

# **ON Q GROUP LIMITED**

ACN 009 104 330

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

**PROXY FORM**

**Date of Meeting – 29 June 2015**

**Time of Meeting – 10:00am**

**Place of Meeting**

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

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

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**ON Q GROUP LIMITED**

**ACN 009 104 330**

**NOTICE OF GENERAL MEETING**

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

**AGENDA**

**BUSINESS**

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

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

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

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

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

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

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

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

**3. Resolution 3 – Issue of Shares to Vendor**

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

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

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

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

**4. Resolution 4 – Consolidation of Shares**

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

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

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

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

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

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

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

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

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

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

**resolution:**

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

**8. Resolution 8 – Adoption of New Constitution**

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

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

**Voting**

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

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

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

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

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

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

Facsimile Number:      + 61 8 9315 2233

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

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

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

By order of the Board

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Chow Yee Koh  
Company Secretary

Dated: 20 May 2015

**ON Q GROUP LIMITED**  
**ACN 009 104 330**  
**EXPLANATORY MEMORANDUM**

**1. INTRODUCTION**

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

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

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

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

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

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

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

This Explanatory Memorandum is dated 20 May 2015.

**2. BACKGROUND TO THE COMPANY**

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

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

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

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

The Directors of the Company are:

### **Ms Jamie Khoo, Independent Non-Executive Chairman**

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

### **Mr Wayne Ko, Independent Director**

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

### **Mr Chow-Yee Koh, Independent Director & Secretary**

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

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

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

## **3. THE PROPOSED ACQUISITION**

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

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

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

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

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

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

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

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

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

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

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

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

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

The following is an indicative timetable for the Public Offering:

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

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

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

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

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

### Summary of Shares as a result of the Proposed Transaction

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

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

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

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

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

	Note	Reviewed ONQ A\$	Audited SCU* A\$	Proforma minimum subscription A\$	Proforma full subscription A\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and bank balances	1	501,211	69,501	1,407,308	5,151,808
Trade and other receivables		24,904	570,775	595,679	595,679
Inventories		-	67,670	67,670	67,670
<b>TOTAL CURRENT ASSETS</b>		<b>526,115</b>	<b>707,946</b>	<b>2,070,657</b>	<b>5,815,157</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		-	11,074	11,074	11,074
Intangible Assets	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>40,227,768</b>	<b>43,972,268</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>39,653,729</b>	<b>43,398,229</b>
<b>EQUITY</b>					
Share capital	3	25,009,130	1	64,661,726	68,406,226
Reserve		192,500	-	192,500	192,500
Accumulated Losses	4	(24,884,498)	353,961	(25,200,497)	(25,200,497)
<b>TOTAL EQUITY</b>		<b>317,132</b>	<b>353,962</b>	<b>39,653,729</b>	<b>43,398,229</b>

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

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

### Pro Forma adjustments

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

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

### Notes to the Pro Forma Consolidated Statement of Financial Position

#### 1. Cash and Cash Equivalents

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

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

#### 2. Intangible Assets

The Pro Forma intangible assets balance is set out below:

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

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

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

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

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

### 3. Share Capital

The Pro Forma share capital balance is set out below:

	<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 SCU	36,000,000	36,000,000
Proceeds from shares issued under the Offer	4,037,096	8,037,096
Offer costs allowable to be offset against equity (net of tax)	(384,500)	(640,000)
<b>Pro forma share capital</b>	<b>64,661,726</b>	<b>68,406,226</b>

	<b>Pro Forma minimum \$</b>	<b>Pro Forma full \$</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 SCU	240,000,000	240,000,000
Consolidation of shares 2:1	(286,677,575)	(286,677,575)
Shares issued under the Offer	27,550,687	47,550,687
<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	(316,000)	(316,000)
<b>Pro forma accumulated losses</b>	<b>(25,200,497)</b>	<b>(25,200,497)</b>

#### 4. BUSINESS OVERVIEW OF SCU

##### Introduction to SCU

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

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

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

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

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

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

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

### **History of SCU & Vendor**

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

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

Mr Gu specialises in the production of canned abalone, bottled bird's nest, cordyceps extract and ginseng extract. His in-depth industry knowledge and well-established business network has firm foundations in the manufacturing industry.

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

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

### **SCU Mission**

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

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

### **About Stem Cells**

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

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

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

## **Product Range for Existing and Proposed Businesses**

### ***Existing Business - Daemonorops Draco Blume extract (Resina)***

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

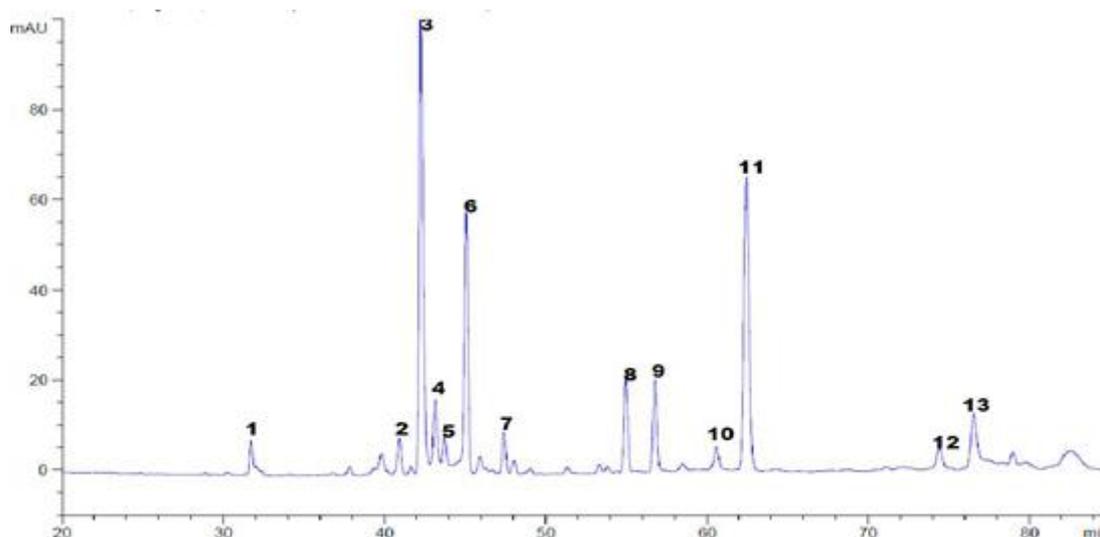
1. Help in blood circulation
2. Stop bleeding and alleviating pain caused by external injuries
3. Treat body sprains and act as an analgesic
4. Promote tissue regeneration and healing wounds such as cuts, ulcers and sores
5. Reduce pain from blood stasis, in particular due to traumatic injuries such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

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

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

SCU is a pioneer in the use of fingerprint mapping technologies such as High Performance Liquid Chromatography (HPLC) to identify and determine the authenticity of the *Daemonorops Draco Blume (Resina)* raw materials, test for active constituents, and ensure its potency. HPLC is an advanced technology used to authenticate bio-specimens in modern biotechnology and biochemistry as all living things have a unique 'fingerprint', comprising certain quantities of active constituents.

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



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

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

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

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

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

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

#### Extraction Process of *Daemonorops Draco Blume (Resina)*



RESINA EXTRACTION PROCESS

Image 1: *Daemonorops Draco Blume*

Image 2: Sorting & peeling of Resina raw materials

Image 3: *Sorted Raw Materials*

Image 4: Graded & ground Resina raw materials

Image 5: Processing of Resina raw materials to extract

Image 6: Resina extract final product

### Business Outlook for Resina

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

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

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

### Proposed Business - *Dendrobium Officinale*

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

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

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

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



Three to five years duration



Traditional Dendrobium Finished Product

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

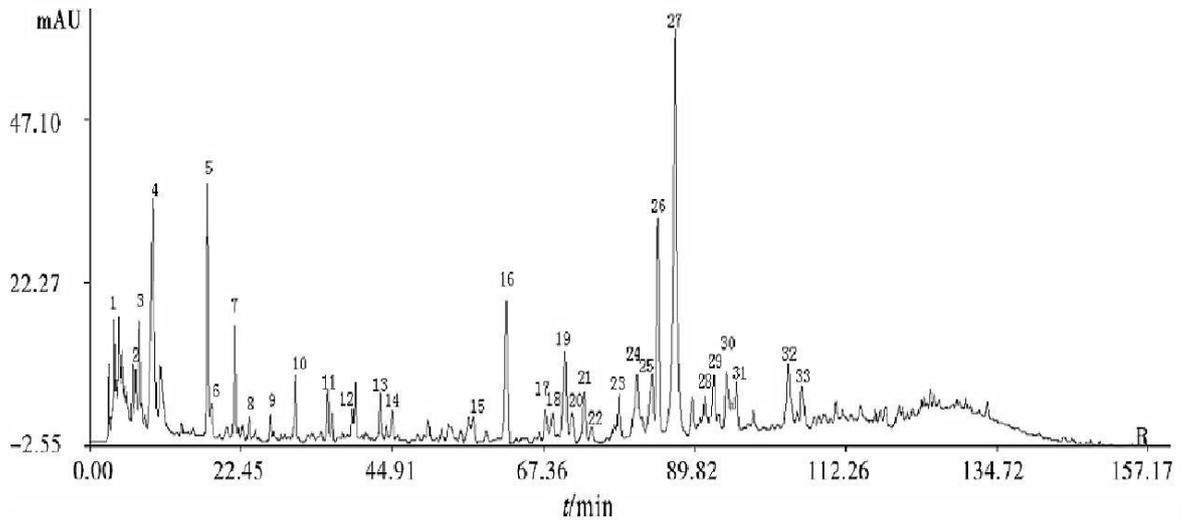
The TCM products which contain Dendrobium, are used to:

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

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

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

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



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

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

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

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

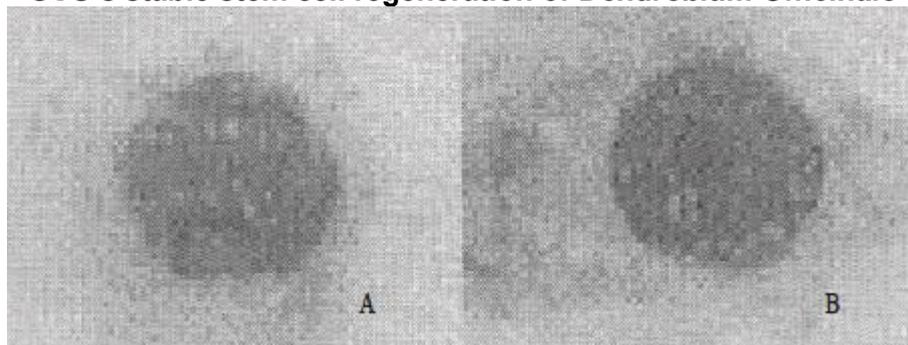
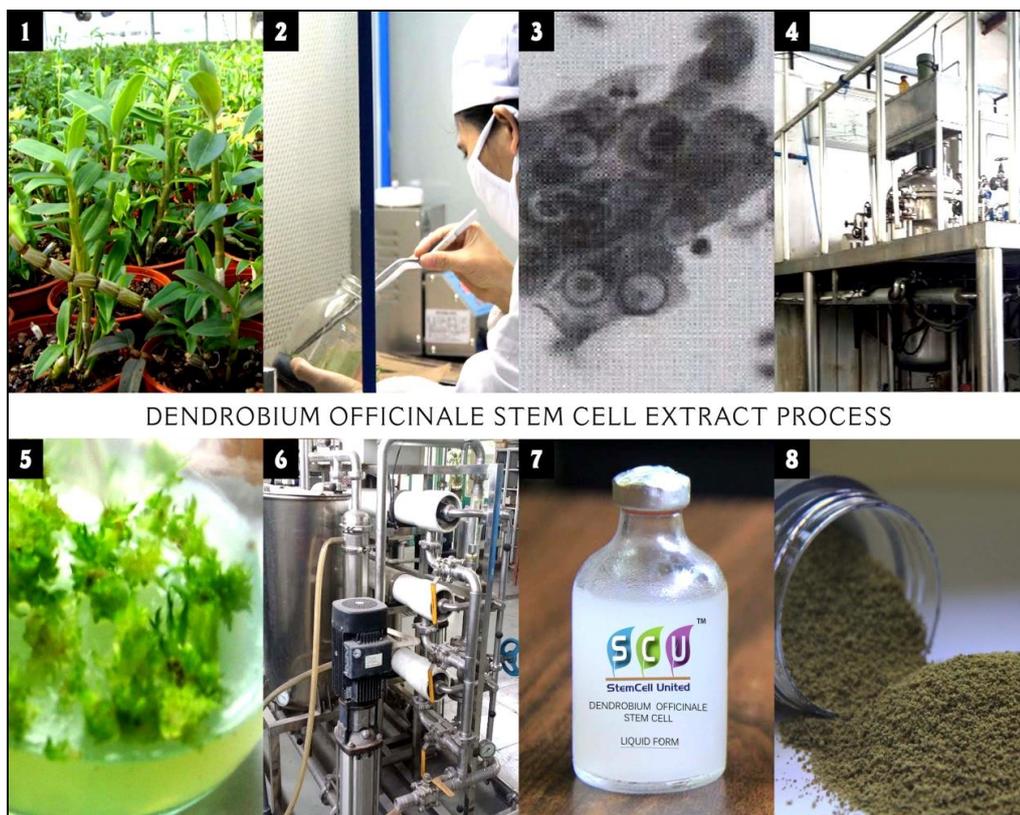


Image A shows a quiescent centre-derived Dendrobium stem cell after 40 days and Image B shows a quiescent centre-derived Dendrobium stem cell after 120 days.

**SCU's Stem Cell Extraction Process for *Dendrobium***



DENDROBIUM OFFICINALE STEM CELL EXTRACT PROCESS

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

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

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

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

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

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

## **Business Outlook for Dendrobium**

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

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

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

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

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

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

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

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

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

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

### External Use – Liquid form (Bium-C™)

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

growth industries for external applications.

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

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

### **Intellectual Property**

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

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

## 5. REASONS FOR THE RESOLUTIONS

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

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

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

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

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

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

## 6. THE INDEPENDENT EXPERT'S REPORT

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

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

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

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

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

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

The Independent Expert is required to:

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

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

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

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

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

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

## 7. THE DIRECTORS' RECOMMENDATION

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

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

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

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

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

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

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

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

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

## 8. ADDITIONAL INFORMATION

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

### Identity of the Vendor:

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

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

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

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

### Agreements with Entity Controlled by Vendor:

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

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

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

before: Nil

after: 120,000,000 Post Consolidation Shares

**Intentions:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 9. THE DEEDS OF ACCESS, INSURANCE AND INDEMNITY

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

## 10. THE CHANGE OF NAME

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

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

## 11. ADOPTION OF REPLACEMENT CONSTITUTION

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

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

## 12. GLOSSARY

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

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

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

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

**"ASIC"** means the Australian Securities and Investments Commission.

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

**"ASX"** means Australian Securities Exchange.

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

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

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

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

**“Constitution”** means the constitution of the Company.

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

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

**“Explanatory Memorandum”** means this Explanatory Memorandum.

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

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

**“Independent Expert”** means HLB Mann Judd Corporate.

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

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

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

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

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

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

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

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

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

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

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

**“TCM”** means traditional Chinese medicine.

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

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

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

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

## ANNEXURE A

### Summary of Sale and Purchase Agreement

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

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

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

## **ANNEXURE B**

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

#### **1. Position**

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

#### **2. Term**

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

#### **3. Remuneration**

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

#### **4. Holiday and Sickness**

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

#### **5. Termination**

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

#### **6. Position as a Director**

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

#### **7. Non Competition and Confidentiality**

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

## ANNEXURE C

### Corporate Governance Statement

#### 1. Introduction

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

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

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

The following governance-related documents can be found on the Company's website at [www.scu.com.sg](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 communications from shareholders, including by

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

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

The Company has not established an internal audit function.

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

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

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

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

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

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

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

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

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

Executive remuneration consists of a base salary and performance incentives.

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

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

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

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

#### 15. ASX Corporate Governance Council recommendations checklist

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

<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

## ANNEXURE D

### Patent Report



intelleigen legal llc.

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

**Advocates & Solicitors  
Trade Mark Agents**

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

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

Attention: Mr. Chow Yee Koh

Dear Sirs,

#### **PATENT REPORT:**

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

#### **1. EXECUTIVE SUMMARY**

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

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

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

## **2. PATENTS OVERVIEW**

### **2.1 Patent**

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

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

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

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

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

### **2.2 Inventor and Owner**

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

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

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

### **2.3 Process for Obtaining Patent**

#### Application

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

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

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

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

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

### Protection in multiple countries

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

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

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

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

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

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

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

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

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

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

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

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

### **3. PATENT PORTFOLIO**

#### Background

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

#### Subject matter of the patent application

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

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

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

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

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

## The application

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

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

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

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

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

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

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

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

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

## **4. QUALIFICATIONS RELATING TO THE PATENT**

### **4.1 Patent Ownership or Entitlement: Third Party Rights**

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

### **4.2. Enforceability**

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

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

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

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

### **4.3. Validity of Patent Applications**

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

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

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

## **5. LIMITATIONS AND QUALIFICATIONS**

### **5.1. Information sources**

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

### **5.2. Jurisdictional requirements**

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

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

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

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

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

### **5.3. Patentability search limitations**

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

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

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

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

#### **5.4. Patentability of an invention**

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

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

#### **5.5. Opposition Proceedings**

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

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

## **5.6. Entitlement to claimed priority date**

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

## **5.7. Renewal fees**

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

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

## **5.8. Qualifications & Independence**

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

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

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

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

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

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

Report prepared on 10 April 2015  
by:

CHEE Chun Woei  
Advocate & Solicitor  
Supreme Court of Singapore

## SCHEDULE 1

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

## **Annexure E**

### **Summary of Proposed Constitution**

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

#### **1. Compliance with Listing Rules**

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

#### **2. Share Capital and Variation of Rights**

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

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

#### **3. Liens on Shares**

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

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

#### **4. Transfers of Shares**

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

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

#### **5. General Meetings**

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

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

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

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

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

## **6. Directors**

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

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

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

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

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

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

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

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

## **7. Dividends and Reserves**

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

## **8. Indemnity and Insurance**

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

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

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# ON Q GROUP LIMITED

ACN: 009 104 330

**REGISTERED OFFICE:**

LEVEL 2  
350 KENT STREET  
SYDNEY NSW 2000  
AUSTRALIA

**SHARE REGISTRY:**

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

+

«EFT\_REFERENCE\_NUMBER»

«HOLDER\_NAME»  
«ADDRESS\_LINE\_1»  
«ADDRESS\_LINE\_2»  
«ADDRESS\_LINE\_3»  
«ADDRESS\_LINE\_4»  
«ADDRESS\_LINE\_5»

Code:

ONQ

Holder Number:

«HOLDER\_NUM

## PROXY FORM

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

**VOTE  
ONLINE**

Lodge your proxy vote securely at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

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

«ONLINE

### SECTION A: Appointment of Proxy

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

The meeting chairperson

**OR**

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

### SECTION B: Voting Directions

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

**RESOLUTION**

1. Change to Nature and Scale of Business
2. Approval to Issue Shares for Capital Raising
3. Issue of Shares to Vendor
4. Consolidation of Shares
5. Election for Gu Huanqing as a Director
6. Approval of Deeds of Access, Insurance and Indemnity
7. Change of Name to Stemcell United Limited
8. Adoption of New Constitution

**For Against Abstain\***

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

### SECTION C: Signature of Security Holder(s)

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

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

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

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