Oncard International Limited
ACN 084 800 902
GPO Box 2334
Melbourne 3001 Australia
Level 7, 550 Bourke Street
Melbourne 3000 Australia
Tel: + 61 3 9642 3812

20 January 2015

Via ASX Online
ASX Market Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Market Update – conclusion of strategic review

As first reported to shareholders on 29 August 2014 in the Half Year Accounts, and subsequently in a number of other ASX announcements, OnCard International Limited (**OnCard** or **Company**) has been conducting a strategic review of its residual Chinese businesses, Buffet Club and Enjoy Shanghai. These businesses have been experiencing poor operating outcomes for over 12 months, have required the Company to provide cash injections totalling $1.5m in the past 6 months to fund their operations (as previously announced), are currently loss making and are expected to remain so for some time.

The board of OnCard, having received and considered the results of the strategic review at its meeting on 19 January 2015, has decided to exit the Chinese businesses on the basis that the directors believe:

(a) the businesses are likely to require material ongoing investment to make them profitable; and

(b) the potential returns are uncertain, may not materialise for some time and are unlikely to be material.

The Company will commence implementing these changes and they should be completed by June 2015, although run off obligations from historic sales will occur beyond this date.

As a result of this decision and the decision to cease funding other investments made by previous management, it is likely that the value of the assets of the Company for the purposes of preparing the Company's accounts for the period to 31 December 2014 will be written down by up to approximately A$18 million. In consequence, the board expects the only assets of significance on the balance sheet post these write-downs will be cash or cash equivalent.

Set out below is a table showing the value of the cash or cash equivalent assets of the Company as at 31 December 2014 adjusted to take account of the expected costs of implementing the exit of the Chinese businesses and other expected restructuring costs as noted.

Table 1 - Adjusted cash or cash equivalent assets

		(million)
	Cash or cash equivalent assets as at 31/12/2014	
	Cash (Aus)	A$53.6
	Hybrids (Aus)	A$2.7
	Cash (Offshore)	A$0.9
(1)	**Total cash or cash equivalent assets as at 31/12/2014**	**A$57.2**
	Expected costs as noted	
	Restructure costs (excl Australia) *(a)*	A$1.6
	Contingency *(b)*	A$1.5
(2)	**Total expected costs as noted**	**A$3.1**
(3)	**Adjusted cash or cash equivalent assets: (1)-(2)**	**A$54.1**

The following table shows the amount by which the adjusted cash or cash equivalent assets shown in table 1 exceeds the Company's issued share capital as at 31 December 2014, including on a per share basis.

Table 2 - Adjusted cash or cash equivalent assets per share

		(million)
(1)	Adjusted cash or cash equivalent assets as shown in table 1	A$54.1
(2)	Issued share capital as at 31/12/2014 (c)	A$38.6
(3)	Excess (1) – (2)	A$15.5
(4)	Shares on issue as at 31/12/2014 (c)	174.5
	Adjusted cash or cash equivalent assets per share: (1)÷(4)	**A$0.310**
	Issued share capital per share: (2)÷(4)	$0.221
	Excess per share (3)÷(4)	$0.089

Notes

(a) *The restructuring costs include an allowance for trading losses through to exit plus the cost of retrenchments, the payout of existing balance sheet liabilities such as annual leave entitlements, creditors, etc and the cost of the run off period associated with obligations for prior period sales both in China and Singapore.*

(b) *The contingency includes an allowance for restructuring MarketSmart, and entitlements for Head Office restructuring including payout of employee entitlements and a general provision. It does not include any contingency for tax as the base tax advice indicates that while there will be a prima facie tax liability from the sale of the SmartPASS holding, this will be less than the carry forward losses.*

(c) *The issued share capital takes into account the impact of the shares bought back by the Company under its on-market buy-back as at 31 December 2014.*

Neither table 1 nor table 2 is a balance sheet. Each table is based on unaudited figures which are either approximates of existing figures or the directors' estimates of future amounts, takes no account of the liabilities of the Company as at 31 December 2014 and does not, and is not intended to, represent the Company's total assets and liabilities or net assets. As the restructure costs are based on expectations about future events, they are subject to risks, uncertainties and assumptions that could result in the actual costs differing materially from the expected costs.

If a decision is made to distribute funds to shareholders, it is expected this would be a combination of dividend and capital return.

Any dividend paid would be unfranked as no franking credits exist. Subject to tax advice and finalisation of the Company's annual audit, any dividend would likely represent a distribution of retained earnings. The estimated excess noted in table 2 representing approximately 9 cents per share may be an indication of retained earnings.

Further, it is likely that at least approximately 2 to 3 cents per share would need to be retained in the business following any capital return for a number of reasons, including:

(a) to support the Company's continuing operations (see below) together with its Australian Head Office costs (e.g. ASX listing fees, audit fees and board costs); and

(b) whilst tax advice received by the Company in relation to the sale of SmartPASS indicates that the Company's Australian carried forward tax losses are sufficient to offset any Australian assessable profit or gain from the sale, until a review of carried forward losses is undertaken and current year tax losses are finalised, it is prudent to maintain a cash balance sufficient to deal with any alternative tax obligation calculation.

China Management

The two China based wholly owned subsidiaries of Buffet Club and Enjoy China have been managed by Joey Zhang for the past four years. Joey has recently announced his intention to resign from Oncard to pursue other opportunities. Joey was instrumental in achieving the highly successful sale of SmartPass and the Board thanks him for all his efforts and wishes him well for the future.

Continuing Operations

The only remaining business within the company will be MarketSmart. This is currently a single product (software for running rewards programs) generating about $10-$15K per month profit from a single customer based in Sydney, Australia. Management are currently working with Pinpoint, the single customer, to attempt to agree a minimum contract period. Further, it is management's intention to continue exploring whether this software can be a platform for other services in the sector.

Conclusion

The board and management continue to work through all issues to maximise the outcome for shareholders as they have done over the last period through the sale of SmartPASS, the resolution of the Singapore GST liability and other matters.

A further update to shareholders will be provided in due course.

If you have a query about any matter covered by this announcement, please contact the Company's managing director, Tony Robinson, on 0407 355 516 for a response.