder and employee, Mr Gu will not be considered an independent director.</li> </ul>
<b>Who will benefit from the Offer?</b>	<p>Mr Gu Huanqing will benefit from the Offer because he will receive A\$2,500,000 in cash and 120 million shares as consideration for the sale by him to the Company of Stemcell United Pte Limited on completion of the Stemcell Transaction. Mr Gu will also become a Director of the Company on completion of the Stemcell Transaction.</p> <p>A company associated with Miss Jamie Gee Choo Khoo, a Director of the Company, will earn a \$50,000 success fee from the Company on the re-quotation of the Company's shares on ASX (refer to Section 12.3 for further details).</p>
<b>What important contracts has the Company entered into?</b>	<p>The Company has entered into a binding agreement, subject to certain conditions, with Mr Gu Huanqing to acquire the issued share capital of StemCell United Pte Limited. Completion of the Transaction occurs simultaneously with the completion of the Offer under this Prospectus.</p> <p>SUP has entered into a Service Agreement with Mr Gu Huanqing under which he will be employed as SUP's Chief Executive Officer.</p> <p>SUP has also entered into a Reseller Agreement and a Manufacturing Agreement with a company associated with Mr Gu Huanqing and has entered into a Loan Agreement with him, under which Mr Gu has made certain cash advances to the Company for working capital purposes.</p> <p>Refer to Section 11 for more information, including with respect to further material contracts.</p>
<b>How will the proceeds of the Public Offer be used?</b>	<p>The proceeds of the Offer, along with the Company's existing cash resources, will be used to pay the cash consideration payable under the Stemcell Agreement, meet the cost of the Offer, pay certain development and commercialisation expenses and provide the Company with working capital.</p> <p>Refer to Section 3.5 for more information.</p>
<b>What are the conditions of the acquisition of StemCell United Pte Limited?</b>	<p>Completion of the Stemcell Transaction is subject to a number of conditions, including requotation of the Company's shares on ASX. If requotation of the Company's share on ASX is not achieved, then completion of the Stemcell Acquisition will not occur.</p> <p>Refer to Section 11.1 for further information.</p>

<b>Will the Company pay dividends?</b>	The Company's ability to pay dividends will be dependant upon a number of factors, including the profitability of the Company and any requirements it might have to retain earnings in order to fund SUP's growth.
<b>Where will the Shares be quoted?</b>	It is intended that requotation of the Company's securities be sought on the Australian Securities Exchange. Re quotation is subject to the Company re-complying with Chapters 1 and 2 of ASX Listing Rules.  Refer to Section 3.9 for further information.
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.
<b>What are the tax implications of investing in the Shares?</b>	The Directors are unable to provide advice as to the taxation implications of the Offer or an investment in Shares in relation to an individual investor and as such investors are encouraged to seek their own professional advice before making an investment in Shares. A summary of general Australian income tax consequences for investors in the Company is set out in Section 9.
<b>How can I apply?</b>	<p>Applicants may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus in accordance with the instructions set out in the Application Form.</p> <p>Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000. Payment for the Shares must be made in full at the issue price of \$0.20 per Share.</p> <p>Completed Application Forms and accompanying cheques must be mailed or delivered to:</p> <p><b>By mail</b></p> <p>Security Transfer Registrars Pty Limited PO Box 535 APPLECROSS WA 6953</p> <p><b>By delivery</b></p> <p>Security Transfer Registrars Pty Limited 770 Canning Highway APPLECROSS WA 6153</p> <p>Cheques should be made payable to "On Q Group Limited IPO" and crossed "Not Negotiable". Completed Application Forms and accompanying cheques must reach the address set out above by the Closing Date.</p> <p>Applicants may pay the Application Monies by BPAY® by following the instructions on the Application Form or may deposit Application Monies to the following bank account rather than sending a cheque with their Application Forms. In such case applicants are still required to complete and send their Application Forms as set out above.</p>

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Bank account details: On Q Group Limited  
BSB 036 066  
Account Number 333898

The Opening Date for the Offer is 6 July 2015 2015 and the Closing Date for Offer is 5.00pm (Sydney time) on 7 August 2015, or such later date as the Directors, in their absolute discretion, may determine.

To the extent permitted by law, an Application by an Applicant under the offer is irrevocable.

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**Is there a minimum Application size under the Offer?**

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000 Shares.

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**How will the Shares be allotted?**

Subject to ASX granting conditional approval for re quotation on the ASX, the Shares to be issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

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**When will I receive confirmation that my Application has been successful?**

It is expected that initial holding statements will be despatched by standard post on or around 28 August 2015.

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**When can I sell my Shares on ASX?**

It is expected that holding statements will be sent on or about 28 August 2015 and that Shares will commence trading on the ASX on a normal settlement basis on 4 September 2015.

It is the responsibility of each Applicant to confirm their holding before trading its Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.

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**Can the Offer be withdrawn?**

The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful applicants. If the Offer does not proceed, Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

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**Where can I find out more information about this Prospectus of the Offer?**

If you are unclear on any matter in relation to this Prospectus or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

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## 2. Chair's Letter

**On Q Group Limited**  
ACN 009 104 330  
Level 3, 350 Kent Street  
SYDNEY NSW 2000

29 June 2015

Tel +61 2 9299 2289  
Fax +61 2 9299 2239

Dear Shareholder / Investor

On behalf of the Board of Directors I am pleased to present this Prospectus to you and to invite you to subscribe for New Shares in On Q Group Limited ("**the Company**").

As many would know the Company has just emerged from liquidation on 17 October 2014 and the new Board has since been seeking opportunities to revive the Company.

The Company believes there are good prospects in the biotech industry and on 23 December 2014 entered into a Sales & Purchase Agreement with Mr Gu Huanqing to acquire StemCell United Pte Ltd ("**SUP**"), a Singapore based biotechnology company, and its subsidiary company. SUP focuses on the extraction, culture, reproduction and growth of plant stem cells for medicinal, health and beauty applications in Traditional Chinese Medicine ("**TCM**"). The business opportunity of SUP lies in its existing operation of Resina Daemonoropis ("**Resina**") extraction and distribution and the subsequent rollout of Dendrobium Officinale extract, ("Dendrobium") production using stem cell technology for which SUP has a Patent Application. The acquisition is subject to a number of conditions, including:

1. Shareholders approval to the proposed change in the nature and sale of the Company's business.
2. The Company's shares are quoted on ASX.

A general meeting of the Company was held on 29 June 2015 and the shareholders of the Company amongst other things approved condition 1, and also agreed on the change of name of the Company to StemCell United Limited.

The Board believes the Company's proposed new direction provides investors with:

1. An opportunity to invest in an ASX listed biotech company with focus on TCM market; and
2. A liquid investment for shareholders by relisting on ASX.

The offer made under this Prospectus is to raise a minimum of \$600,000 and up to \$4,600,000 by the issue of up to 23,000,000 shares at 20 cents per share.

The Prospectus contains information about the offer and SUP Group as well as the risk factors that are relevant to making an investment in the Company. I encourage you to read it carefully before making an investment decision.

The Board looks forward to the Company being readmitted to the Official List, to welcoming new shareholders to the Company and to the ongoing support of existing shareholders.

Yours sincerely

On Q Group Limited

  
Jamie Gee Choo Khoo  
Chair

### **3. Details of the Offer**

#### **3.1 The Offer**

The Offer is a public offering of 23,000,000 New Shares at the Offer Price of \$0.20 per Share. The New Shares to be issued will represent approximately 6% of the Shares on issue on completion of the Offer and completion of the Stemcell Transaction if the Maximum Amount is raised, and approximately 1% of the Minimum Amount is raised.

If the Minimum Amount is not raised, then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).

An investment in New Shares should be considered as speculative.

All New Shares will be issued at the Offer Price and will rank equally with each other. The New Shares are fully paid ordinary shares and will, once issued, rank equally with the Existing Shares. A summary of the rights attaching to the Shares is set out in Section 12.1.

#### **3.2 Timetable**

It is intended that the Offer will proceed in accordance with the following timetable:

Prospectus lodged with ASIC	29 June 2015
Offer opens	6 July 2015
Offer closes	7 August 2015
New Shares expected to be allotted under the Offer (deferred settlement basis)	21 August 2015
Holding Statements expected to be despatched	28 August 2015
Trading of New Shares on ASX expected to commence (normal settlement basis)	8 September 2015

#### **Notes:**

- These dates are indicative only and may be subject to change. Subject to the Corporations Act, the Listing Rules and other applicable laws, the Directors reserve the right to vary the dates, including to extend the Offer, close the Offer early or accept late applications (either generally or in particular cases), without prior notice. You are encouraged to submit your Application Form as soon as possible. The commencement of quotation is subject to ASX confirmation.
- Trading in Shares will only be reinstated by the ASX after the Company has re-complied with Chapters 1 and 2 of the Listing Rules.

#### **3.3 Background of 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.

On 29 June 2015 the Shareholders approved a change in the nature and scale of the Company's activities and the issue of Shares to the Vendor to permit completion of the Stemcell Agreement. In addition, Shareholders approved a consolidation of the Company's Shares and the issue of Shares pursuant to this Prospectus.

Further, Shareholders approved the appointment of Mr Gu Huanqing as a director of the Company subject to completion of the Stemcell Agreement.

### **3.4 Stemcell Transaction**

On 23 December 2014, the Company announced that it had entered into a binding agreement, subject to certain conditions, with Mr Gu Huanqing to acquire the entire issued share capital of StemCell United Pte Limited from Mr Gu Huanqing.

SUP 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. SUP's business and related Intellectual Property is described in greater detail in Section 4 of this Prospectus.

The consideration to be provided by the Company to Mr Gu as Vendor, will comprise in aggregate the sum of A\$2,500,000 in cash and 120,000,000 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 renotation of the Company's securities on ASX.

The Board considered the Stemcell Transaction a suitable investment to enable the Company to satisfy the requirements of Chapters 1 and 2 of the Listing Rules so that the Company may apply to be relisted on the ASX. This Prospectus is issued to assist the Company to comply with these requirements and to raise sufficient funds to repay debt and carry out its corporate objectives.

Further details of the Stemcell Agreement are set out in Section 11.1 .

### 3.5 Purpose of the Offer and Use of Funds

The purpose of the Offer is to:

- assist the Company to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the Listing Rules; and
- together with the Company's other cash resources to complete the Stemcell Agreement, cover the costs of the issue, pay certain development and commercialisation expenses and provide working capital for the merged group;

The Company intends to apply the proceeds of the Offer, together with the other cash resources of the Company, as follows:

Source of Funds	Minimum Amount (\$)	Maximum Amount (\$)
Cash balance at 31 December 2014	501,000	501,000
Cash acquired on acquisition of SUP	70,000	70,000
Proceeds from issuance of Converting Notes	3,437,000	3,437,000
Proceeds from shares issued under the Offer	600,000	4,600,000
	<b>4,608,000</b>	<b>8,608,000</b>

Use of Funds	Minimum Amount (\$)	Maximum Amount (\$)
Pay the cash consideration under the Stemcell Agreement	2,500,000	2,500,000
Costs of Offer	892,000	1,057,000
Commercialisation of Dendrobium stem cell technology		2,500,000*
Working capital	1,216,000**	2,551,000
	<b>4,608,000</b>	<b>8,608,000</b>

\*In the event that the Maximum Amount is raised, the SUP will commence the process of commercialising the Dendrobium stemcell Technology. The sum of approximately \$1.5 million will be expended on plant and equipment which will comprise:

- stemcell extraction and manipulation facilities (a clean room, tissue culture centre and related facilities);
- bioreactor and incubation facilities;

- separation filtration and drying facilities;
- lab testing equipment; and
- packaging and other auxiliary facilities.

In addition, approximately \$300,000 will be expended on procuring Dendrobium mother plant with a further \$100,000 on other materials. Further, factory space of approximately 500m<sup>2</sup> will be leased at an annual cost of an estimated \$120,000. Further expenses will be incurred in connection with manpower and marketing and promotion costs.

\*\*Based on its management accounts, SUP had \$A399,614 working capital (excluding cash) as at 31 May 2015. The Directors expect that at completion of the Stemcell Transaction SUP will have working capital of at least this amount, which will result in the Company and SUP having in aggregate \$A1,615,614 working capital if the Minimum Amount is raised and \$A2,950,614 working capital if the Maximum Amount is raised.

The above table represents the current intentions of the Directors based on the current business plan and business conditions. The amount and timing of actual expenditure may vary depending on factors such as the success of the Company's commercialisation activities and revenue from sales. Changes in circumstances have the potential to affect the manner in which funds are actually applied. This means that actual expenditure may vary from the estimates set out above and the Board reserves the right to vary the expenditure depending on the circumstances.

The Directors consider that the Company will have sufficient capital resources to enable the Company to achieve its stated objectives.

### 3.6 Capital Structure

The ownership structure of the Company at completion of the Offer is shown in the table below.

Summary of Securities as a result of the Proposed Transaction

	Minimum	Maximum
	Shares	Shares
<b>Existing shares</b>	<b>216,677,575</b>	<b>216,677,575</b>
<b>Mr Gu's shares</b>	<b>120,000,000</b>	<b>120,000,000</b>
<b>Shares on Conversion of Notes</b>	<b>24,550,687</b>	<b>24,550,687</b>
Total	361,228,262	361,228,262
<b>Public offer</b>	<b>3,000,000</b>	<b>23,000,000</b>
Total shares of issue after Capital Raising	364,228,262	384,228,262
Options **	2,000,000	2,000,000



\* Relates to the conversion of 49,101,374 pre consolidation converting notes which were issued at \$0.07 each. Refer to Section 11.5 for further particulars. A waiver of ASX Listing Rule 2.1 Condition 2 will be required for the Shares issued on conversion of such notes to be quoted on ASX.

\*\* Relates to options over ordinary shares to be issued to Lead Manager on successful completion of Offer, exercised within 3 years of issue date at \$0.20 per Share.

### 3.7 Control of the Company

Following completion of the Offer and the Stemcell Transaction, the Vendor will hold 32.95% of the issued Shares in the Company (assuming that the Minimum Amount is raised) and 31.23% (assuming that the Maximum Amount is raised).

#### Mr Gu's Voting Power in the Company

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

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 the Company through its wholly owned subsidiary will be changed or that the Company will change its own business as a holding company for SUP.

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

Mr Gu does not intend that the Company or SUP 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 Company Board as currently established, except that on completion of the Stemcell Agreement Mr Gu will become a director of the Company.

Other than the Stemcell Transaction, Mr Gu does not intend that any assets be transferred between the Company and SUP on the one hand and Mr Gu and any of his associates on the other hand.

### 3.8 Escrow Arrangements

On completion of the Offer, Shares to be issued to Mr Gu as Vendor under the Stemcell Transaction will be subject to escrow as will Shares that have been issued to certain seed capitalists and service providers.

These arrangements are described in Section 12.6.

### **3.9 ASX Listing**

The Company is suspended from Official Quotation and will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

In addition, it is a requirement of ASX that completion of the Stemcell Transaction occurs simultaneously with completion of the Offer. Completion of the Stemcell Transaction is therefore conditional on the Minimum Amount being raised.

Application will be made to ASX for the Company to be re-admitted to the Official List and for the New Shares offered by this Prospectus (subject to the Listing Rules) to be listed for quotation by ASX within seven days of the date of this Prospectus.

The fact that ASX may re-admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or of the New Shares offered by this Prospectus. Quotation of the New Shares (if granted) offered by this Prospectus will commence as soon as practicable after the issue of Holding Statements to successful Applicants.

If the Company is re-admitted to the Official List of the ASX, the New Shares will trade under the ASX code "SCU".

Applicants are responsible for confirming their allocation prior to trading any New Shares. Anyone who sells New Shares prior to receiving confirmation of their allocation does so at their own risk. The Company and the Share Registry disclaim any liability arising to persons who trade New Shares prior to receiving Holding Statements.

If the ASX does not re-admit the Company to the Official List or the New Shares are not admitted to quotation on the ASX within three months after the date of this Prospectus, none of the New Shares offered by this Prospectus will be allotted or issued unless ASX grants the Company an exemption or modification permitting the allotment or issue. If no allotment or issue is made, the Company will repay all Application Monies received (without interest).

In any event the New Shares will be issued not later than 29 September 2015 (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). It is expected that the New Shares will commence trading on ASX on or about 21 August 2015, initially on a deferred settlement basis. Trading on ASX will then be on an unconditional but deferred settlement basis until the Company has advised ASX that initial Holding Statements have been despatched to Shareholders. Trading on ASX is expected to commence on a normal settlement basis on or about 4 September 2015.

### **3.10 Allocation**

The Directors will determine the allottees of the New Shares in their sole discretion. The Directors reserve the right to reject any Application or to allocate fewer New Shares than the number applied for.

Subject to ASX approving the Company's reinstatement to the Official List, the New Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of New Shares allotted is less than the number applied for, or where no allotment is made, the surplus Application Monies will be repaid by cheque to the Applicant without interest as soon as practicable.

Pending the allotment and issue of the New Shares, all Application Monies will be held by the Company in trust. The Company, irrespective of whether the allotment

of New Shares takes place, will retain any interest earned on the Application Monies.

### **3.11 Dividend Policy**

The Company's ability to pay dividends will be dependant upon a number of factors, including the profitability of the Company and any requirements it might have to retain earnings in order to fund SUP's growth.

### **3.12 Who can apply under the Offer?**

All investors who are resident in Australia or New Zealand are eligible to participate in the Offer.

#### **New Zealand**

The Offer is being made in New Zealand pursuant to the Securities Act (Australian Issuers) Exemption Notice 2002. Although the Registrar of Companies in New Zealand has received a copy of the Prospectus, the Prospectus has not been registered in New Zealand under New Zealand law and it may not contain all the information that a New Zealand registered Prospectus is required to contain. The shares are not intended to be listed in the New Zealand Stock Exchange and New Zealand resident investors may not have access to the information concerning the Company in the same way as investors have in relation to an issuer listed on the New Zealand Stock Exchange. New Zealand investors should satisfy themselves as to the tax implications if investing in equity securities and should be aware that investing in the Shares may carry with it a currency exchange risk.

The Company will, within 5 working days of receiving a request of an offeree for a copy of the Prospectus, without fee, send, or cause to be sent, to that person a copy of the Prospectus, copies of any documents that, under the laws of Australia, must accompany any copy of the Prospectus sent to any person to whom the offer is made in Australia and a copy of any document lodged with ASIC that is referred to in the Prospectus which is taken to be included in the Prospectus under section 712 of the Corporations Act. In respect of any dispute concerning the contract of the issue of the New Shares, the Company agrees to submit to the non-exclusive jurisdiction of the New Zealand courts. New Zealand investors should be aware that notwithstanding the foregoing, the contract in respect of the New Shares may not always be enforceable in New Zealand Courts and the Company may not be subject in all respects to New Zealand law.

The distribution of this Prospectus outside Australia and New Zealand may be restricted by law.

The Prospectus does not constitute an Offer of Shares in any jurisdiction where, or to any person whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of the Applicant who is resident outside Australia and New Zealand to ensure compliance with all laws of any country relevant to the Application, and any such Applicant should consult their professional advisers as to whether any government or other consent is required, or whether any formalities need to be observed to enable them to apply for and be issued Shares. The failure to comply with any applicable restrictions may constitute violation of securities law in those jurisdictions.

No action has been taken to register or qualify the New Shares of the Offer to permit a public offering of the Shares in any jurisdiction outside Australia.

However subject to restrictions outlined below, the Company reserves the right to offer New Shares to investors in the following jurisdictions, where to do so would not be in breach of the securities law requirements of the relevant jurisdiction.

### **Singapore**

This Prospectus has not been and will not be lodged with and registered by the Monetary Authority of Singapore as a Prospectus under the Securities and Futures Act, Section 289 of Singapore (“SFA”) and the New Shares will be offered in Singapore pursuant to exemptions invoked under Subdivision 4, Division 1 of Part XIII of the SFA, in particular section 274 and section 275, of the SFA. Accordingly, this Prospectus and any other offering document or material in connection with the offer of the New Shares may not be issued, circulated or distributed in Singapore, nor may any of the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) and institutional investor under section 274 of the SFA, (ii) a relevant person pursuant to section 275(1) of the SEA, (iii) any person pursuant to an offer referred to in section 275(1A) of the SFA, or (iv) pursuant to and in accordance with the conditions of any other applicable provision of the SFA.

Where the New Shares are subscribed or purchased by (i) and institutional investor pursuant to section 274 of the SFA, (ii) a relevant person to section 275(1) of the SFA, or (iii) any person pursuant to an offer referred to in section 275(1 A) of SFA, such New Shares shall not be sold within a period of six months from the date of the initial acquisition to any person other than an institutional investor under section 274 of the SFA, to a relevant person as defined in section 275(2) of the SEA, or to any person pursuant to an offer referred to in section 275(1 A) of the SFA and in accordance with the conditions of the SFA.

Where the New Shares are subscribed or purchased under section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Shares under section 275 of the SEA or to a relevant person as defined in section 275(2) of the SFA; or (b) arises from an offer referred to in section 275(1 A) of the SFA; (ii) no consideration is or will be given for the transfer; or (iii) the transfer is by operation of law, and in accordance with the conditions of the SFA.

### **People’s Republic of China**

The information in this Prospectus does not constitute a public offer of the New Shares, whether by way of sale or subscription in the People’s Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to “qualified domestic institutional investors”.

## Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

This Prospectus has not, and will not be registered as a Prospectus under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Companies Ordinance**”) and it has not been authorised for registration by the Securities and Futures Commission in Hong Kong and, accordingly, this Prospectus must not be issued to the public (i) offering shares of the Company to the public for subscription or purchase for cash or (ii) inviting offers by the public to subscribe for or purchase for cash or other consideration any shares in or debentures of the Company.

The Company has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any of the Shares other than:

- (i) to “professional investors” as defined in the Securities and Futures Ordinance (the “**SFO**”) (Chapter 571 of the Laws of Hong Kong) and any rules under the SFO or as otherwise permitted under the Seventeenth Schedule of the Companies Ordinance; or
- (ii) in other circumstances which do not result in the document being a “Prospectus” as defined under the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any other invitation, advertisement or document relating to shares in the Company, which is directed at, or the contents of which are likely to be accessed or read by the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares in the Company which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO or as otherwise permitted under the Seventeenth Schedule of the Companies Ordinance and any other applicable sections under the SFO.

## United States

The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or any state securities laws. Accordingly the Shares may not be offered or sold in the United States except transactions exempt from, or not subject to, the registered requirements of the US Securities Act and applicable state securities laws. Any offer, sale or resale of New Shares in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the date on which the New Shares are issued. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the New Shares within the United States.

### 3.13 How to apply for New Shares under the Offer?

Applicants may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus in accordance with the instructions set out in the Application Form.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000. Payment for the Shares must be made in full at the issue price of \$0.20 per Share.

Completed Application Forms and accompanying cheques must be mailed or delivered to:

**By mail**

Security Transfer Registrars Pty Limited  
PO Box 535  
APPLECROSS WA 6953

**By delivery**

Security Transfer Registrars Pty Limited  
770 Canning Highway  
APPLECROSS WA 6153

Cheques should be made payable to "On Q Group Limited IPO" and crossed "Not Negotiable". Completed Application Forms and accompanying cheques must reach the address set out above by the Closing Date.

Applicants may pay the Application Monies by BPAY® by following the instructions on the Application Form or may deposit Application Monies to the following bank account rather than sending a cheque with their Application Forms. In such case Applicants are still required to complete and send their Application Forms as set out above.

Bank account details: On Q Group Limited  
BSB 036 022  
Account Number 333898

The Opening Date for the Offer is 7 July 2015 and the Closing Date for Offer is 5.00pm (Sydney time) on 7 August 2015, or such later date as the Directors, in their absolute discretion, may determine.

**3.14 To the extent permitted by law, an Application by an Applicant under the offer is irrevocable. CHES and Issuer Sponsored Sub-register**

The Company will apply to participate in CHES and, in accordance with the Listing Rules and the ASTC Settlement Rules, will maintain an electronic CHES sub-register and an electronic issuer sponsored sub-register. The Company will not issue share certificates to successful Applicants but as soon as practicable after allocation, successful Applicants will receive a Holding Statement that sets out the number of New Shares that have been allocated to them pursuant to this Prospectus. The Holding Statement will also set out each successful Applicant's unique HIN (in the case of a holding on the CHES sub-register), or SRN (in the case of a holding on the issuer sponsored sub-register). Shareholders will be provided with periodic Holding Statements showing any changes in their holdings of Shares and Options. Shareholders may request a Holding Statement at any time (although an administration fee may be charged for these additional statements). It is the responsibility of Shareholders to determine their holding prior to trading in any New Shares.

**3.15 Taxation**

The Australian taxation consequences of any investment in the Company will depend on the Applicant's particular circumstances. It is the obligation of potential investors to make their own enquiries concerning the taxation consequences of an

investment in the Company. If you have any questions about the taxation consequences of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser. Section 9 sets out a summary of the Australian income tax consequences for investors in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for New Shares under this Prospectus.

### **3.16 No Brokerage, Commission or Stamp Duty**

No brokerage or commission is payable by Applicants for New Shares issued under the Offer.

No stamp duty is payable on New Shares issued under the Offer, provided that no investor, itself, or together with related or associated persons acquires an interest of 50% or more in the Company. If you have any questions about the duty consequences of an investment in the Company, please contact your accountant or independent financial adviser.

### **3.17 Enquiries**

All enquires in relation to this Prospectus should be directed to the Lead Manager on + 61 2 9226 0278 which is available Monday to Friday between 9.00am and 5.00pm (Sydney time) with any queries you may have regarding the Offer. Information in relation to the Offer is also available on the Company's website at [www.scu.com.sg](http://www.scu.com.sg).

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your accountant, lawyer or other professional adviser.

## 4. Business Overview of SUP

### Introduction to SUP

SUP 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 proprietary technology.

The current business activity of SUP is in the sourcing and production of *Daemonorops Draco Blume* extract (“Resina”), also commonly known as Dragon’s Blood Resin 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 SUP’s proprietary technology to isolate meristematic plant stem cells (PCT/SG2014/000515), SUP is planning to leverage on its technology and apply it to *Dendrobium Officinale Kimura et Migo* (“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.

### History of SUP & Vendor

SUP 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.

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 SUP’s proprietary technology and method of isolating meristematic plant stem cells, as well as the creation of SUP’s Dendrobium stem cell extract products.

Assuming that the Stemcell Agreement completes, Mr Gu will become a Director of the Company. Further details concerning Mr Gu are set out in Section 5.1.

### SUP Mission

SUP 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. SUP 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, SUP is able to provide a constant supply of the best quality products at a lower cost, generating value for the SUP 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 and;
5. Reduce pain from blood stasis, in particular due to traumatic injuries such as those resulting from falls and fractures.

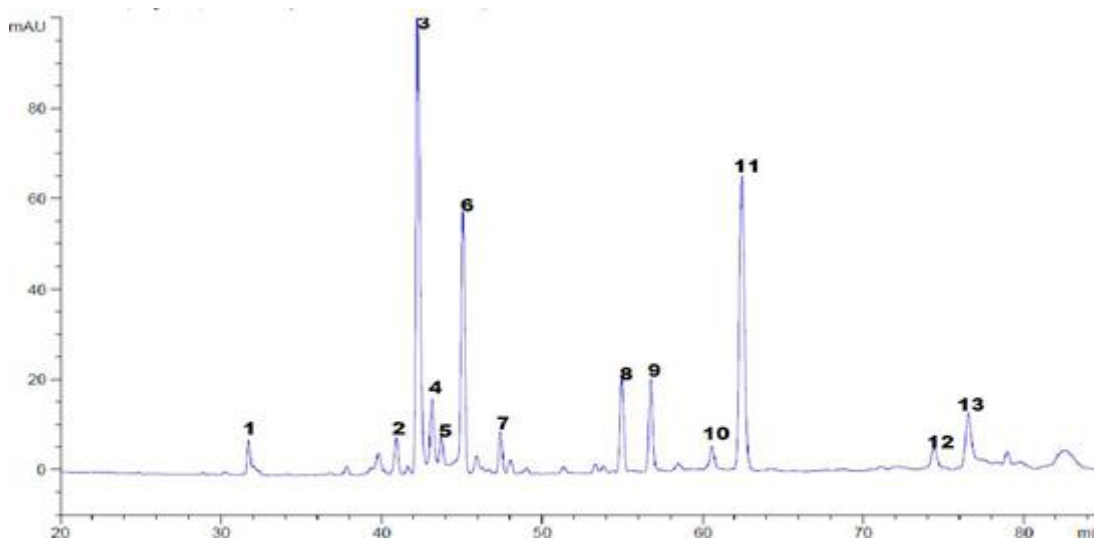
SUP is currently sourcing, producing, marketing and selling Resina, commonly known as Dragon's Blood Resin to TCM distributors and TCM manufacturing companies in Hong Kong and China.

SUP 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.

SUP 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 SUP using its own unique grading system which allows the SUP to assess and determine optimal yields and minimise wastage. SUP 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, SUP 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 of the China Food and Drugs Administration. To ensure that SUP's Resina extract meets the required specifications, it is rigorously inspected and authenticated by the General Administration of Quality Supervision, Inspection and Quarantine 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)*



Image 1:	<i>Daemonorops Draco Blume</i>	Image 4:	Graded & ground Resina raw materials
Image 2:	Sorting & peeling of Resina raw materials	Image 5:	Processing of Resina raw materials to extract
Image 3:	Sorted Raw Materials	Image 6:	Resina extract final product

### Business Outlook for Resina

The annual sales of Resina in China to be approximately 400 to 500 tons. SUP's export price for Resina extract was about US\$350 per kilogram in 2014.

As SUP 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. SUP then outsources the processing of Resina extract which is later packaged and distributed to customers. The outsourcing of labour-intensive processing helps SUP 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, SUP recognises the potential of the market and aims to capture significant market share by 2017. SUP plans to explore opportunities to work closely with plant extract producers and traders, TCM manufacturers and distributes in Hong Kong, China and elsewhere to market its Resina extract, so as to meet this growing demand.

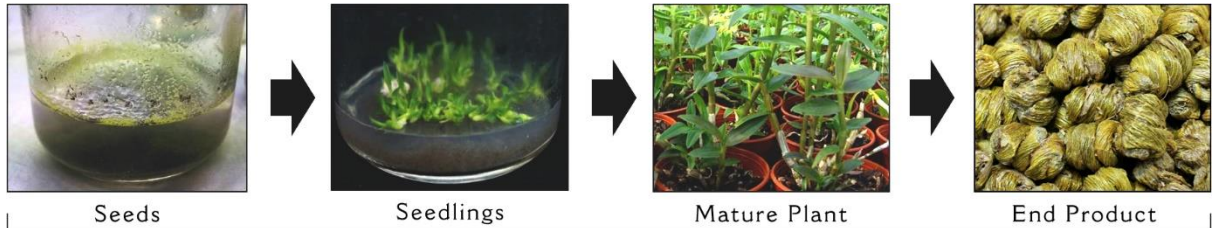
### Proposed Business - *Dendrobium Officinale*

Wild *Dendrobium Officinale Kimura et Migo* ("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 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".

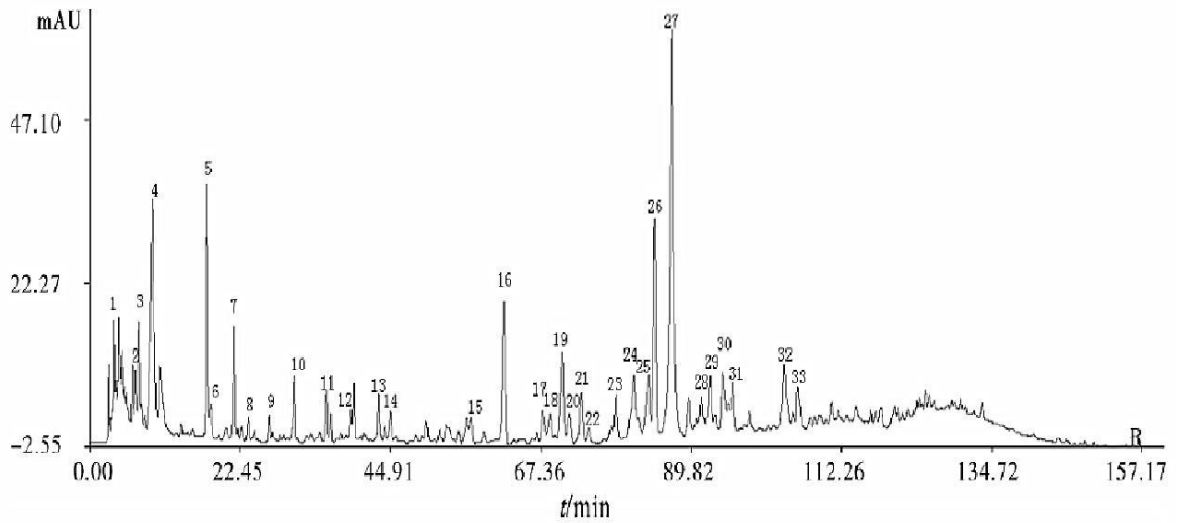
The TCM products which contain Dendrobium, are used to:

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

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

Similarly to Resina, SUP 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.

SUP's proprietary technology gives the SUP 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.

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

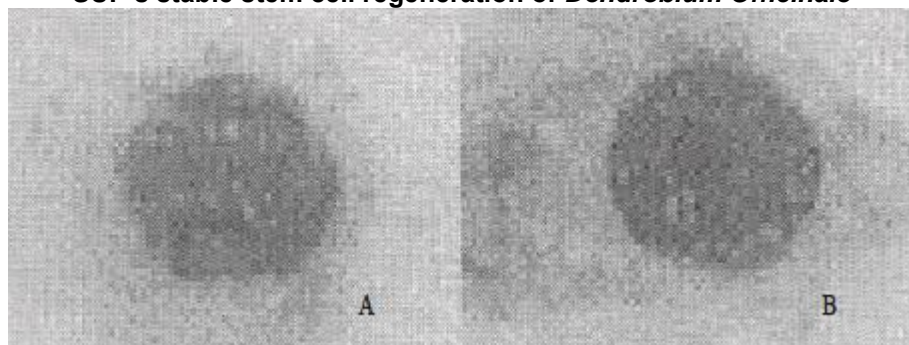
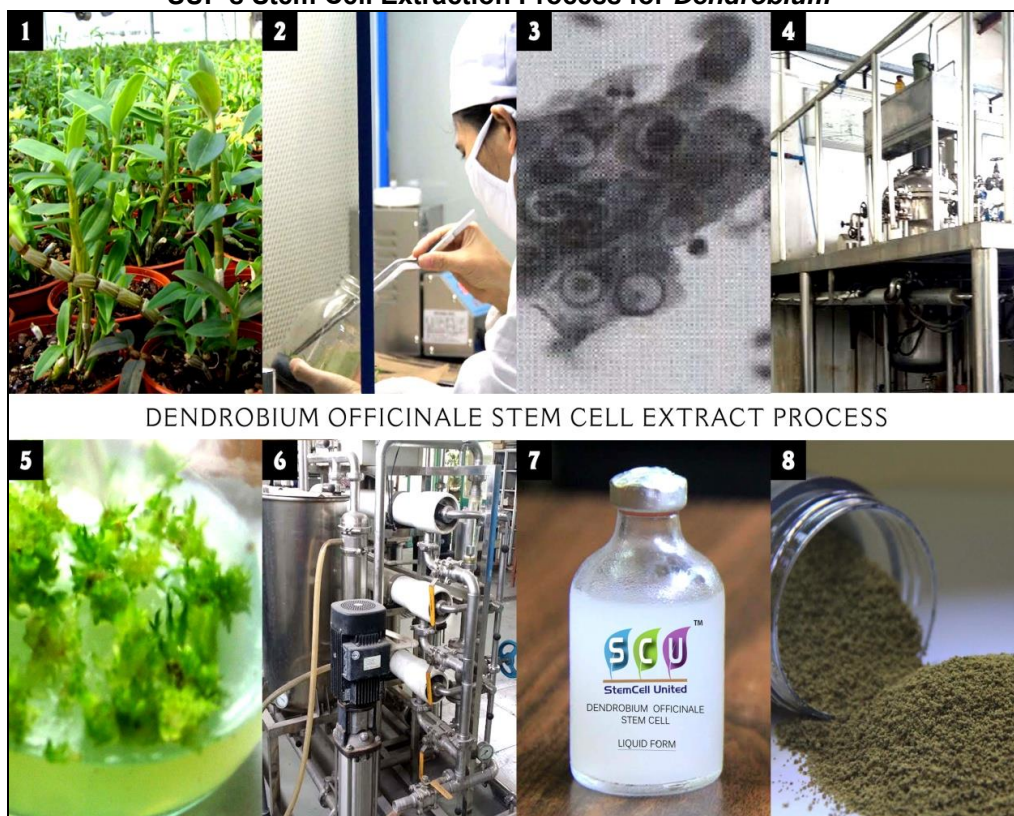


Image A shows a quiescent centre-derived *Dendrobium* stem cell after 40 days and Image B shows a quiescent centre-derived *Dendrobium* stem cell after 120 days.

### SUP'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 <i>Dendrobium</i> Stem Cell Extract product (liquid form) |
| Image 4: | Bioreactor                                 | Image 8: | Final <i>Dendrobium</i> Stem Cell Extract product (powder form) |

### Comparison between traditional cultivation method and SUP'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. SUP 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 SUP's *Dendrobium* stem cell extract

Dendrobium samples	% of Polysaccharide
SUP's <i>Dendrobium</i> stem cell extract	37.82±0.60
Traditional cultivated <i>Dendrobium</i>	35.25±0.75

It is claimed in the patent application referred to below under the heading "Intellectual Property" that SUP'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 SUP'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%.

SUP 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, SUP 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

SUP 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. SUP 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

SUP 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, SUP plans to market Dendrobium stem cell extract in liquid form to the beauty and hair growth industries for external applications.

### **Overall Marketing & Sales Strategy**

SUP 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 SUP's products. SUP plans to actively participate in international trade shows and seminars to raise the awareness of SUP's products, widen its customer base, and conduct branding activities. In addition to its Singapore headquarters, SUP 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 will also allow SUP to reach out to the rest of the world and not be limited to just Asia alone.

### **Intellectual Property**

SUP 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 *Inte//eigen* legal llc entitled "Meristematic plant cells and method of isolating them" contained in Section 6 for further details of the patent and its applications.



## **5. Board and Corporate Governance**

### **5.1 Directors**

The Directors of the Company are:

#### **Ms Jamie Gee Choo 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 directorships in ASX-listed, Lionhub Group Limited and Bunuru Corporation Limited. She is currently the Deputy CFO of a China-Based Infotechnology company, GDS Services Ltd.

#### **Mr Paul Sun, Independent Director**

Mr Sun is a practicing CPA and Principal of Sun Secure Investment & Consulting Pty Ltd and Sun Secure Accounting & Business Services. He holds a B.E. (Civil Engineering) from the University of Newcastle, a Master of Professional Accounting from the University of Western Sydney, a Graduate Diploma of Applied Finance and Investment from the Australian Securities Institute and a post graduate diploma in Strategic Business Management from the Australian Graduate School of Business Management UNSW. Prior to establishing his own practice, Mr Sun held a number of financial management positions with industrial companies in New South Wales.

#### **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. Mr Koh is a director of Bunuru Corporation Limited.

#### **Mr Gu Huanqing, Proposed Non-Independent Director**

Mr Gu is the CEO of SUP.

Assuming that the Shareholder Agreement complies, Mr Gu Huanqing 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.

## 5.2 Corporate governance

### 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 29 June 2015.

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](http://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 communities 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:

<b>Principles and Recommendations</b>		<b>Comply</b>
<b>Principle 1: Lay solid foundations for management and oversight</b>		<b>(Yes/No)</b>
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
<b>Principle 2: Structure the Board to add value</b>		
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
<b>Principle 3: Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a code of conduct	Yes
<b>Principle 4: Safeguard integrity in financial report</b>		
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
<b>Principle 5: Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements	Yes
<b>Principle 6: Respect the rights of shareholders</b>		
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
<b>Principle 7: Recognise and manage risk</b>		



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
<b>Principle 8: Remuneration fairly and responsibly</b>		
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

## 6. Patent Attorney's Report



inte//eigen 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 June 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 a Prospectus of ON Q Group Limited (ACN 009 104 330) to be lodged with the Australian Securities and Investments Commission. 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.

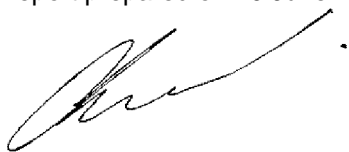
Chee Chun Woei is a director of the firm and is an advocate and solicitor with the Supreme Court of Singapore. He has extensive experience structuring intellectual property based financing, technology acquisition and licensing, protecting and defending intellectual property.

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 June 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

## **7. Pro Forma Financial Information**

### **7.1 Introduction**

The purpose of this section is to provide a pro forma financial perspective of ON Q Group Limited (“ONQ”, “the Company”) following completion of the acquisition of 100% of StemCell United Pte Ltd (“SUP”), and completion of this Offer (subscribed to a minimum of \$4,037,096 and maximum of \$8,037,096).

This section contains the following Financial Information:

- the Statement of Comprehensive Income of ONQ for the 6 month period ended 31 December 2014 and of SUP for the period from 29 July 2014 to 31 Dec 2014;
- the Statement of Cash Flows of ONQ for the 6 month period ended 31 December 2014 and of SUP for the period from 29 July 2014 to 31 Dec 2014;
- the Statement of Financial Position of ONQ and SUP as at 31 Dec 2014 and the Pro Forma Consolidated Statement of Financial Position at 31 December 2014, which assumes completion of the acquisition of SUP by ONQ as at that date, including the Offer under this Prospectus; and
- significant accounting policies and material accounting matters.

collectively referred to as the Financial Information.

A pro forma consolidated Statement of Comprehensive Income or Statement of Cash Flows have not been prepared as the historical results of the Company are not relevant to its future operations, being those of SUP.

The Financial Information set out in this Section is summarised from selected financial data from the following:

- Reviewed financial statement for the 6 month period ended 31 December 2014 of ONQ; and
- Audited financial statements for the period ended 31 December 2014 of SUP.

The Directors are responsible for the inclusion of all Financial Information in this Prospectus. The Financial Information has been reviewed by HLB whose Investigating Accountant’s Report is contained in the following section.

The information set out in this Section and the Company’s selected consolidated Financial Information should be read together with:

- the Investigating Accountants Report. Potential investors should note the scope and limitations of the Investigating Accountant’s Report; and
- the other information contained in this Prospectus.

In addition, investors should be aware that past performance is not an indication of future performance.

### **7.2 Managements’ discussion and analysis of the historical Financial Information Overview**

ONQ was placed into voluntary administration on 28 July 2008 and subsequently placed into liquidation on 23 December 2008. On 12 March 2014, a Deed of

Company Arrangement (DOCA) was entered into and the Company was released from DOCA on 27 November 2014.

On 22 December 2014 the Company subsequently entered into a conditional Sale and Purchase agreement to acquire SUP, a Singapore biotechnology company which focuses on using stem cell technology to grow and extract plant essence.

#### **Audited and reviewed consolidated historical financial statements**

ONQ's historical financial statements have been audited and reviewed and prepared in Australian dollars and in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). ONQ's auditors issued a qualified review opinion on the financial statements for half year period ended 31 December 2014 as there was incomplete accounting and statutory records of the Company during half-year ended 31 December 2013 and full year ended 30 June 2014, hence ONQ's auditors were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the half-year ended 31 December 2014.

SUP's historical financial statements have been audited and prepared in Singapore dollars and in accordance with Singapore equivalents to International Financial Reporting Standards (SFRS). SUP's auditor, Nexia TS Public Accounting Corporation, has issued an unqualified audit opinion for the period ended 31 December 2014.

#### **Historical Statement of Comprehensive Income**

<b><u>ON Q Group Limited</u></b>	Note	Reviewed 6 mths ended 31 Dec 2014 A\$
<b>INCOME</b>		
Interest income		154
Other revenues	1	76,272,483
<b>Total income</b>		<u>76,272,637</u>
<b>EXPENSES</b>		
Director fees		28,470
Other expenses	2	168,000
Share based payments	3	226,630
Administrative expenses	4	335,657
<b>Total expenses</b>		<u>758,757</u>
Profit before income tax		75,513,880
Income tax expense		-
Profit after income tax		<u>75,513,880</u>

*The historical statement of comprehensive income of ONQ has been extracted from the reviewed financial statements of ONQ for the 6 month period ended 31 December 2014. The audited financial statements of ONQ for the financial years ended 30 June 2012, 2013 and 2014 are not included as there is only limited information available to support the transactions and account balances of these financial years to prepare the accounts. The Company's auditor has issued a disclaimer of audit opinion on the financial statements these financial years as the*

accounting and statutory records prior to the appointment of new directors on 3 September 2014 were not adequate to permit the application of necessary audit procedures. As such, ONQ's auditor was unable to obtain all the information and explanations required for them to form an opinion on the financial reports.

1. Other revenue relates to the write-back of payables on settlement of the Deed of Company Arrangement.
2. Other expenses relates to the settlement of Deed of Company Arrangement.
3. Share based payments

Share based payments are a result of the fair value valuation of shares and options issued to the following:

	Reviewed 6 mths ended 31 Dec 2014 A\$
Shares issued to the Creditor Trust	9,971
Shares issued to Benelong Capital Partners Pty Ltd*	25,159
Options issued to investor group	191,500
	<hr/> 226,630 <hr/>

\* Benelong Capital Partners Pty Ltd co-ordinates the completion of the recapitalisation proposal, the shareholders meeting, the DOCA effectuation and the termination of the liquidation.

4. Administrative expenses

Included in administrative expenses are:

	Reviewed 6 mths ended 31 Dec 2014 A\$
Professional fees	307,059
Regulator fees	27,579
Other	1,019
	<hr/> 335,657 <hr/>

**StemCell United Pte Ltd**

	Note	Audited for the financial period from 29 Jul 2014 to 31 Dec 2014 A\$ <sup>1</sup>
Revenue	2	943,410
Cost of sales		<hr/> (524,980)
Gross profit		418,430
Administrative expenses		<hr/> (49,308)
Profit before income tax		369,122
Income tax expense		<hr/> (15,161)
Profit after income tax		<hr/> 353,961 <hr/>

*The historical statement of comprehensive income of SUP has been extracted from the audited financial statements of SUP for the period from date of incorporation (29 July 2014) to 31 December 2014.*

1. *Converted from SGD to AUD at the rate of \$0.941404, current at 25 February 2015.*
2. *Revenue relates only to sale of Resina products.*

#### **Historical Statement of Cash Flows**

##### **ON Q Group Limited**

Reviewed half year  
ended  
31 Dec 2014  
A\$

##### CASH FLOWS RELATING TO OPERATING ACTIVITIES

Payments to suppliers and employees	(159,000)
Interest paid	(43)
Interest income received	154
Net cash from operating activities	<u>(158,889)</u>

##### CASH FLOWS RELATING TO INVESTING ACTIVITIES

-

##### CASH FLOWS RELATING TO FINANCING ACTIVITIES

Proceeds from issue of shares	905,000
Payment of share issue cost	(78,000)
Issue of performance options	1,000
Settlement of Deed of Company Arrangement	(168,000)
Loan from director	100
Net cash from financing activities	<u>660,100</u>

Net increase in cash and cash equivalent	501,211
Cash and cash equivalent at beginning of half year	-
Cash and cash equivalent at end of half year	<u><u>501,211</u></u>

*The historical statement of cash flow of ONQ has been extracted from the reviewed financial statements of ONQ for the 6 month period ended 31 December 2014.*

*The audited financial statements of ONQ for the financial years ended 30 June 2012, 2013 and 2014 are not included as there is only limited information available to support the transactions and account balances of these financial years to prepare the accounts. The Company's auditor has issued a disclaimer of audit opinion on the financial statements for these financial years as the accounting and statutory records prior to the appointment of new directors on 3 September 2014*

were not adequate to permit the application of necessary audit procedures. As such, ONQ's auditor was unable to obtain all the information and explanations required for them to form an opinion on the financial report.

<b><u>StemCell United Pte Ltd</u></b>	For the financial period from 29 Jul 2014 to 31 Dec 2014 A\$ <sup>1</sup>
<b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>	
Receipt from customers	372,635
Payment to employees and suppliers	(482,843)
Income tax paid	-
Net cash used in operating activities	<u>(110,208)</u>
<b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>	
Additions to property, plant and equipment	<u>(11,396)</u>
Net cash used in operating activities	<u>(11,396)</u>
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>	
Proceeds from issuance of ordinary shares	1
Proceeds from shareholder's loan	<u>191,104</u>
Net cash provided by financing activities	<u>191,105</u>
Net increase in cash and cash equivalent	69,501
Cash and cash equivalent at beginning of the period	-
Cash and cash equivalent at end of the period	<u>69,501</u>

*The historical statement of cash flow of SUP has been extracted from the audited financial statements of SUP for the period from date of incorporation (29 July 2014) to 31 December 2014.*

1. *Converted from SGD to AUD at the rate of \$0.941404, current at 25 February 2015*

## 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 SUP <sup>1</sup> A\$	Proforma minimum subscription A\$	Proforma full subscription A\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and bank balances	5.1	501,211	69,501	1,215,808	5,050,808
Trade and other receivables		24,904	570,775	595,679	595,679
Inventories		-	67,670	67,670	67,670
<b>TOTAL CURRENT ASSETS</b>		<b>526,115</b>	<b>707,946</b>	<b>1,879,157</b>	<b>5,714,157</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		-	11,074	11,074	11,074
Intangibles	5.2	-	-	38,146,037	38,146,037
<b>TOTAL NON-CURRENT ASSETS</b>		<b>-</b>	<b>11,074</b>	<b>38,157,111</b>	<b>38,157,111</b>
<b>TOTAL ASSETS</b>		<b>526,115</b>	<b>719,020</b>	<b>40,036,268</b>	<b>43,871,268</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
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
<b>TOTAL LIABILITIES</b>		<b>208,982</b>	<b>365,058</b>	<b>574,039</b>	<b>574,039</b>
<b>NET ASSETS</b>		<b>317,132</b>	<b>353,962</b>	<b>39,462,229</b>	<b>43,297,229</b>
<b>EQUITY</b>					
Share capital	5.3	25,009,130	1	64,515,226	68,350,226
Reserve		192,500	-	192,500	192,500
Accumulated Losses	5.4	(24,884,498)	353,961	(25,245,497)	(25,245,497)
<b>TOTAL EQUITY</b>		<b>317,132</b>	<b>353,962</b>	<b>39,462,229</b>	<b>43,297,229</b>

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

The ONQ and SUP 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 SUP for period ended 31 December 2014.



### 7.3 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 SUP, adjusted for the following transactions as if they had taken place on or before 31 December 2014.

- i. The acquisition of SUP 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 SUP \$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 \$3,437,096 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 \$0.89 million (**Minimum Subscription**) and \$1.06 million (**Maximum Subscription**).

### 7.4 Summary of significant accounting policies

#### (a) Basis of Presentation

The preparation of financial information requires the application of accounting policies in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The selection of accounting policies requires judgment and the application of policies requires estimates and assumptions to be applied. Actual results may differ to those derived from the application of accounting policies where actual outcomes vary to assumptions and estimates made.

#### (b) Principles of consolidation

##### *Subsidiaries*

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

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

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

### *Transactions eliminated on consolidation*

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

#### (c) Acquisition Accounting

The acquisition of SUP will be accounted for in accordance with the guidance provided by *AASB 3 Business Combinations* and *AASB 2 Share-Based Payments*.

Cost of the acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business acquisition are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

Business acquisitions are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on earlier of i) 12 months from the date of the acquisition or ii) when the acquirer receives all the information possible to determine fair value.

#### (d) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets are subsequently measured at cost less amortisation and any impairment. The method of amortisation and useful lives of finite life intangibles are reviewed annually.

#### (e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Other revenue is recognised when the right to receive the revenue has been established.

#### (f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade and other receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the company and consolidated entity will not be able to collect all amounts due according to the original terms.

(h) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company and consolidated entity prior to the year-end and which are unpaid. Trade and other payables are stated at their fair value at inception. Trade payables are non-interest bearing and are normally settled according to term.

(i) Interest bearing borrowings

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

(j) Share capital

*Ordinary share capital*

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

*Transaction costs*

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

(k) Financial Instruments

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

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

*De-recognition*

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

and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## 7.5 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 \$
<b>Reviewed cash and cash equivalents at 31 December 2014</b>	<b>501,211</b>	<b>501,211</b>
<i>Pro forma transactions:</i>		
Payment for acquisition of SUP	(2,500,000)	(2,500,000)
Cash acquired on consolidation of SUP	69,501	69,501
Proceeds from shares issued under the Offer	4,037,096	8,037,096
Payment of the cash Offer costs	(892,000)	(1,057,000)
<b>Pro forma cash and cash equivalents</b>	<b>1,215,808</b>	<b>5,050,808</b>

### 2 - Intangibles

The Pro Forma intangibles balance is set out below:

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

The value of the Intangible Assets acquired as part of the SUP business combination have been initially recognised at their fair value, being the difference between the fair value of consideration paid for SUP less the fair value of the net identifiable tangible assets acquired and liabilities assumed.

The fair value of the consideration paid for the SUP business has been determined by the ONQ directors by reference to the negotiated purchase consideration paid to the SUP shareholder. This value is consistent with the value range of \$34.9 million to \$39.9 million determined for SUP 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:

	<b>Pro Forma minimum \$</b>	<b>Pro Forma full \$</b>
<b>Reviewed share capital at 31 December 2014</b>	<b>25,009,130</b>	<b>25,009,130</b>
<i>Pro forma transactions:</i>		
Fair value of shares issued to vendor on acquisition of SUP	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)	(531,000)	(696,000)
<b>Pro forma share capital</b>	<b>64,515,226</b>	<b>68,350,226</b>

	<b>Pro Forma minimum no. of shares</b>	<b>Pro Forma maximum no. of shares</b>
<b>Number of shares on issue at 31 December 2014</b>	<b>333,355,149</b>	<b>333,355,149</b>
<i>Pro forma transactions:</i>		
Shares issued to vendor on acquisition of SUP	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
<b>Pro forma number of shares issued</b>	<b>314,228,261</b>	<b>334,228,261</b>

### 4 – Accumulated Losses

The Pro Forma accumulated losses is reconciled as follows:

	<b>Pro Forma minimum \$</b>	<b>Pro Forma full \$</b>
<b>Reviewed accumulated losses at 31 December 2014</b>	<b>(24,884,497)</b>	<b>(24,884,497)</b>
<i>Pro forma transactions:</i>		
Issue costs expensed under the Offer	(361,000)	(361,000)
<b>Pro forma accumulated losses</b>	<b>(25,245,497)</b>	<b>(25,245,497)</b>

## 8. Investigating Accountant's Report



Quality Audit Services

29 June 2015

The Board of Directors  
On Q Group Limited  
Level 2  
350 Kent Street  
SYDNEY NSW 2000

Dear Directors

### **INDEPENDENT LIMITED ASSURANCE REPORT ON ON Q GROUP LIMITED'S HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

#### **Introduction**

We have been engaged by On Q Group Limited ("ONQ") to report on the historical financial information and pro forma historical financial information of ONQ as at 31 December 2014 for inclusion in the public offer document dated on or about 29 June 2015 and relating to the issue of between 27,550,687 and 47,550,687 shares in ONQ ("the document").

Expressions and terms defined in the document have the same meaning in this report.

#### **Scope**

##### *Historical Financial Information*

You have requested HLB Assurance to review the following historical financial information of ONQ (the responsible party) included in the public offer document:

- the Statement of Comprehensive Income for the half year ended 31 December 2014;
- the Statement of Financial Position as at 31 December 2014;
- the Statement of Cash Flows for the half year ended 31 December 2014;

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

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Liability limited by a scheme approved under Professional Standards Legislation.

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

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The historical financial information has been extracted from the financial report of ONQ for the half year ended 31 December 2014 which has been reviewed by HLB Assurance in accordance with the Australian Auditing Standards (to the extent applicable to review engagements).

HLB Assurance issued a modified review conclusion on the financial report. The historical financial information is presented in the public offer document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

#### *Pro Forma historical financial information*

You have requested HLB Assurance to review the pro forma historical Statement of Financial Position as at 31 December 2014 referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of ONQ, after adjusting for the effects of pro forma adjustments described in section 7.3 of the public offer document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7.3 of the public offer document, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

#### **Directors' responsibility**

The directors of ONQ are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

#### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain

reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### **Limited Assurance Conclusions**

#### *Historical financial information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in section 7.2 of the public offer document, and comprising:

- the Statement of Comprehensive Income of ONQ for the half year ended 31 December 2014 ;
  - the Statement of Financial Position as at 31 December 2014; and
  - the Statement of Cash flows for the half year ended 31 December 2014;
- are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.4 of the document.

#### *Pro Forma historical financial information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information being the Statement of Financial Position as at 31 December 2014 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 7.4 of the document.

### **Restriction on Use**

Without modifying our conclusions, we draw attention to section 7.1 of the public offer document, which describes the purpose of the financial information, being for inclusion in the public offer document. As a result, the financial information may not be suitable for use for another purpose.

### **Consent**

HLB Assurance has consented to the inclusion of this report in the Prospectus in the form and context in which it is included.

### **Declarations**

HLB Assurance will be paid its usual professional fees based on time involvement for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be \$19,000).

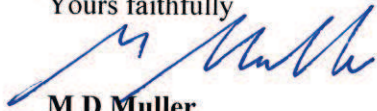
HLB Mann Judd will be paid its usual professional fees based on time involvement for review of the taxation information included in the prospectus, at our normal professional rates (expected to be \$5,000).

Apart from the aforementioned fees, neither HLB Assurance nor any of its associates have any interest in the outcome of these transactions.



Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB Assurance was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB Assurance makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

Yours faithfully



**M D Muller**  
Director

## **9. Australian Tax Consequences**

The below comments are of a general nature only. The income tax consequences as they apply to an investor in the Company will depend on their specific circumstance. Accordingly, it is recommended that each investor, prior to participating in the Offer obtain independent tax advice.

### **9.1 General comments regarding the income tax treatment of dividends received by Australian resident shareholders**

Under Australian tax law dividend payments by an Australian resident company may be franked between 0% and 100%.

Franked dividends have credits attached to them which represent previously paid Australian corporate income tax (currently 30%) by the dividend paying company.

Australian resident shareholders will include dividends, together with all attached franking credits, in their assessable income. Subject to integrity provisions, an offset against tax payable may be allowed equal to the amount of franking credits attached to the dividend.

Where the tax offset exceeds the tax payable by a resident individual shareholder, the shareholder is generally entitled to a cash refund of unused franking credits. Companies and trusts are usually unable to obtain a cash refund of their excess franking credits. In some instances excess franking may be converted by an Australian corporate investor into a tax loss.

### **9.2 General comments regarding the income tax treatment of dividends received by non-resident shareholders**

Typically, a fully franked dividend paid to a non-resident shareholder (company/individual) will not attract income tax payable. This is because the franking credit is seen as a final tax.

Non-resident shareholders (both companies and individuals) in receipt of unfranked dividends will create a withholding tax liability, generally at a rate of 30%, although, this may be reduced if a lower tax treaty rate applies to the dividend recipient.

### **9.3 General comments regarding the capital gains tax treatment for Australian resident shareholders**

Broadly, on acquisition a shareholder will acquire a CGT asset (being the ONQ share) with the cost base being equal to the amount paid, including transaction costs.

A return of capital should result in a shareholders costs base being reduced by the amount of the distribution. No capital gain or loss will be made until such time as the cost base has been reduced to zero. Integrity provisions in Australian tax law may treat part of a capital return as a dividend for tax purposes in certain circumstances.

On sale, a shareholder will derive a capital gain where the proceeds received on disposal of shares exceed the cost base of the Share for capital gains tax purposes.

Any net capital gain (after recoupment of capital losses) is included in the shareholder's assessable income. Similarly, a shareholder will make a capital loss

on the disposal of a share where the disposal proceeds received are less than the reduced cost base of the share for CGT purposes.

For shareholders that are individuals, or a complying superannuation entity a capital gains tax discount is available if the shares are held for more than 12 months. The concession is a reduction of taxable capital gain of 50% for individuals (or 33.3% for a superannuation entity), after the application of losses. There is no discount available for corporate tax entities.

**9.4 General comments regarding the capital gains tax treatment for non-resident shareholders**

On the basis the shares will not constitute taxable Australian property, any capital gain or loss arising from a return of capital or sale of shares will be disregarded.

## 10. Risk Factors

The Company is subject to a number of risks and other factors that may impact its future performance, the market price at which its Shares trade and the outcome of any investment in the Company. Many of the circumstances giving rise to these risks are beyond the control of the Company, the Directors and the Company's management. There can be no guarantee that the Company will achieve its stated objectives.

### 10.1 Business Risk Factors

(a) Change in nature and scale of activities:

At the General Meeting the Company obtained Shareholder approval for a change in nature and scale of its activities. As a result ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules before the Shares are relisted. This Prospectus is issued to assist the Company to re-comply with these requirements and to raise sufficient funds to repay debt and carry out its corporate objectives.

In addition, it is a requirement of ASX that completion of the Stemcell Transaction occurs simultaneously with completion of the Offer. Completion of the Stemcell Transaction is therefore conditional on the Minimum Amount being raised. There is a risk that the Minimum Amount will not be raised.

There is a risk that the Company may not be able to meet the requirements of ASX for re quotation on the ASX. In the event the Company does not receive conditional approval for re quotation on ASX then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).

(b) New Business and Mr Gu Huanqing:

SUP has only been carrying on business since July 2014, and has a limited track record. The Board considers that Mr Gu Huanqing's participation in running and developing the SUP business is important to achieving success during its development phase. If for any reason Mr Gu Huanqing's services are not available, the development of the SUP business may be impaired.

(c) Patent Applications:

SUP's intellectual property includes certain technologies for which patent applications have been made. Such applications may not result in patents being granted. In addition, if patents are granted it may be difficult to prevent the unauthorised use of the technology with the result that SUP may obtain no competitive advantage from its technology. Further, until the patents are granted, the Company cannot be certain that others will not independently develop the same or similar technology on their own account or gain access to trade secrets and unpatented knowhow.

(d) Supply of Raw Materials:

SUP is dependant on the supply of raw materials to carry on its business, particularly the supply of seedlings or "mother plants" from Dendrobium farms from which SUP will extract stem cells. Such

supply may be disrupted because of weather, transportation and other matters outside SUP's control.

(e) Manufacturing of Product:

Until SUP has the capacity to manufacture product itself, it is reliant on third parties having the capacity to do so within the timeframes required by SUP and at a reasonable cost. Circumstances may arise where SUP is unable to achieve the manufacture of product on this basis.

(f) Supply of Product into Market:

SUP's business model depends on being able to supply product into the markets outside Singapore. Access to those markets could in future be restricted or the market may become regulated or it may not be possible to obtain necessary import licences.

(g) Supply and Demand:

The price of raw materials used by SUP may fluctuate, as may demand for its product. SUP's ability to make a profit on sales will depend on its being able to maintain a margin between its cost of raw materials and production and distribution and the price at which it is able to sell its product.

(h) Product Liability

SUP provides material for use in Traditional Chinese Medicine which is taken by humans for therapeutic purposes. If Traditional Chinese Medicine incorporating SUP's product causes damage or loss of life, claims may be made against SUP that it has supplied defective materials. Such claims could be expensive to defend and could result in SUP being liable for substantial damages.

(i) Personnel

As SUP expands its business it will be reliant on being able to attract and employ suitably qualified persons to work in its business. If SUP is unable to attract and employ suitably qualified persons the growth of SUP's business may be impeded.

(j) Currency Risk:

The Shares the subject of the Offer are denominated in Australia dollars whereas SUP carries on business in Singapore and receives income and has expenditure denominated in Singapore dollars. Further, SUP supplies product into markets outside Singapore and receives income in other currencies. Accordingly, an investment in ONQ will involve currency risks as between the Australian dollar, the Singapore dollar and other currencies.

(k) Market Adoption Risk:

The successful commercialisation of the Company's products depends on market acceptance. The take up of product will rely on intensive marketing and education of manufacturers and distributors of TCM. Competition in the market may also result in a slower adoption rate.

(l) Additional requirements for capital

The Directors expect that the Company will have sufficient capital resources to enable the Company to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or capital raisings. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs. If the Company is successful in meeting its initial objectives with respect to the Project, then additional capital may be required to further develop its operations and pursue business opportunities.

(m) Existing Shareholders Shares

Following requotation of the Company's Shares on ASX, existing Shareholders and Mr Gu will hold a significant stake in the Company. A substantial number of these Shares are subject to restriction agreements and escrow arrangements as set out in Section 12.6. The potential future sale of such Shares or the perception of that possibility could adversely effect the price of Shares in the Company. Alternatively during the restriction or escrow arrangements may contribute to a reduction in the liquidity of the market for shares in the Company.

## 10.2 Investment Risk Factors

(a) Stock Market Fluctuations

The Shares are to be quoted on ASX, where their price may rise or fall in relation to the Offer Price. General movements in local and international stock markets, prevailing economic conditions, investor sentiment and interest rates could all affect the market price of the Shares. The Shares issued under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of the Company, the Directors and the Company's management.

(b) Economic Conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates, access to debt and capital markets, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters, and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic condition, including a decrease in commodity demand, may have an adverse impact on the Company's business or financial condition.

Changes in economic and business conditions or government policies in Singapore, Australia or internationally may affect the fundamentals which underpin the demand for SUP's product. No guarantee can be made that the Company's market performance will not be adversely affected by any such market fluctuations. None of the Board, the

Company, or any person associated with the Offer guarantees the market price at which the Shares will trade.

(c) Liquidity of Shares

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders who acquire Shares under the Offer receiving a market price for their Shares that is less or more than the Offer Price they paid.

The sale of large quantities of Shares after the Offer may also cause a fluctuation in the price at which the Shares trade on ASX from time to time.

(d) Taxation Issues

The tax and duty rules or their interpretation in relation to an investment in the Company and/or investments by the Company may change during the life of the Company. In particular, both the level and basis of taxation may change. In addition an investment in the Company may involve tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax and duty advice in connection with any investment in the Company.

## 11. Material Contracts

Various material contracts entered into by the Company may be material to the Offer or the operation of the Company. The Board considers that the contracts, the material terms of which are summarised below, are significant or material to the Company (**Material Contracts**).

Each Material Contract appears in summary form only. Some items may be defined in the Material Contracts but not defined in this Prospectus.

### 11.1 Stemcell Agreement

The following is a summary of the terms of the Stemcell Agreement:

- (a) The asset being acquired is all of the capital of SUP.
- (b) The consideration for the acquisition is the sum of \$A2.5 million, together with 120 million Ordinary Shares in the capital of the Company.
- (c) Completion of the acquisition was subject to a number of conditions precedent, of which the following remain unsatisfied:
  - 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;
  - Re quotation of the company's shares on ASX;
- (d) Completion of the acquisition is to occur by not later than 22 December 2015 or such later date as the parties may agree.
- (e) Pending completion, the Vendor agrees that SUP 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.
- (f) The Vendor makes a number of warranties with respect to SUP Group, including:
  - as to the corporate standing and authority of SUP Group;
  - as to the accuracy of the information provided with respect to SUP Group;
  - as to the ownership of the shares and the intellectual properties;
  - that the management accounts of SUP 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 SUP Group as at 31 December 2014 and that since that date there will have been no material change in the financial position of SUP Group and the business;
  - that SUP 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 SUP 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 SUP Group or the business.
- (g) For a period of three years from the completion of the Stemcell Acquisition after the Vendor ceases to be employed, the Vendor agrees not to carry out any business which competes with SUP Group's business and not to solicit any customer or employee from SUP Group, or use the intellectual properties.

## **11.2 Summary of Service Agreement with Gu Huanqing**

- (a) Mr Gu will be employed by SUP as its Chief Executive Officer (or any other position designated by the Board of On Q).
- (b) 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 SUP and Mr Gu.
- (c) 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.
- (d) 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.
- (e) 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 SUP or he otherwise acts in material breach of the Agreement.
- (f) If for any reason Mr Gu ceases to be employed by the Company he is required to resign as a director of On Q.
- (g) 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 SUP's confidential information confidential at all times including following the termination of his employment for any reason.

### 11.3 Agreements with Entity Controlled by Mr Gu Huanqing

Mr Gu controls a Singapore incorporated company called Favourite Technologies Pte Ltd. SUP 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 SUP 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 SUP or to replace it with a new Agreement on terms no less favourable than the Agreement.
- a Manufacturing Agreement – SUP has entered into a Manufacturing Agreement with Favourite Technologies under which Favourite Technologies agrees to manufacture product to the order of SUP. SUP 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 SUP will have the opportunity of seeking competing quotes.

Mr Gu Huanqing entered into a Loan Agreement with SUP on 26 January 2015 under which S\$202,999 was outstanding on 31 May 2015. Mr Gu may make further advances to an aggregate limit of S\$500,000 to the Company. Advances under the Agreement are interest free. SUP is required to repay the advances in full on demand after 30 June 2016, or such other date as may be agreed between the parties with the consent of ONQ.

### 11.4 Marketing and Equity Capital Markets Mandate

The Company has entered into an agreement with APP Securities Pty Ltd as Lead Manager to manage on a non-exclusive basis in relation to the Company's sales, marketing and equity capital markets initiative.

Under the agreement the Company has agreed to pay the Lead Manager:

- (a) a monthly marketing and corporate advisory fee of A\$12,000 plus GST;
- (b) a capital raising fee of 4% of the gross proceeds in each capital raising;
- (c) a management fee of \$120,000 for managing and marketing any placement; and
- (d) a capital raise success fee of \$100,000 and 2,000,000 options with an expiry date of 3 years from the issue date with an exercise price of 100% of the issue price for the capital raised.

In addition the Company will reimburse out of pocket expenses and pay certain other miscellaneous costs.

## **11.5 Converting Notes**

As described in Section 3.6, the Company has on issue 49,101,374 pre consolidating converting notes which were issued at \$0.07 each. Following consolidation of the Notes which occurred automatically on consolidation of the Company Shares at the General Meeting of the Company held on 29 June 2015, there are 24,550,687 notes on issue which convert into a corresponding number of ordinary Shares on requotation of the Company's ordinary Shares on ASX. If requotation has not occurred by 30 September 2015 the notes become repayable on 31 December 2015, together with interest at 2.5% per annum calculated from 30 June 2015.

Such notes also become repayable upon demand if the Company is in breach of any obligation under the notes or if certain insolvency events occur with respect to the Company.

The Note terms prohibit the Company from creating any mortgage, charge or other encumbrance over any of its assets except with the approval of a majority in value of the Noteholders.

## **11.6 Non-Executive Directors' Letters of Appointment**

The Company has entered into letters of appointment with each of the Non-Executive Directors, the Chair is currently paid \$30,000 per annum plus superannuation and following requotation of the Company's Shares on ASX will be paid \$42,000 per annum plus superannuation. Non-Executive Directors are paid the sum of \$24,000 plus superannuation per annum prior to requotation of the Company's Shares on ASX and thereafter will be paid the sum of \$36,000 per annum plus superannuation.

## **11.7 Deeds of Access, Indemnity and Insurance**

Each Director has entered into a Deed of Access, Indemnity and Insurance with the Company. This entitles each officer to access board papers, be indemnified from liability and to have the Company take out directors and officers insurance to the extent the Company is able to obtain it. Each officer may obtain independent professional advice at the Company's expense if the Chairman has given his prior approval. Each such deed applies to the extent permitted by law and is on a conventional basis.

## 12. Additional Information

### 12.1 Rights Attaching to Shares

The rights, privileges and restrictions attaching to the Shares are summarised in the following Section. As it is a summary, it is not exhaustive and should be qualified by the full terms of the Constitution.

#### (a) General Meetings

A meeting of Shareholders may be convened at any time by the Board or a Director.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Written notice of a meeting of Shareholders must be given at least 28 days prior to the date of the meeting.

If a Shareholder has appointed a proxy, attorney or a representative to act at a meeting of Shareholders, that Shareholder is taken to be present at the meeting.

The quorum for a meeting of Shareholders is two Shareholders including proxies.

#### (b) Voting Rights

Subject to the Corporations Act, the rules of the Constitution and the terms on which the Shares are issued:

- (i) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (ii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held, have one vote for the Share.

#### (c) Dividend Rights

The Company must not pay a dividend except out of profits of the Company, and the decision to pay a dividend may be revoked by the Board at any time before the time fixed for payment of the dividend.

Subject to the terms of issue of the Shares, the Company may pay a dividend on one class of Shares to the exclusion of another class. Each Share of a class in respect of which a dividend will be paid carries the right to participate in the dividend in the same proportion as the amount paid on the Share to the total issue price of the Share.

The Board may resolve to pay a dividend in cash or by distribution of specific assets (including shares or securities of any other company), the issue of Shares or the grant of Options. Where the Company pays a dividend by distribution of shares or securities in another company, each Shareholder agrees to become a shareholder of that

company and be bound by its constitution. Each Shareholder also appoints each Director and the Company Secretary their agent and attorney to agree to become a shareholder of that company, to being bound by its constitution, and to executing any transfer of shares or securities to effect the distribution.

No shareholder may claim, and the Company must not pay, interest on a dividend either in money or kind.

(d) Dividend Re-investment

The Board may adopt a re-investment plan under which any Shareholder may elect that dividends on any Shares held by that Shareholder be paid by the issue of Shares.

(e) Winding Up

Any surplus assets of the Company remaining after payment of its debts are divisible among Shareholders in proportion to the number of fully paid Shares held, and, for a partly paid Share, to the amount paid in proportion to the total issue price.

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide the assets of the Company among the Shareholders in kind, and for that purpose fix the value of assets, and determine how the division is to be carried out as between the Shareholders and different classes of Shareholders. The liquidator may also vest assets of the Company in trustees on any trusts for the benefit of Shareholders as the liquidator thinks appropriate.

If the liquidator decides on a division or vesting of assets of the Company which does not accord with the legal rights of the contributories, any contributory prejudiced by it has ancillary rights as if that decision were a special resolution passed under section 507 of the Corporations Act.

The liquidator cannot compel a Shareholder to accept marketable securities in respect of which there is a liability as part of a distribution of assets of the Company.

(f) Transfer of Shares

Subject to the Constitution, a Shareholder may transfer a Share by any means permitted by the Corporations Act or by law, and the Company must not charge any fee for the transfer.

Shareholders who hold restricted securities, as defined in the Listing Rules, may not dispose of them and the Company must not register their transfer during the escrow period, as required by the restriction agreement with the ASX. If there is a breach of the Listing Rules or of the relevant restriction agreement, Shareholders of the restricted securities are not entitled to be present, speak or vote at, or be counted in the quorum for, a meeting of Shareholders, or receive any dividend or other distribution, while the breach continues.

The Board must not register a transfer of Shares if it contravenes the Corporations Act, the Listing Rules or the ASTC Settlement Rules. If the Board refuses to register a transfer, the Company must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to it.

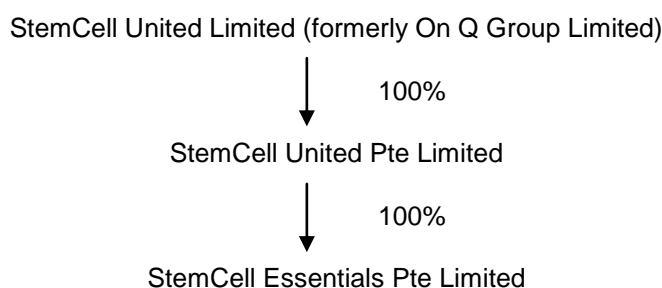
(g) Variation of Rights

If the Company issues different classes of Shares, or divides issued Shares into different classes, subject to sections 246C and 246D of the Corporations Act, the rights of the Shares may be varied or cancelled only with the written consent of 75% of Shareholders of the affected class, or by special resolution passed by Shareholders of the affected class.

Subject to the terms of issue of Shares, the rights attached to a class of Shares are not treated as varied by the issue of further Shares of that class.

## 12.2 Child Entity

SUP has one child entity being Stemcell Essential Pte Limited, a Singapore incorporated company with registration number 201500691N which is the applicant in respect of the patent applications as described in Section 6. Following completion of the Stemcell Transaction the Merged Group's corporate structure will be as follows:



## 12.3 Interests of Directors

Except as disclosed in this Prospectus:

- no Director or proposed director (nor any entity with which a Director or proposed Director is associated) has or had at any time during the last two years before the date of this Prospectus, any interest in:
  - the formation or promotion of the Company;
  - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
  - the Offer.
- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to any Director either to induce him to become, or to qualify him as a Director or for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Harford Vantage (Australia) Pty Ltd ("**Harford**") a company associated with Ms Jamie Gee Choo Khoo, a Director of the Company will earn a \$50,000 success fee from the Company on the re quotation of the Company's Shares on ASX. The Directors (not including Ms Khoo) are satisfied that such agreement is on arm's 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 quotation of the Company's Shares on ASX and to fees charged by advisers for comparable transactions.

Equinex Investments Limited (“**Equinex**”) a company which is also associated with Ms Jamie Gee Choo Khoo, a Director of the Company, was issued 2,500,000 shares in consideration of services provided in connection with the recapitalisation, administration and subsequent termination of the liquidation of the Company. Such issue was approved by the Company in General Meeting on 3 September 2014.

Mr Gu, who will become a Director of the Company on completion of the Stemcell Agreement, is the Vendor of all of the Shares in SUP which are the subject of the Stemcell Agreement.

#### 12.4 **Directors’ Interests in Securities**

The table below shows the interests of each Director (whether held directly or indirectly) in Securities as at the date of this Prospectus.

Name	Number of Shares
Jamie Gee Choo Khoo	5,053,950*
Paul Sun	Nil
Chow Yee Koh	Nil

\*Held by Equinex Investments Limited, a company associated with Ms Khoo.

#### 12.5 **Directors’ Remuneration**

In accordance with the Constitution, the Directors may be paid a fixed sum not exceeding the aggregate maximum from time to time determined by the Company in general meeting as remuneration for their services. The maximum aggregate cash remuneration payable to the Directors has been set at \$350,000 per annum excluding any remuneration payable to an Executive Director. The remuneration of Executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

A Director may be paid fees or other amounts as the Directors determine when a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Currently, the Chair receives remuneration of \$30,000 per annum plus statutory superannuation and non- executive directors receive \$24,000 per annum plus statutory superannuation. These sums will increase to \$42,000 and \$36,000 per annum respectively, plus statutory superannuation following re-quotations of the Company’s Shares on ASX.

#### 12.6 **Escrow Arrangements**

As a condition of the Company being re-admitted to the Official List, ASX will classify certain Shares as restricted securities. The holders of such Shares will be required to enter into mandatory escrow restriction agreements in relation to the Shares.

Mr Gu will be required to enter into a mandatory escrow agreement for a period of 12 months with respect to the 120,000,000 Shares to be issued to him as part of the consideration for the Stemcell Transaction. Mr Gu has agreed to enter into a voluntary restriction agreement for an additional 12 month period with the result that such Shares will be escrowed for a 24 month period.

Other shareholders who will be required to enter into restriction agreements by ASX will be certain Seed Capitalists and Service Providers. Seed Capitalists who are promoters or related parties will be required to enter into escrow agreements for a 24 month period, as will Service Providers.

The effect of the mandatory escrow restriction agreements will be that the securities cannot be dealt with for a period determined by ASX, as set out above.

## **12.7 Interests of experts and advisers**

Except as disclosed in this Prospectus no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has or had within the last two years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

M+K Lawyers has provided the Company various legal services in relation to the Offer and will receive professional fees of approximately \$125,000 (excluding GST) for work undertaken by them in connection with the Offer and this Prospectus. Further amounts may be paid to M+K Lawyers in accordance with time-based charges. M+K Lawyers has not provided other professional services to the Company or StemCell United Pte Limited during the last two years.

Virtus Law LLP has provided the Company various legal services in relation the Offer and will receive professional fees of approximately \$29,000(excluding GST) for work undertaken by them in connection with the Offer and this Prospectus. Virtus Law LLP has not provided other professional services to the Company or StemCell United Pte Limited during the past 2 years.

Inte//eigen legal llc has provided the Patent Attorney's Report and will receive professional fees of approximately \$13,000 (excluding GST) for providing that report.

HLB Mann Judd Assurance (NSW) Pty Ltd has provided the Investigating Accountant's Report and will receive professional fees of approximately \$19,000 (excluding GST) for providing that report.

APP Securities Pty Ltd has acted as lead manager to the issue and will receive fees of approximately \$257,500 (excluding GST) in addition to 2 million options over ordinary shares, exercisable within 3 years of the issue date of \$0.20 per share for doing so.

Security Transfer Registrars has acted as the Share Registry of the Company and will be paid for these services on normal commercial terms.

## **12.8 Consents**

Each of the Directors has given and has not before the lodgement of this Prospectus with ASIC, withdrawn his or her written consent to be named as a



Director of the Company in this Prospectus and to all statements of the Directors in this Prospectus.

Each of the Company Secretaries has given and has not before the lodgement of this Prospectus with ASIC, withdrawn his or her consent to be named in this Prospectus as such.

Each of the parties referred to as consenting parties who are named below in this Section 12.8 (in the table and below the table):

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name; and
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than a statement included with the consent of the consenting party as specified below the table in this Section 12.8.

<b>Role</b>	<b>Consenting party</b>
Australian Legal Advisers	M+K Lawyers
Singapore Legal Advisers	Virtus Law LLP
Patent Attorney	Inte//eigen legal llc
Auditor	HLB Mann Judd Assurance (NSW) Pty Ltd
Lead Manager	APP Securities Pty Ltd
Share Registry	Security Transfer Registrars Pty Limited
Vendor	Mr Gu Huanqing

Inte//eigen legal llc has given its written consent to the inclusion of its Report in Section 6 and to all statements referring to that report in the form and context in which they appear.

HLB Mann Judd Assurance (NSW) Pty Ltd has given its written consent to the inclusion in Section 7 of its Investigating Accountant's Report and to all statements referring to that report in the form and context in which they appear.

## **12.9 Offer expenses**

The expenses of the Offer payable by the Company, including fees to the Lead Manager, legal and accounting fees, listing and administrative fees, design and printing, marketing and Share Registry costs and other expenses, are set out in the table below.

<b>Costs</b>	<b>Minimum Amount</b>	<b>Maximum Amount</b>
Legal	209,000	209,000
Accounting	108,000	108,000
Valuation	36,000	36,000
Investor Relations	30,000	30,000
Fund raising	453,000	613,000
Other	56,000	61,000
	<b>892,000</b>	<b>1,057,000</b>

#### **12.10 ASX Admission and Quotation**

The Company intends to apply within seven days after the date of this Prospectus for re-admission to the Official List of ASX and for Official Quotation of the Shares on the market operated by ASX.

#### **12.11 Litigation and Claims**

None of the members of the Merged Group is involved in any litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against any of the members of the Merged Group.

#### **12.12 Electronic Prospectus**

Pursuant to Class Order 00/44 ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus and electronic Application Form on the basis of a paper Prospectus lodged with ASIC and the publication of notices referring to an electronic Prospectus or electronic Application Form, subject to compliance with certain conditions.

The Offer constituted by this Prospectus is available electronically only to investors in Australia and New Zealand accessing or downloading or printing the electronic version of this Prospectus within Australia or New Zealand. Persons located in Australia or New Zealand may view this Prospectus on the Company's website at [www.scu.com.sg](http://www.scu.com.sg). The Offer constituted by this Prospectus in electronic format is not available to investors outside Australia or New Zealand, including persons in the United States.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **12.13 Privacy statement**

By filling out the Application Form to apply for New Shares, you are providing personal information to the Company, directly or via the Share Registry.

The *Privacy Act 1988* (Cth) regulates the way the Company collects, uses, disposes, keeps secure and gives people access to their personal information.

The Company is committed to respecting the privacy of your personal information. The Company collects, holds and uses that personal information in order to process your Application and to administer your shareholding in the Company, including:

- (a) the Company setting up and maintaining a register of Shareholders in accordance with the Corporations Act (the information contained in the Company's public register must remain there even if that person ceases to be a security holder);
- (b) the Company communicating with you, such as sending you annual reports, notices of meetings and any other documents which the Company wishes to send to you as a Shareholder;
- (c) the Company carrying out general administration, including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- (d) the Company complying with its legal and regulatory obligations.

If you do not provide the information requested in the Application Form, the Company may not be able to process or accept your Application for New Shares.

Your personal information may also be provided to the Company's agents or service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- (a) the Share Registry for ongoing administration of the share register;
- (b) printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- (c) professional service advisers such as lawyers, accountants, auditors and other professional advisers for the purpose of administering, and advising on, the Shares and for any associated actions; and
- (d) other companies where the Company believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- (a) your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- (b) government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the share register in accordance with the Corporations Act;
- (c) ASX; and
- (d) in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in the Company or the Company's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, the Company, subject to certain exemptions under the law. You may be

required to pay a reasonable charge in order to access your personal information. You can request access to your personal information by writing to the Company Secretary as follows:

Company Secretary  
On Q Group Limited,  
Level 2,  
350 Kent Street,  
SYDNEY NSW 2000

chowye@scu.com.sg

#### **12.14 Governing Law**

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts exercising jurisdiction in New South Wales.

#### **12.15 Authorisation**

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

This Prospectus has been signed by a Director for and on behalf of the Company in accordance with section 351 of the Corporations Act.

Dated: 29 June 2015

  
Chow Yee Koh  
Director

## 13. Defined Terms and Interpretation

### 13.1 Definitions

The following definitions apply in interpreting this Prospectus, except where the context makes it clear that a definition is not intended to apply:

<b>Applicant</b>	means a person who makes an Application under the Offer.
<b>Application</b>	means an application to subscribe for New Shares pursuant to this Prospectus made on the Application Form and accompanied by the relevant Application Monies.
<b>Application Form</b>	means the application form accompanying this Prospectus.
<b>Application Monies</b>	means the monies received from persons applying for New Shares pursuant to the terms of the Offer.
<b>ASIC</b>	means Australian Securities & Investments Commission.
<b>ASTC</b>	means the ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHES system in Australia.
<b>ASTC Settlement Rules</b>	means the operating rules of the settlement facility provided by ASTC.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691 or the market conducted by that company.
<b>Board</b>	means board of Directors of the Company.
<b>Business Day</b>	has the meaning given to that term in the Listing Rules.
<b>Chairman</b>	means the Chairman of the Board from time to time.
<b>CHES</b>	means the Clearing House Electronic Sub-register System established and operated by ASTC for the clearing, settlement, transfer and registration of securities in Australia.
<b>Closing Date</b>	means 5.00pm (Sydney time) on 7 August 2015, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine.
<b>Company</b>	means On Q Group Limited (changing its name to StemCell United Limited) ABN 57 009 104 330.
<b>Company Secretary</b>	means Mr Chow Yee Koh and Ms Elizabeth Hunt..
<b>Constitution</b>	means the Constitution of the Company.

<b>Corporations Act</b>	means <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	means <i>Corporations Regulations 2001</i> (Cth).
<b>Director</b>	means a director of the Company.
<b>Existing Shareholders</b>	means the Shareholders of the Company as at the date of this Prospectus.
<b>Existing Shares</b>	means the Shares held by the Existing Shareholders as at the date of this Prospectus.
<b>Exposure Period</b>	means the period commencing on the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC.
<b>General Meeting</b>	means the general meeting of Existing Shareholders held on 29 June 2015, at which, amongst other things the Stemcell Transaction was approved.
<b>GST</b>	includes any State or Federal value added tax, consumption tax, gross receipts or any other tax or charge of a similar nature including such tax under <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Holding Statements</b>	means statements issued to Shareholders setting out their holdings of Shares.
<b>Lead Manager</b>	means APP Securities Pty Ltd ABN 45 112 871 842
<b>Listing Rules</b>	means the official listing rules of ASX.
<b>Maximum Amount</b>	means the Maximum Amount that can be raised by the Offer, namely \$4,600,000.
<b>Merged Group</b>	means the group of companies resulting from the acquisition by the Company of the entire issued share capital of StemCell United Pte Limited following the successful completion of the Offer.
<b>Minimum Amount</b>	means the Minimum Amount that can be raised by the Offer, namely \$600,000.
<b>New Share</b>	means a Share issued pursuant to this Prospectus.
<b>Offer</b>	means the offer of 23,000,000 New Shares at \$0.20 per Share subscribed for pursuant to this Prospectus.
<b>Official List</b>	means the official list of ASX.
<b>Official Quotation</b>	means official quotation by ASX in accordance with the Listing Rules.

<b>Prospectus</b>	means this prospectus dated 29 June 2015.
<b>Reinstatement</b>	means reinstatement of the Shares to Official Quotation.
<b>Stemcell Agreement</b>	means the Agreement between the Company and Mr Gu Huanqing, for the acquisition of StemCell United Pte Limited by the Company dated 22 December 2014.
<b>Stemcell Transaction</b>	means the transaction conducted pursuant to the Stemcell Agreement.
<b>Security</b>	Includes Share.
<b>Share</b>	means a fully paid ordinary share issued in the capital of the Company.
<b>Shareholder</b>	means a holder of Shares.
<b>Share Registry</b>	means Security Transfer Registrars Pty Limited, 770 Canning Highway, Applecross, WA 6153.
<b>SUP</b>	means StemCell United Pte Limited (20142214K), a Singapore incorporated company.
<b>SUP Group</b>	means SUP and its subsidiaries.
<b>TCM</b>	means Traditional Chinese Medicine.
<b>U.S. or United States</b>	means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.
<b>U.S. person</b>	has the meaning given to that term in Regulation S under the U.S. Securities Act.
<b>U.S. Securities Act</b>	means the Securities Act of 1933, as amended, of the United States.

## 13.2

### Interpretation

In this Prospectus and in the Application Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any Company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section is a reference to a section of this Prospectus;

- (f) a reference to a statute, regulation, proclamation, ordinance, by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and boldings are for convenience only and do not affect the interpretation in this Prospectus;
- (h) a reference to time, unless otherwise stated, is a reference to Sydney time;
- (i) a reference to \$ or dollar is to Australian currency; and
- (j) a reference to writing includes email and facsimile transmissions.



## **Corporate Directory**

### **Address**

Level 2, 350 Kent Street,  
SYDNEY NSW 2000

### **Directors**

Ms Jamie Gee Choo Khoo  
Mr Paul Sun  
Mr Chow Yee Koh  
Mr Gu Huanqing (Director elect)

### **Joint Company Secretaries**

Mr Chow Yee Koh  
Ms Elizabeth Hunt

### **Lead Manager**

APP Securities Pty Ltd  
Level 17  
60 Margaret Street  
SYDNEY NSW 2000

### **Australian Legal Adviser**

M+K Lawyers  
Level 21, 20 Bond Street  
SYDNEY NSW 2000

### **Singapore Legal Adviser**

Virtus Law LLP  
One Raffles Place #12-00  
SINGAPORE 048616

### **Auditor**

HLB Mann Judd (Assurance) NSW Ltd  
19/207 Kent Street  
SYDNEY NSW 2000

### **Patent Attorney**

Intelleigen legal llc.  
No. 4 Battery Road  
22<sup>nd</sup> Storey, Bank of China Building  
SINGAPORE 049908

### **Investigating Accountant**

HLB Mann Judd Assurance (NSW) Pty Ltd  
19/207 Kent Street  
SYDNEY NSW 2000

### **Share Registry**

Security Transfer Registrars Pty Limited  
770 Canning Highway  
APPLECROSS WA 6153