

4 June 2015

**Company Announcements**

**For Immediate Release**

**ASX Code: ONC**

**ONCARD INTERNATIONAL LIMITED (THE “COMPANY”)**

The Company hereby provides copies of documents related to the Company’s equal access share buy-back which will be dispatched to shareholders today.

Included in the attachments are:

- Share buy-back offer document; and
- Acceptance form.

**Ends.**

**This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your stockbroker, accountant, financial adviser, lawyer or other professional adviser without delay.**

## **Share buy-back offer document**

for an offer by

**OnCard International Limited**  
**ACN 084 800 902**  
**(Company)**

to buy-back 95% of the Ordinary Shares held by you in the Company  
for cash consideration of \$0.22 each  
under an equal access scheme

**Offer closes: Wednesday 24 June 2015**  
Valid acceptances must be received by  
7:00 pm (Melbourne time) on this date

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Lawyers to OnCard International Limited

**Norton Gledhill**  
C O M M E R C I A L   L A W Y E R S

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### Important notices

This share buy-back offer document comprises an offer by the Company to buy back Ordinary Shares under an equal access scheme in accordance with sections 257B(2) and (3) of the Corporations Act and a statement by the Company in accordance with section 257G of the Corporations Act. This document is dated, and a copy was lodged with ASIC, on 3 June 2015. ASIC takes no responsibility for the contents of the share buy-back offer document.

The share buy-back offer document does not take into account your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before making a decision whether to accept the Offer.

This share buy-back offer document has not been lodged with any regulatory authority outside Australia, and the Company takes no responsibility for ensuring that a shareholder resident in a foreign jurisdiction or otherwise subject to the laws of a foreign jurisdiction can participate in this buy-back in compliance with those laws. In the circumstances, foreign shareholders will need to ensure that acceptance of the Offer or other participation in the buy-back will not contravene any foreign law to which they are subject.

The forward-looking statements contained in this share buy-back offer document have been based on expectations at the date of this document about future events. They are, therefore, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations. These factors include, among other things, matters not yet known to the Company or not currently considered material by the Company.

### Defined terms

A number of terms used in this document are defined in section 8 (Glossary).

## Timetable

| Event  | Date  |
|--|---|
| General meeting of OnCard at which ordinary resolution passed approving terms of share buy-back agreements under equal access scheme | Monday 25 May 2015  |
| Shares quoted on an 'ex' basis   | Thursday 28 May 2015  |
| <b>Record date to identify shareholders who may participate in equal access scheme</b>   | <b>Monday 1 June 2015<br/>at 7:00 pm (Melbourne time)</b>     |
| OnCard sends buy-back offer document and serially numbered Acceptance Form to each participating shareholder                         | Thursday 4 June 2015  |
| <b>Closing date of Offer</b>   | <b>Wednesday 24 June 2015<br/>at 7:00 pm (Melbourne time)</b> |
| OnCard gives ASX final notice of share buy-back (in form of appendix 3F)   | Thursday 25 June 2015<br>before 8:30 am (Melbourne time)      |
| Bought back shares are transferred to OnCard and cancelled   | Friday 26 June 2015   |
| OnCard makes payment of buy-back consideration to accepting shareholders   | Friday 26 June 2015   |
| Up-dated holding statements issued to accepting shareholders   | Wednesday 1 July 2015   |

Dates and times in the above timetable and elsewhere in this share buy-back offer document are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and ASX Listing Rules, to change any date or time including to extend the Closing Date or time of the Offer. Any extension of the Closing Date will have a consequential effect on the payment date of the buy-back consideration. If the Company decides to change the above timetable it will be announced through ASX.

## **1. Offer at a glance**

### **1.1 The Offer**

The Company is offering to buy back 95% of the Ordinary Shares held by you as at 7:00 pm (Melbourne time) on Monday 1 June 2015.

### **1.2 Consideration**

The consideration offered is \$0.22 for each Ordinary Share.

### **1.3 Offer period**

The Offer is scheduled to close at 7:00pm (Melbourne time) on Wednesday 24 June 2015.

However, the Closing Date or time may be extended by the Company.

### **1.4 How to accept**

You may only accept the Offer for all of the Ordinary Shares that the Company has offered to buy-back from you. Acceptances must be received before the end of the Offer Period.

You may accept by completing and signing the enclosed Acceptance Form in accordance with the instructions and returning it to the Company's share registrar, Advanced Share Registry Services, by:

- (a) hand delivery to 110 Stirling Highway, Nedlands, Western Australia, 6009;
- (b) post to PO Box 1156, Nedlands, Western Australia, 6909;
- (c) facsimile on 08 9262 3723 (within Australia) or +61 8 9262 3723 (outside Australia); or
- (d) email to [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au).

If you return your Acceptance Form (or any document required by the instructions on the Acceptance Form) by facsimile transmission or email, you must also return your original signed and completed Acceptance Form or other document by hand delivery or post to the respective addresses set out above.

Alternatively, if your Ordinary Shares are in a CHESS holding, you may accept by simply calling your broker and instructing him or her to accept the Offer on your behalf.

### **1.5 Regulatory issues**

The Offer is made under an equal access scheme in accordance with sections 257A to 257H of the Corporations Act.

Section 257A states that a company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors. The directors of the Company believe that the buy-back will not materially prejudice the Company's ability to pay its creditors, having regard to the expected impact of the buy-back on the Company's financial position as noted in section 3.3. However, the Offer is conditional on there being no adverse change in financial position that would result in completion of the buy-back materially prejudicing the Company's ability to pay its creditors — see section 6.8.

As the Offer, together with the equivalent offers made to other shareholders of the Company, may result in the Company buying back more than 10% of the Company's issued voting shares, under section 257C of the Corporations Act the terms of the buy-back agreements resulting from acceptance of the offers need to be approved by resolution passed at a general meeting of the Company. This approval was obtained at the Company's general meeting held on Monday 25 May 2015.

Under the Corporations Act:

- (a) once the Company enters into an agreement to buy-back your Ordinary Shares (which can only occur at the end of the Offer Period), all rights attaching to the Ordinary Shares are suspended;
- (b) the suspension is lifted if the agreement is terminated; and
- (c) all Ordinary Shares bought back are cancelled immediately after registration of the transfer of the Ordinary Shares to the Company.

## **1.6 Participation is optional**

Participation in the equal access scheme is optional. If you do not wish to accept the Offer, you do not need to do anything. In that case, none of your Ordinary Shares will be bought back by the Company under the equal access scheme.

## **1.7 Enquiries**

If you have any questions about the Offer, please call the Company on +61 3 9642 3812.

If you have any questions about how to accept, please call the Company's share registrar, Advanced Share Registry Services, on 08 9389 8033 (within Australia) or +61 8 9262 3723 (outside Australia).

## **2. Explanation of buy-back**

### **2.1 Reasons for buy-back**

As announced to ASX in January 2015, the directors of the Company have decided to exit the Company's residual Chinese businesses and undertake other changes to the Company's investments and on-going operations.

The Company's remaining business, MarketSmart, will continue to operate as a developer and licensee of software for running rewards programs, and the directors are

continuing to explore whether the software can be used as a platform for other services in the sector.

However, as most of the Company's assets are currently in the form of cash (or cash equivalents), and as the Company will require only some of those cash reserves to pay for the cost of exiting the Chinese businesses and other restructuring or to fund its remaining operations (e.g. retrenchments and other employee entitlements, lease commitments and other liabilities), the directors believe that approximately \$36.5 million of the Company's cash reserves is surplus to its current needs. Accordingly, the reason for the buy-back is to give shareholders the opportunity to realise a substantial part of their investment in the Company and receive funds in the form of buy-back consideration that the directors consider surplus to the Company's requirements.

The directors of the Company did consider alternative courses of action to the buy-back, including distributing surplus funds by a reduction of share capital, holding onto the funds and waiting for new opportunities to emerge (such as acquiring a new business), or winding up the Company. Details of those alternatives were included in the explanatory statement sent to shareholders for the general meeting held on 25 May 2015. However, the directors continue to believe that as far as the interests of the Company and its shareholders are concerned, the buy-back is superior to any other possible alternatives that the Company could currently pursue.

## **2.2 Advantages**

The following are reasons why shareholders may accept the Offer:

- (a) The buy-back offers shareholders an opportunity to realise a substantial part of their investment in the Company at a premium to recent prices at which the Company's Ordinary Shares have traded on ASX — see section 2.4.
- (b) Shareholders who agree to sell Ordinary Shares under the buy-back may not incur brokerage costs (or GST on those costs), which they would ordinarily have to pay when selling Ordinary Shares on ASX.
- (c) The buy-back will enable shareholders to sell a significant volume of Ordinary Shares which may otherwise be difficult to do on market due to recent trading levels in the Company's Ordinary Shares.

## **2.3 Disadvantages**

The following are reasons why shareholders may not accept the Offer:

- (a) The Company's cash reserves will be depleted by the buy-back consideration payable by the Company to shareholders who accept the Offer. To the extent shareholders do not accept the Offer, the Company will retain surplus funds which the Company could use to pursue new opportunities and develop its business (e.g. acquisitions), which may enhance the value of the shareholders' investment in the Company.
- (b) Shareholders who do not participate in the buy-back may increase their percentage shareholding in the Company (inverse to the percentage of Ordinary Shares bought back). Where a shareholder's percentage shareholding does

increase, there will be a commensurate increase in the shareholder's proportionate economic interest in the net assets and potential future earnings of the Company.

- (c) Given the potentially different tax consequences for shareholders who accept the Offer (for example, as described in section 4), certain shareholders may consider that the tax outcome of accepting the Offer is undesirable given their financial position or objectives.
- (d) Shareholders may decide, having considered this share buy-back offer document and their own particular circumstances, that it is better to try to sell their Ordinary Shares on market for a price which exceeds the buy-back consideration.

## **2.4 Recent sale prices**

Set out below are some recent prices at which the Company's Ordinary Shares have traded on ASX:

- (a) The latest recorded sale price of an Ordinary Share on the day before the buy-back was announced by the Company to ASX on 21 April 2015 was \$0.215.
- (b) The highest and lowest ASX recorded sale prices of an Ordinary Share during the 3 month period ended on the day before the date of that announcement were \$0.215 on 14 April 2015 and 20 April 2015, and \$0.1724 on 20 January 2015 respectively.
- (c) The volume weighted average price of Ordinary Shares sold on ASX over the 3 month period ended on the day before the date of that announcement was \$0.1978.
- (d) The latest ASX recorded sale price of an Ordinary Share in the Company as at 29 May 2015 was \$0.215.
- (e) The highest and lowest ASX recorded sale prices of an Ordinary Share in the Company during the 3 month period ended on 29 May 2015 were \$0.215 on 14 April 2015, 20 April 2015, 24 April 2015 and 27 May 2015, and \$0.19 on 19 April 2015 respectively.
- (f) The volume weighted average price of Ordinary Shares in the Company sold on ASX over the 3 month period ended on 29 May 2015 was \$0.208.

## **2.5 Independent expert report**

The Company engaged an independent expert, Wilson Hanna, to provide a report about whether the buy-back is fair and reasonable, which included a valuation of the Company. A copy of the report was included in the explanatory statement sent to shareholders for the general meeting held on 25 May 2015, and is set out in section 5.

The independent expert concluded that the buy-back is fair and reasonable to shareholders.



## **2.6 Directors' interests and intentions**

As at the date of this share buy-back offer document, the interests in the buy-back of directors who may participate in it, and their intentions in relation to the Offer, are as follows:

### *Hugh Robertson*

Bungeeltap Pty Ltd as trustee for the H & B Robertson Super Fund has a relevant interest in 150,000 shares in the Company (which is approximately 0.09% of the Company's issued shares). Hugh Robertson is a director and shareholder of that company, and a beneficiary of that superannuation fund.

Hugh Robertson has not indicated to the Company whether Bungeeltap Pty Ltd will accept the Offer.

### *Tony Robinson*

On 1 June 2015, Rowena House Pty Ltd agreed to acquire 400,000 shares in the Company (which is approximately 0.23% of the Company's issued shares). Tony Robinson is a director, secretary and shareholder of that company.

However, as Rowena House Pty Ltd was not the registered holder of those shares on the Record Date, it is not eligible to participate in the buy-back.

Tony Robinson does not have a relevant interest in any other shares in the Company.

### *Ross Burney*

CI No 2 Pty Ltd, part of Taverners Group, has a relevant interest in 57,586,423 shares in the Company (which is approximately 33% of the Company's issued shares). Ross Burney is a director of that company.

Ross Burney has not indicated to the Company whether CI No 2 Pty Ltd will accept the Offer.

## **2.7 No recommendation or advice**

Neither the Company nor any of its directors makes any recommendation or provides any advice about whether a shareholder should accept the Offer.

Whether each shareholder accepts or does not accept the Offer is a matter for them, having regard to their particular circumstances. If in doubt about what to do, shareholders should obtain independent advice from a professional adviser.

## **3. Effect of buy-back on Company**

### **3.1 Share capital structure**

If completion of the buy-back occurs, and as a consequence the Company buys back from its shareholders all of the Ordinary Shares that the Company has offered to buy

back under this equal access scheme, the effect of the buy-back on the issued Ordinary Shares in the Company will be as follows:

|   | <b>Number of<br/>Ordinary Shares</b> | <b>Percentage of total<br/>issued Ordinary<br/>Shares before buy-<br/>back</b> |
|---|--------------------------------------|--|
| <b>Total issued Ordinary Shares before<br/>buy-back</b> | 174,572,890                          | 100%   |
| <b>Buy back Ordinary Shares</b>                         | 165,844,428                          | 95%  |
| <b>Total issued Ordinary Shares after buy-<br/>back</b> | 8,728,462                            | 5%   |

### 3.2 Control of Company

The effect that the buy-back will have on the control of the Company will depend on how many (and which) shareholders accept the Offer and sell their Ordinary Shares to the Company.

If no shareholder accepts the Company's Offer, there will be no change to the percentage interest of each individual shareholder and no effect on the control of the Company.

If all shareholders agree to sell 95% of their shareholding to the Company, there is not expected to be any material effect on the percentage interest of each individual shareholder, or on the control of the Company, in consequence of the buy-back (apart from changes to percentage shareholdings due to adjustments for fractional entitlements in consequence of the buy-back, which are not expected to be material).

However, if one or more shareholders do sell Ordinary Shares to the Company under the buy-back, the proportional shareholdings of other shareholders who do not participate in the buy-back will increase. The actual increase will depend on the level of shareholder acceptances of Offers.

For example, if all shareholders sell 95% of their shareholding to the Company except for one of the current substantial holders in the Company, the voting power in the Company of that substantial holder would increase as follows:

| <b>The voting power in the Company of this substantial holder ...</b>  | <b>which is currently approximately ...</b> | <b>would increase to approximately ...</b> |
|--|---|--|
| CI No 2 Pty Ltd, Taverners No 12 Pty Ltd, Taverners Holdings (Aust) Pty Ltd and Taverners (Aust) Pty Ltd as trustee for SAP Trust ( <b>Taverners Group</b> ) | 32.99%                                      | 90.78%                                     |
| Leyland Private Asset Management Pty Ltd   | 13.59%                                      | 75.88%                                     |
| Peter Abotomey and Ten Luxton Pty Ltd  | 6.47%                                       | 58.06%                                     |
| Michael Piperoglou and Narlack Pty Ltd as trustee for Piperoglou Pension Fund  | 5.35%                                       | 53.07%                                     |

The above table is based on the substantial holder notifications received by the Company as at the date of this share buy-back offer document, and assumes there is no change to the total issued share capital of, or shareholdings, in the Company after the date of this share buy-back offer document until completion of the buy-back.

### 3.3 Pro-forma financial information

To illustrate the expected financial effect of the buy-back on the Company if every shareholder accepts the Offer and is paid the buy-back consideration of \$0.22 for each Ordinary Share bought back, a pro-forma statement of financial position is set out below which has been prepared using the Company's financial statements for the financial year ended 31 December 2014 given to ASX on 27 March 2015, adjusted for the buy-back and other actual or expected material changes since the balance date. It is provided as a guide only, and does not contain the disclosures provided in annual financial reports prepared in accordance with the Corporations Act. Further, the pro-forma statement of financial position does not constitute a representation of the future financial position or prospects of the Company.

|  | <b>Audited<br/>31 December<br/>2014<br/>\$'000</b> | <b>Adjustments due<br/>to other material<br/>changes<br/>\$'000</b> | <b>100% acceptance<br/>of buy-back offers<br/>\$'000</b> | <b>Pro-forma<br/>\$'000</b> |
|--|--|---|--|-----------------------------|
| <b>Current assets</b>                              |  |   |  |                             |
| Cash and cash equivalents                          | 55,331   | -12,958   | -36,486  | 5,887                       |
| Trade and other receivables                        | 259  | -   | -  | 259                         |
| Other financial assets                             | 2,754  | -2,754  | -  | -                           |
| Other current assets                               | 251  | -   | -  | 251                         |
| <b>Non-current assets</b>                          | 52   | -   | -  | 52                          |
| <b>Total assets</b>                                | <b>58,647</b>                                      | <b>-15,712</b>  | <b>-36,486</b>   | <b>6,449</b>                |
| <b>Current liabilities</b>                         |  |   |  |                             |
| Trade and other payables                           | 746  | -   | -  | 746                         |
| Current tax payable                                | 7  | -   | -  | 7                           |
| Provisions   | 535  | 3,100   | -  | 3,635                       |
| <b>Non-current liabilities</b>                     | -  | -   | -  | -                           |
| <b>Total liabilities</b>                           | <b>1,288</b>                                       | <b>3,100</b>  | <b>-</b>   | <b>4,388</b>                |
| <b>Net assets</b>                                  | <b>57,359</b>                                      | <b>-18,812</b>  | <b>-36,486</b>   | <b>2,061</b>                |
| <b>Equity</b>                                      |  |   |  |                             |
| Contributed equity                                 | 38,516   | -   | -36,486  | 2,030                       |
| Reserves   | 375  | -   | -  | 375                         |
| Retained earnings                                  | 18,265   | -15,712   | -  | 2,553                       |
| Less restructuring and contingency costs provision | -  | -3,100  | -  | -3,100                      |
| <b>Total parent entity interest</b>                | <b>57,156</b>                                      | <b>-18,812</b>  | <b>-36,486</b>   | <b>1,858</b>                |
| Non-controlling interest                           | 203  | -   | -  | 203                         |
| <b>Total Equity</b>                                | <b>57,359</b>                                      | <b>-18,812</b>  | <b>-36,486</b>   | <b>2,061</b>                |

*Basis of preparation of pro-forma financial information*

The pro-forma financial information has been prepared on the following basis:

- (a) Adjustments have been made to take into account actual or anticipated material changes to the financial position of the Company since 31 December 2014 up to the date of this share buy-back offer document that are known to the directors of the Company. These are:

- (1) a reduction of \$15,711,560.10 in cash and cash equivalents, and a commensurate reduction in retained earnings, due to the payment of an unfranked dividend of \$0.09 on 20 March 2015;
  - (2) an increase of \$3,100,000.00 in provisions for liabilities, being the directors' estimate of restructuring and contingency costs associated with the Company's exit from its Chinese businesses and other changes to its investments and on-going operations; and
  - (3) an increase of \$2,754,000.00 in cash and cash equivalents, and a commensurate reduction in other financial assets, due to the sale of the Company's investments in hybrid securities.
- (b) As a result of 100% acceptance of the buy-back offers, the Company's cash and contributed equity account will be reduced by \$36,485,774.16 (being the consideration to be paid to shareholders).

### **3.4 Source of funds**

The consideration payable for Ordinary Shares bought back by the Company will be funded from the Company's existing cash reserves.

### **3.5 Franking credits**

There is not expected to be any effect on the Company's franking credits account in consequence of the buy-back.

## **4. Taxation considerations**

### **4.1 Share buy-back**

Based on tax advice the Company has received, the directors believe that for an Australian resident taxpayer holding Ordinary Shares on capital account, the entire consideration of \$0.22 for each Ordinary Share that is bought back by the Company under the buy-back should be treated as capital proceeds for the purposes of the Australian income tax legislation.

However, the Commissioner of Taxation does have a discretion to determine that some or all of the consideration be taken to be an unfranked dividend in certain circumstances. If the Commissioner makes such a determination, the amount of the consideration which is taken to be an unfranked dividend will be assessable income, taxable at shareholders' respective marginal income tax rates (and may also be subject to withholding tax).

While the Company has also obtained tax advice that, in the circumstances of the buy-back, the Commissioner should not exercise his discretion to deem any part of the consideration to be an unfranked dividend, it is nevertheless open to the Commissioner to do so. In the circumstances, the Company has applied to the Australian Taxation Office for a class ruling to confirm that the Commissioner will not exercise his discretion to deem any part of the consideration to be an unfranked dividend.

The Company will make an announcement to ASX regarding the ruling, once received.

However, in the interests of not delaying the buy-back, the Company has decided to make the Offer without the benefit of the ruling, in spite of the tax outcome for individual shareholders not yet having been confirmed.

If the Commissioner does make the determination mentioned above, then the consideration will be treated as an unfranked dividend (to the extent of that determination), taxable at shareholders' respective marginal income tax rates.

If none of the consideration is taken to be an unfranked dividend, the entire consideration will be capital proceeds for an Australian resident taxpayer holding Ordinary Shares on capital account. Similarly, if a portion of the consideration is treated as an unfranked dividend, the balance of the consideration will be capital proceeds for such a taxpayer. Generally speaking, the main Australian tax implications of receiving such capital proceeds for an Australian resident taxpayer that is an individual, company, trustee of a complying superannuation fund or trustee of a family discretionary trust who holds Ordinary Shares in the Company on capital account (acquired after 19 December 1985) are set out below:

- (a) The taxpayer will realise a capital gain to the extent the capital proceeds received for the taxpayer's Ordinary Shares bought back by the Company exceed the cost base of the Ordinary Shares sold, or a capital loss to the extent those proceeds are less than that cost base. Generally, the cost base for an Ordinary Share is the amount the shareholder paid to acquire it, together with certain other costs associated with acquiring, holding and disposing of the Ordinary Share.
- (b) The taxpayer will be required to include the amount of any capital gain in the taxpayer's Australian taxable income, and may use any capital loss to offset future capital gains made by the taxpayer.
- (c) Where a capital gain arises and the taxpayer is an individual or trustee of a complying superannuation fund who has held the Ordinary Shares for more than 12 months prior to the buy-back, the taxpayer should be eligible to claim the CGT discount when calculating the capital gain. The CGT discount for an individual is 50% and for a complying superannuation fund trustee is 33⅓%. For a taxpayer that is a beneficiary of a family discretionary trust that distributes the capital gain to beneficiaries of the trust who are individuals resident in Australia such that they include the capital gain as part of their Australian taxable income, those individuals should also be eligible to claim the CGT discount of 50% when calculating their share of the capital gain if the family discretionary trust has held the Ordinary Shares for more than 12 months. Company shareholders are not eligible for the CGT discount.

#### **4.2 Company not providing tax advice**

The above summary of taxation considerations is based on the Australian income tax legislation in force as at the date of this share buy-back offer document. However, taxation laws are complex and there could be implications in addition to those generally described above. In particular, the above is not intended to be comprehensive and does not address the tax considerations applicable to shareholders that may be subject to special tax rules, nor does it address any foreign tax law ramifications resulting from the buy-back. It focuses on the situation of Australian resident shareholders holding

Ordinary Shares on capital account. The Company cannot, and does not, offer any advice to any shareholder on the tax implications of the buy-back on them. Shareholders should consult their own professional taxation advisers for advice applicable to their individual needs and circumstances. No responsibility is accepted for the tax implications of the buy-back on any shareholder.

## 5. Independent expert report



Wilson Hanna Pty Ltd  
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The Directors  
Oncard International Limited  
Level 7  
330 Collins Street  
Melbourne VIC 3000

20 April 2015

Dear Directors

### Independent Expert's Report and Financial Services Guide

#### 1.0 Introduction

On 8 October 2014, Oncard International Limited ("ONC or the "Company") announced the sale of its 50% shareholding in Shanghai Smart Service ("SmartPASS"). Additionally, on 20 January 2015, the Company announced its intention to close its remaining Chinese businesses, namely the Buffet Club and Enjoy Shanghai. As a result of these decisions to exit what is collectively referred to as its principal activities ("Principal Activities"), the Company was left with significant surplus cash reserves.

After due consideration, the directors of ONC ("Directors") consider it prudent to retain book net assets of approximately \$2.0m in the Company and to return the balance of \$52.2m to ONC shareholders ("Distribution Surplus") in two components;

- a) \$15.7m by way of an unfranked special dividend; and
- b) \$36.5m by way of a share buy back ("Proposed Transaction").

The unfranked special dividend had a record date of 23 February 2015 and was paid on 20 March 2015.

If the Proposed Transaction is approved and all shareholders accept the offer in full, it will result in the Company distributing a further \$36.5m to ONC shareholders. The mechanism to give effect to this component of the Distribution Surplus is an offer to buyback 95% of the ordinary shares that each ONC shareholder holds for a consideration of \$0.22 per share. This is an equal access scheme that is open to all shareholders on the same terms and is subject to approval by shareholders at a general meeting to be held on 25 May 2015.

The Company still requires sufficient funds, if the Proposed Transaction is approved, to;

- a) Implement the decisions of the Board to close the remaining Chinese businesses;
- b) Continue to manage down MarketSmart, its remaining Australian business and its sole customer contract;
- c) Consider potential new investment opportunities for shareholders; and
- d) Cover the cost of compliance, ASX listing and administrative costs.

Accordingly, the Directors have determined that retaining book net assets of approximately \$2.0m or \$0.012 per share as set out in the Proforma Balance Sheet ("Proforma Balance Sheet"), will enable the Company to undertake the above activities and not materially prejudice creditors and shareholders interests.

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Wilson Hanna Pty Ltd  
ABN 22 158 038 101 | AFS Licence No. 426848





The Directors of ONC have requested Wilson Hanna Pty Limited ("Wilson Hanna") to prepare an Independent Expert's Report ("IER") to the shareholders of ONC stating whether the Proposed Transaction is fair and reasonable.

This report is a summary of Wilson Hanna's opinion as to the merits or otherwise of the Proposed Transaction. This report should be considered in conjunction with and not independently of the information set out in the Notice of General Meeting and Explanatory Memorandum ("Notice of Meeting Information") to which this report is attached.

Wilson Hanna's Financial Services Guide is contained in Part Two of this report.

## 2. Summary of Opinion

### **In our opinion, the Proposed Transaction is fair and reasonable.**

In forming our opinion, we had regard to the interests of creditors and shareholders as a whole, as well as the advantages, disadvantages and other considerations of the Proposed Transaction.

The principal matters we have taken into consideration in forming our opinion are summarised below.

#### **Is the Proposed Transaction fair?**

In arriving at our assessment, we have considered the price offered by the Company for the shares, compared to our assessment of the market value of ONC shares as well as the financial position of the Company following the Proposed Transaction ("Proforma Balance Sheet").

Using an orderly realisation of net assets valuation approach, we concluded that the market value of ONC is in the range of \$38.4m - \$38.5m which equates to \$0.219 - \$0.220 per share for an ordinary share in ONC. Prior to reaching our valuation conclusion, we also considered the Company's quoted security price as a cross check.

The Proforma Balance Sheet sets out book net assets of approximately \$2.0m after the Proposed Transaction.

Accordingly, having assessed the price of the offer to shareholders and the market value of ONC Shares, we conclude that the Company is able to undertake the Proposed Transaction without materially prejudicing creditors and shareholders interests. We therefore conclude that the Proposed Transaction is **fair** to ONC shareholders.

#### **Is the Proposed Transaction Reasonable?**

In accordance with the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111, 'Content of Expert's Reports' ("RG111"), an offer is reasonable if it is fair. We have also considered a range of factors, which relate to the reasonableness of the Proposed Transaction, independently of our opinion on the fairness of the Proposed transaction. Regulatory Guide 110, 'Share Buy Backs' ("RG110") states that in considering whether the Proposed Transaction is reasonable to the ONC shareholders, the following factors are to be considered;

##### *The reasons for the buy back*

- The Company has exited its Principal Activities and in the absence of any other sufficiently attractive potential investment opportunities, the Directors deem that returning capital surplus to its needs is in ONC shareholders best interests.
- The Board has met with some of its substantial shareholders who support the Board's decision to return any surplus to the Company's needs.



- The Company's shares have historically traded at a discount to the Distribution Surplus and accordingly the Directors consider that they are unlocking value for shareholders.
- The Board considered a number of different methods to return the surplus cash. The Board concluded that the buy back would be an expedient and efficient mechanism and therefore was in ONC shareholder's best interests.
- The Directors consider in view of the time required to either exit the Principal Activities or (should an alternative opportunity be identified) to develop a proposal in a form presentable to shareholders, it appropriate to return the capital to shareholders at this point.

*The financial effect of the Proposed Transaction including consideration of whether the buy back materially prejudices the company's ability to pay its creditors*

- As a result of the company having exited its Principal Activities, the financial position of the Company has changed materially. Following the Proposed Transaction, the Proforma Balance Sheet sets out book net assets of the Company of approximately \$2.0m. The Directors, also believe that the Company's ability to pay its creditors is not materially prejudiced.

*The source of funds for the Proposed Transaction*

The Company's primary assets as at 31 December 2014 are cash and hybrid securities that are debt and equity securities listed on the ASX. The Proposed Transaction requires approximately \$36.5m and as at 31 March 2015 the Company had approximately \$40.9m of cash on hand. Accordingly, the Company has sufficient liquid assets and cash reserves to fund the Proposed Transaction.

*The advantages of the Proposed Transaction*

- Shareholders realise a substantial part of their ONC investment as a result of the Company exiting its Principal Activities.
- Shareholders have the opportunity to realise the shares subject to the offer at a premium to the recently traded prices of ONC shares as a single payment. This may otherwise have been difficult to achieve given ONC's relative share trading illiquidity.
- Shareholders have the opportunity to consider alternative investment proposals put to the Company as and when they arise.
- Shareholders retain their shareholding in the listed ONC shell.

*The disadvantages of the Proposed Transaction*

- The Company will have limited funds to pursue potential investment opportunities. In the event the Company identifies a potential investment opportunity, the Company may be competing against other parties who do not have similar funding constraints.
- Following the Proposed Transaction, the Company's net assets may be reduced by up to \$36.5m, and its Principal Activities exited. Accordingly, there is likely to be a lack of liquidity in the shares.
- Control of the Company may pass to another group of shareholders without a premium for control being paid. Whilst we recognise this risk, essentially the Company will be a listed shell in which case a premium, if any, would likely be minimal.

Based on the factors identified above, it is our opinion that on balance, the ONC shareholders are better off, or at least no worse off, if the Proposed Transaction proceeds.

Accordingly, Wilson Hanna has concluded that the Proposed Transaction is **reasonable** to the ONC shareholders.

**Other Considerations***If the Proposed Transaction is Not Approved*

The Proposed Transaction may not be approved unless the ordinary resolution to be put to Shareholders is successful. An ordinary resolution requires more than 50% approval of the votes cast by eligible members to be successful. In the event the ordinary resolution is unsuccessful, the Proforma Balance Sheet would increase by up to \$36.5m.

*Tax Considerations*

Shareholders should seek their own independent taxation advice in relation to the effect of the Proposed Transaction.

**Other Matters**

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of the Company's individual shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should also read the Notice of Meeting Information issued by ONC in relation to the Proposed Transaction.

Acceptance or rejection of the Proposed Transaction is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in the Company. This is an investment decision independent of a decision on whether to accept or reject the Proposed Transaction upon which Wilson Hanna does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

Wilson Hanna has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is set out in Part Two of this report.

This letter is a summary of Wilson Hanna's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully  
**WILSON HANNA PTY LTD**

A handwritten signature in dark ink, appearing to read "Martin Toll".

MARTIN TOLL  
Director

A handwritten signature in dark ink, appearing to read "John Patton".

JOHN PATTON  
Director



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## Part One – Independent Expert’s Report

### 1 The Proposed Transaction

On 8 October 2014, Oncard International Limited (“ONC or the “Company”) announced the sale of its 50% shareholding in Shanghai Smart Service (“SmartPASS”). Additionally, on 20 January 2015, the Company announced its intention to close its remaining Chinese businesses, namely the Buffet Club and Enjoy Shanghai. As a result of these decisions to exit what is collectively referred to as its principal activities (“Principal Activities”), the Company was left with significant surplus cash reserves.

After due consideration, the directors of ONC (“Directors”) consider it prudent to retain book net assets of approximately \$2.0m in the Company and to return the balance of \$52.2m to ONC shareholders (“Distribution Surplus”) in two components;

- a) \$15.7m by way of an unfranked special dividend of \$0.09 per share; and
- b) \$36.5m by way of a share buy back of 95% the ordinary shares at \$0.22 per share (“Proposed Transaction”).

The unfranked special dividend had a record date of 23 February 2015 and \$0.09 per share was paid on 20 March 2015.

The Proposed Transaction involves \$36.5m to be distributed to ONC shareholders. The mechanism to give effect to this component of the Distribution Surplus is an offer to buyback 95% of the ordinary shares that each ONC shareholder holds for a consideration of \$0.22 per share. This is equal access scheme that is open to all shareholders on the same terms and is subject to approval by shareholders at a general meeting to be held on 25 May 2015.

In the event the Proposed Transaction is approved, the Company still requires sufficient funds to;

- a) Implement the decisions of the Board to close the remaining Chinese businesses;
- b) Continue to manage down MarketSmart, its remaining Australian business and its sole customer contract;
- c) Consider potential new investment opportunities for shareholders; and
- d) Cover the cost of compliance, ASX listing and administrative costs.

Accordingly, the Directors have determined that retaining book net assets of approximately \$2.0m or \$0.012 per share as set out in the Proforma Balance Sheet (“Proforma Balance Sheet”), will enable the Company to undertake the above activities and not materially prejudice creditors and shareholders interests.

### 2 Scope of the Report

#### 2.1 Purpose

There is no statutory requirement for the preparation of this Independent Expert Report (“IER”) as the Proposed Transaction is in accordance with the Corporations Act. However, in order to assist the ONC shareholders in assessing the Proposed Transaction, the Directors of ONC have requested that Wilson Hanna prepare an IER for inclusion in the Notice of Meeting Information to be sent to shareholders, stating whether the Proposed Transaction is fair and reasonable.



## 2.2 Regulatory requirements

The Proposed Transaction is to be implemented pursuant to Section 257 of the Corporations Act, which allows a company to reduce its capital by way of a buy back. Capital reductions are regulated under Chapter 2J of the Corporations Act and includes off market share buy backs. Regulatory Guide 110, 'Share Buy Backs' ("RG110") seeks to protect the interests of shareholders and creditors by requiring the information to be provided to specifically;

- Address the risk of the transaction leading to the company's insolvency;
- Seek to ensure fairness between the company's shareholders;
- Require the company to disclose all material information.

Section 257 grants a company the power to buy back its shares if approved by means of an ordinary resolution at a general meeting and;

- The buy back does not materially prejudice the company's ability to pay its creditors; and
- The Company follows the procedures laid down in Division 2 namely Sections 257B; 257C; 257F; 257G; 257H; and 257Y.

The Independent Directors of the Company have engaged Wilson Hanna Pty Ltd ("Wilson Hanna") to prepare an independent expert's report setting out whether, in its opinion, the Proposed transaction is fair and reasonable to the ONC shareholders of the Company and to state the reasons for that opinion. A copy of this report is to accompany the Notice of Meeting Information to be dispatched to shareholders by the Company.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual ONC shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should also read the Notice of Meeting Information issued by the Company in relation to the Proposed Transaction.

Whether or not to vote for the Proposed Transaction is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in the Company. This is an investment decision independent of a decision on whether to accept or reject the Proposed Transaction upon which Wilson Hanna does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

## 2.3 Basis of Assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing our report, Wilson Hanna has had regard to the Regulatory Guides issued by the Australian Securities and Investments Commission ("ASIC"). In particular, RG 111 provides guidance in relation to independent expert's reports and RG110 applies specifically to share buy backs. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to give an opinion as to whether a transaction is 'Fair' and 'Reasonable' to the shareholders.





In deciding whether a proposed transaction is 'reasonable', RG 111 and RG110 set out additional factors that an expert might consider, including;

- The reasons for the buy back;
- The financial effect of the Proposed Transaction including consideration of whether the buy back materially prejudices the company's ability to pay its creditors;
- The alternative options available;
- The source of funds for the Proposed Transaction; and
- The advantages and disadvantages of the Proposed Transaction.

In arriving at our assessment, we have considered the price paid by the Company for the shares compared to the market value of ONC shares as well as the Proforma Balance Sheet. As a cross check, we also considered the Company's quoted security price compared to the values derived using the orderly realisation of net assets method.

## 2.4 Limitations and Reliance on Information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Wilson Hanna has prepared this report on the basis of financial and other information provided by the Company and publicly available information. Wilson Hanna has considered and relied upon this information. Wilson Hanna has no reason to believe that any information supplied by the Company was false or that any material information has been withheld. Wilson Hanna has evaluated the information provided by the Company and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Wilson Hanna has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Company and its shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Wilson Hanna's opinion as to whether the Proposed Transaction is fair and reasonable.

The Company has indemnified Wilson Hanna, its officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which the Company did not provide to Wilson Hanna. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.



### 3 Company Overview

#### 3.1 History

The Company is a publicly listed company and its shares are traded on the Australian Securities Exchange (code ONC). The Company's principal activity was the provision of Loyalty, Reward and Payment solutions.

During the financial year ended 31 December 2014, the Company sold its 50% shareholding in Shanghai Smart Service Company ("SmartPASS"). Details of the sale are as follows;

- On 18 September 2014, the Company announced it had entered into a conditional Purchase Agreement to sell its 50% shareholding to an affiliate company of SmartPASS for RMB210 million.
- On 8 December 2014, the Company announced that nearly \$34.4m (RMB179million) had been received net of RMB21 million that had been paid in capital gains tax to the Chinese Government.
- On 15 December 2014, the Company announced that the balance of \$1.93m (RMB10 million) had been paid and received in full and final settlement of the transaction.
- The sale of the Company's share in SmartPASS resulted in a gain on sale of \$35.9 m for the 2014 financial year.

During the sale of the SmartPASS business, the Company undertook a strategic review of its residual Chinese businesses. On 20 January 2015, the Company announced a restructure following its decision to cease funding its other investments in China and to exit the Chinese businesses on the basis that;

- The businesses were likely to require material ongoing investment to make them profitable; and
- the potential returns were either uncertain, may not materialise for some time or were unlikely to be material.

The decision to exit the Chinese businesses resulted in a total impairment of \$14.86m being incurred in the year ended 31 December 2014 represented by;

- Impairment of the value of the Company's intangible assets; and
- Writing off of other non current assets being considered unrecoverable; and
- Associated wind up costs.

As the announcement for the restructure was made after the end of the 31 December 2014 financial year, the associated costs of the restructure will impact on the 2015 financial year and were not included in the liabilities of the Company as at 31 December 2014.

Following the divestment of SmartPASS and the decision to exit its remaining Chinese businesses, the only remaining business within the Company is MarketSmart. This is a single service, single customer contract.





## 3.2 Financial Overview

### 3.2.1 Earnings Performance

The financial performance of ONC for the two years ended 31 December 2014 is summarised below.

| ONC Earnings History  | 2014<br>\$A'000 | 2013<br>\$A'000 |
|---|-----------------|-----------------|
| <b>Income Statements</b>  |                 |                 |
| Revenue from continuing operations                                | 2,630           | 8,148           |
| Other revenue   | 967             | 834             |
| Share of profits of investments accounted for using equity method | 1,815           | 3,879           |
| Gain on disposal of investments accounted for using equity method | 35,894          | 0               |
| Impairment expense  | (14,866)        | 0               |
| Other expenses  | (7,430)         | (8,940)         |
| Profit/(Loss) before income tax                                   | 19,010          | 3,921           |
| Income tax expense/(benefit)                                      | (7,072)         | (607)           |
| Operating profit/(Loss) after income tax                          | 11,938          | 3,314           |
| Other Exchange differences on translation of foreign operations   | (424)           | 2,414           |
| Comprehensive Income to Owners of ONC                             | 11,514          | 5,728           |
| <b>Cash Flow Statement</b>  |                 |                 |
| Cash flow from operating activities                               | (2,783)         | (41)            |
| Cash flow from investing activities                               | 37,528          | 2,647           |
| Cash flow from financing activities                               | (1,156)         | 0               |
| Net increase in Cash  | 33,589          | 2,606           |
| Cash at beginning of year   | 21,668          | 18,668          |
| Foreign exchange changes  | 74              | 394             |
| Cash at end of year   | 55,331          | 21,668          |

Source: ONC Annual Reports (Audited)

### 3.2.2 Balance Sheet Performance

The reported consolidated financial position of ONC as at 31 December for the years ended 2013 and 2014 is summarised below.

| ONC Balance Sheet History | 2014<br>\$A'000 | 2013<br>\$A'000 |
|---------------------------|-----------------|-----------------|
| <b>Balance Sheet</b>      |                 |                 |
| Current Assets            | 58,595          | 30,117          |
| Non Current Assets        | 52              | 18,395          |
| Total Assets              | 58,647          | 48,512          |
| Current Liabilities       | 1,288           | 1,055           |
| Non Current Liabilities   | 0               | 456             |
| Total Liabilities         | 1,288           | 1,511           |
| Net Assets                | 57,359          | 47,001          |

Source: ONC Annual Reports (Audited)



### 3.2.3 ONC Liabilities as at 31 December 2014

The liabilities of ONC over the past two years ended 31 December 2014 were as follows:

| ONC Liabilities History     | Notes | 2014<br>\$A'000 | 2013<br>\$A'000 |
|-----------------------------|-------|-----------------|-----------------|
| Payable HKD                 |       | 127             | 121             |
| Payable SGD                 |       | 26              | 5               |
| Payable RMB                 |       | 431             | 693             |
| Payable AUD                 |       | 162             | 43              |
| Trade and other payables    |       | 746             | 862             |
| Current Tax payable         | 1     | 7               | 71              |
| Provisions membership cards |       | 51              | 80              |
| Provisions employees        | 2     | 0               | 42              |
| Restructure                 | 3     | 184             | 0               |
| Provisions legal claim      | 4     | 300             | 0               |
| Provisions                  |       | 535             | 122             |
| Deferred tax                | 5     | 0               | 456             |
| Total liabilities           |       | 1,288           | 1,511           |

Source: ONC Annual Reports (Audited)

#### Note 1 – Current Tax payable

The income tax payable balance is represented by entities not in the tax consolidated group.

#### Note 2 – Provision for employee entitlements

The Company has substantially wound down its head office operations and now largely comprises 'skeleton' staff. The Company continues to actively manage down its employee entitlements.

#### Note 3 – Restructure costs

The Company commenced winding down the Buffet Club Singapore during FY14 on the basis that the benefits of further investment into the operations were outweighed by the potential downside following regulatory changes to outbound call centre sales operations.

#### Note 4 – Provision for legal claim

The Company has been formally notified of a potential claim against it arising from a contract for the sale of SmartPASS previously entered into by the Company and the claimant. The claim is in relation to costs incurred by the claimant whilst they were in contact with the company. While the Company is of the opinion that it is not required to cover the costs of the claiming party, it has provided \$0.3m for the anticipated costs associated with either defending or settling the claim. The Company is continuing negotiations with the claimant to resolve the matter.



#### Note 5 – Deferred Tax

As at 31 December 2014, the Company has the following unused tax losses for which no deferred asset has been recognised;

- Tax losses on revenue account \$10.815m (2013 \$0.295m) with a potential tax benefit of \$3.245m (2013 \$0.088m)
- Tax losses on Capital account \$Nil (2013 \$Nil)

We note that ONC has no outstanding interest bearing debt or interest bearing liabilities as at 31 December 2014.

#### 3.2.4 ONC Contingencies and Commitments as at 31 December 2014

The Company's decision to exit its Principal Activities was announced on 20 January 2015, after the end of the FY14 financial year.

Notwithstanding the above, the Company has stated that there are no matters that the Group consider would result in a contingent liability as at 31 December 2014.

#### 3.3 Capital Structure

The Company has approximately 174,572,890 ordinary shares on issue. There are no other classes of share or options that have been issued by the Company. As at 16 March 2015, the top 20 shareholders were as follows:

| Shareholder                                    | No. of shares | % of shares issued |
|--|---------------|--------------------|
| CI No 2 Pty Ltd                                | 57,586,423    | 32.99              |
| Ten Luxton Pty Ltd                             | 11,299,648    | 6.47               |
| RBC Investor Services                          | 6,366,203     | 3.65               |
| Lempip Nominees Pty Ltd                        | 4,671,435     | 2.68               |
| Narlack Pty Ltd                                | 4,671,435     | 2.68               |
| CE Consultants Pty Ltd                         | 3,994,445     | 2.29               |
| Lane's End Dural Pty Ltd                       | 3,582,520     | 2.05               |
| Bluesteel Trading Pty Ltd                      | 3,150,000     | 1.80               |
| 3 <sup>rd</sup> Pulitano Incorporation Pty Ltd | 2,718,585     | 1.56               |
| Teamford Pty Ltd                               | 2,327,621     | 1.33               |
| HSBC Custody Nominees                          | 2,127,686     | 1.22               |
| Citicorp Nominees Pty Ltd                      | 2,118,652     | 1.21               |
| Northbank Group Pty Ltd                        | 2,000,000     | 1.15               |
| Venn Milner Superannuation Fund                | 2,000,000     | 1.15               |
| RUBI Holdings Pty Ltd                          | 1,900,000     | 1.09               |
| Dallmount Pty Ltd                              | 1,896,000     | 1.09               |
| Park Street Investments Pty Ltd                | 1,702,000     | 0.97               |
| Dr Hedley & Mrs Beverley Sandler               | 1,600,000     | 0.92               |
| JPMorgan Nominees Australia                    | 1,585,841     | 0.91               |
| Mr Dominic Pulitano                            | 1,560,977     | 0.89               |
|  | 118,859,471   | 68.09              |
| Other ONC shareholders                         | 55,713,419    | 31.91              |
| Total  | 174,572,890   | 100.00             |

Source: ONC Annual Report



The substantial shareholders in the Company are;

|   |        |
|---|--------|
| CI No 2 Pty Ltd, Taverners No 12 Pty Ltd, Taverners Holdings (Aust) Pty Ltd | 32.99% |
| Leyland Private Asset Management Pty Ltd                                    | 13.59% |
| Peter Abotomey & Ten Luxton Pty Ltd   | 6.47%  |
| Michael Piperoglou & Narlack Pty Ltd atf Piperoglou Pension Fund            | 5.35%  |

### 3.4 Recent Trading on ASX

A summary of the monthly price and trading history of ONC over the last 12 months is set out below:

| Mth end            | Highest<br>price<br>A\$/Share | Lowest<br>price<br>A\$/Share | Closing<br>price<br>A\$/Share | Volume<br>Traded<br>(000's) |
|--------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------|
| Mar 15             | 0.205                         | 0.205                        | 0.205                         | 1,198                       |
| Feb 15             | 0.200                         | 0.200                        | 0.200                         | 13,740                      |
| Jan 15             | 0.290                         | 0.287                        | 0.287                         | 6,841                       |
| Dec 14             | 0.260                         | 0.260                        | 0.260                         | 7,961                       |
| Nov 14             | 0.225                         | 0.220                        | 0.225                         | 1,502                       |
| Oct 14             | 0.220                         | 0.215                        | 0.220                         | 1,597                       |
| Sep 14             | 0.195                         | 0.195                        | 0.195                         | 2,880                       |
| Aug 14             | 0.195                         | 0.195                        | 0.195                         | 1,314                       |
| Jul 14             | 0.250                         | 0.250                        | 0.250                         | 238                         |
| Jun 14             | 0.280                         | 0.270                        | 0.280                         | 963                         |
| May 14             | 0.280                         | 0.260                        | 0.280                         | 1,324                       |
| Apr 14             | 0.250                         | 0.250                        | 0.250                         | 767                         |
| <b>TOTALS</b>      |                               |                              |                               | <b>40,326</b>               |
| <b>Source: ASX</b> |                               |                              |                               |                             |

As the above table shows, the Company's shares lack liquidity. The ONC share price has traded in the range of \$0.195 to \$0.287 since April 2014.

## 4 Evaluation of the Proposed Transaction

### 4.1 Evaluation Summary

In arriving at our assessment, we have considered the following:

- The Proposed Transaction represents a return of \$36.5m of capital through an offer of \$0.22 for 95% of the shares held.
- The assessed market value of ONC is in the range of \$38.4m - \$38.5m or between \$0.219 and \$0.220 per share.
- ONC shares have traded in the range of \$0.195 to \$0.0287 per share for the full 12 months. However, in order to compare the share price prior to the dividend being paid, the relevant comparison of these share prices is the full Distribution Surplus of \$52.2m which is the equivalent of \$0.299 per share.
- The Proforma Balance Sheet shows the book net assets of approximately \$2.0m after the Proposed Transaction or \$0.012 per share.



Accordingly, having assessed the price offered by the Company and the market value of ONC Shares, we conclude that Company is able to undertake the Proposed Transaction and not materially prejudice creditors and shareholders interests.

## 4.2 Valuation Methodology

ASIC Regulatory Guide 111 provides guidance on the appropriate methodologies for an expert to generally consider when valuing assets for share buy-backs and selective capital reductions. These methodologies are set out in Appendix C to this report.

Having regard to the attributes of the Company, Wilson Hanna has selected an asset based valuation methodology as the primary method to assess the value of the Company. Furthermore, Wilson Hanna considers the notional realisation of assets method as the most appropriate methodology to determine the market value of ONC shares.

The primary notional realisation of assets valuation methodology was also cross checked against the quoted price of listed securities method.

## 4.3 Valuation of ONC

ONC has been valued in the range of \$38.4m - \$38.5m which equates to a value range of \$0.219 - \$0.220 per share. The valuation range represents the estimated underlying value of ONC assuming 100% of the entity was available to be acquired and therefore includes a premium for control.

It is important to note that this valuation range is considerably lower than the net asset value contained in the most recent audited financial statements for the year ended 31 December 2014 of \$57.4m. The key reason for this difference is:

- the financial statements were prepared on a going concern basis and our valuation has been based on a notional realisation of assets;
- The dividend of \$15.7m or \$0.09 per share paid on 20 March 2015; and
- The restructure and contingency costs of \$3.1m following its decision to close the remaining businesses in China and manage MarketSmart was made after FY14.



The valuation is summarised as follows and further details on each component is set out below:

| ONC - Valuation Summary                     | Notes | 31/12/14<br>\$'000 | Low<br>\$'000  | High<br>\$'000 |
|---|-------|--------------------|----------------|----------------|
| Cash and cash equivalents                   | 4.3.1 | 55,331             | 55,331         | 55,331         |
| Investments                                 | 4.3.2 | 2,754              | 2,751          | 2,751          |
| Other assets                                | 4.3.3 | 562                | 407            | 484            |
| Trade payables                              | 4.3.4 | (753)              | (753)          | (753)          |
| Provisions                                  | 4.3.4 | (535)              | (535)          | (535)          |
| <b>Net assets value</b>                     |       | <b>57,359</b>      | <b>57,201</b>  | <b>57,278</b>  |
| Restructure and contingency costs           | 4.3.5 |                    | (3,100)        | (3,100)        |
| Dividend distribution                       |       |                    | (15,712)       | (15,712)       |
| Tax losses                                  | 4.3.6 |                    | 0              | 0              |
| Franking Credits                            | 4.3.7 |                    | 0              | 0              |
| <b>Notional realisation of assets value</b> |       |                    | <b>38,389</b>  | <b>38,466</b>  |
| Number of shares outstanding                |       |                    | 174,572,890    | 174,572,890    |
| <b>Value per ONC Share</b>                  |       |                    | <b>\$0.219</b> | <b>\$0.220</b> |

Wilson Hanna used the assets and liabilities as set out in the Company's audited statement of financial position as at 31 December 2014 as the starting point for this valuation method, given the rigor and independent scrutiny applied to those accounts. We then had regard to the Company's management accounts to 31 March 2015, as well as a number of other notional realisation adjustments, details of which are set out below.

#### 4.3.1 Cash and Cash Equivalents

The cash and cash equivalents balance of \$55.331m are held in highly liquid investments and accounts with reputable institutions. For the purpose of deriving a notional realisation value, we have assumed the cash and cash equivalents balance to be wholly realisable.

#### 4.3.2 Investments

Investments comprise liquid hybrid investments in exchange traded securities. The securities are listed equity investments on the Australian Stock Exchange and combine elements of debt securities and equity securities with a promise to pay a rate of return at certain dates (coupon dates) during the term of the issued security. The securities are held for trading purposes only on a short term basis.

These investments have been sold after 31 December 2014 and realised for \$2.751m, excluding distributions.

#### 4.3.3 Other Assets

Other assets of \$0.562m include receivables of \$0.259m, prepayments and security deposits of \$0.251m and property plant and equipment of \$0.052m.



The receivables balance comprises amounts owing from customers of \$0.121m and deposits for prepaid sales of \$0.138m.

- Trade receivables are non-interest bearing and are generally on 30-day terms. As at 31 December 2014, the aged receivables comprised \$48k being 0-30 days due and \$74k being 31 to 60 days but has not been impaired.
- The total receivables balance of \$0.259m includes an unhedged amount of RMB 1,016,302 (\$0.187m).

We have considered the Company's collection history and the likely collectability given the Company's announcement to exit its Principal Activities.

We have assumed different realisation percentages based on each category of aged receivables. Overall, we have assumed that between 80% and 90% of receivables would be collected under a notional realisation scenario.

In addition, we have also considered the potential realisation value of prepayments and security deposits to be between 80% and 90%.

In light of the nature of the property plant and equipment we have assumed between 0% and 50% would be collected under a notional realisation scenario.

#### **4.3.4 Trade Payables and Provisions**

The trade and other payables balances have been incurred in the normal course of business. This amount also includes \$0.3m for the anticipated costs associated with either defending or settling the SmartPASS claim. Accordingly, it has been assumed that these balances would be settled in full for the purpose of the notional realisation of net assets.

#### **4.3.5 Restructure and Contingency Costs**

The estimate of restructuring and contingency costs allows for the costs of closure of the Buffet Club and Enjoy Shanghai businesses. The estimate allows for trading losses through to exit; the cost of retrenchments; the payout of existing liabilities such as annual leave entitlements; creditors; and the cost of the run off period associated with the obligations for prior period sales both in China and Singapore.

Additionally the estimate includes an allowance for managing the MarketSmart business contract, and entitlements for head office employees and for the cost of compliance.

Accordingly, it has been assumed that these balances would be settled in full for the purpose of the notional realisation of net assets.

#### **4.3.6 Tax Losses**

ONC has approximately \$10.815m in accumulated gross tax losses as at 31 December 2014, which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes on the basis that it does not satisfy the recognition criteria under accounting standards.

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of a company may use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.



With respect to the potential utilisation of tax losses by the Company, Wilson Hanna notes that ONC has exited its Principal Activities.

As a result, given the existing uncertainty over the ability of the Company to utilise its tax losses, it is unlikely that a hypothetical purchaser would place any material value on these tax losses. Furthermore, any future transactions may lead to uncertainty in relation to ONC being able to satisfy the Australian Tax Office's requirements in order to utilise the tax losses.

Accordingly, Wilson Hanna has not included any value for tax losses in our notional realisation of assets valuation of the Company.

#### 4.3.7 Franking Credits

The Company had a franking credits balance of \$nil as at 31 December 2014. Accordingly, Wilson Hanna has not included any value for franking credits in our notional realisation of assets valuation of the Company.

#### 4.4 Valuation Cross check

Prior to reaching our valuation conclusion, we have considered the recent quoted security price history as a cross check to the values derived using the notional realisation of net assets method.

In accordance with the requirements of RG 111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the value of ONC.

The following table summarises the monthly trading volume of the Company's Shares over the since February 2014:

| Date               | Volume<br>Traded<br>( <sup>'000</sup> ) | Value<br>Traded<br>A\$'000 | Monthly<br>VWAP<br>A\$/Share |
|--------------------|---|----------------------------|------------------------------|
| Feb -14            | 1,591                                   | 444                        | 0.279                        |
| Mar-14             | 1,926                                   | 505                        | 0.262                        |
| Apr-14             | 767                                     | 181                        | 0.236                        |
| May-14             | 1,324                                   | 335                        | 0.253                        |
| Jun-14             | 963                                     | 273                        | 0.284                        |
| Jul-14             | 238                                     | 64                         | 0.269                        |
| Aug-14             | 1,314                                   | 297                        | 0.226                        |
| Sep-14             | 2,881                                   | 591                        | 0.205                        |
| Oct-14             | 1,597                                   | 335                        | 0.210                        |
| Nov-14             | 1,502                                   | 338                        | 0.225                        |
| Dec-14             | 7,961                                   | 1,912                      | 0.240                        |
| Jan-15             | 6,841                                   | 1,859                      | 0.272                        |
| Feb-15             | 13,741                                  | 3,908                      | 0.284                        |
| Mar-15             | 1,198                                   | 243                        | 0.202                        |
| <b>TOTALS</b>      | <b>43,842</b>                           | <b>11,287</b>              | <b>0.257</b>                 |
| <b>Source: ONC</b> |   |                            |                              |





Based on the above table, we note the following:

- Historically, there has been a relatively low level of trading in the Company's shares;
- The Company's monthly VWAP has been in the range of \$0.202 cents and \$0.284 cents between February 2014 and March 2015;
- Notwithstanding the low level of liquidity, ONC complies with the ASX's full disclosure regime. As a result, the market is fully informed about the performance and prospects of ONC; and
- In the absence of a takeover or other share offers, the trading share price theoretically represents the value in which minority shareholders could realise their investments if they wanted to exit.

Additionally we have considered the volume, price and VWAP of the Company's Shares over the six months prior to 29 January 2015, being the date of the announcement by the Company of the capital distribution, along with the two months following this announcement

| Market Share Prices               | Volume<br>Traded<br>( <sup>'000</sup> ) | Value<br>Traded<br>A\$'000 | Monthly<br>VWAP<br>A\$/Share |
|-----------------------------------|---|----------------------------|------------------------------|
| 2 months after 29 January 2015    | 14,939                                  | 4,150                      | 0.278                        |
| 1 month after 29 January 2015     | 13,741                                  | 3,908                      | 0.284                        |
| 1 month prior to 29 January 2015  | 7,961                                   | 1,912                      | 0.240                        |
| 2 months prior to 29 January 2015 | 9,462                                   | 2,251                      | 0.238                        |
| 3 months prior to 29 January 2015 | 11,059                                  | 2,586                      | 0.234                        |
| 6 months prior to 29 January 2015 | 15,492                                  | 3,538                      | 0.228                        |
| <b>Source: ONC</b>                |   |                            |                              |

Given the low liquidity in ONC Shares, we have had regard to the quoted listed securities prices as a guide and a cross check to our primary valuation methodology, being the notional realisation of net assets.

The quoted price of listed securities method is based on the Efficient Market Hypothesis ("EMH"), which states that the share price at any point in time reflects all publicly available information and will change "almost" instantaneously when new information becomes publicly available.

The relevant comparison of the above share prices prior to the dividend being paid is the full Distribution Surplus of \$52.2m, which is the equivalent of \$0.299 per ONC share.

After having regard to the above analysis and discussion, we consider our valuation assessment using the notional realisation of net assets method to be reasonable.



#### 4.5 Proforma Balance Sheet

We have considered the financial position of the Company following the Proposed Transaction on the basis that ONC shareholders approve it. The net assets of the Company following the Proposed transaction and reflecting the management accounts for the period ending 31 March 2015 is set out as follows;

| ONC – Proforma Balance Sheet                          | Book<br>\$'000 |
|---|----------------|
| <b>Net assets value at 31/12/14</b>                   | <b>57,359</b>  |
| Dividend distribution                                 | (15,712)       |
| Proposed Transaction                                  | (36,485)       |
| Restructuring and contingency                         | (3,100)        |
| <b>Adjusted Notional realisation net assets value</b> | <b>2,062</b>   |
| Number of shares outstanding                          | 174,572,890    |
| <b>Value per ONC Share</b>                            | <b>\$0.012</b> |

As set out above, the Proforma Balance Sheet estimates the Company will have book net assets of approximately \$2.0m. We note that the following assumptions are inherent in the Proforma Balance Sheet;

- The restructure and contingency costs to wind up the Operations outside of Australia, and the allowance for employee entitlements and management costs for the Market Smart business is adequate; and
- Any tax payable on the sale of SmartPASS is offset against carried forward tax losses.

## 5 Opinion

### 5.1 Conclusion

In Wilson Hanna's opinion, the proposed Transaction is **fair and reasonable**. The Proposed Transaction of \$36.5m represents a substantial return of Wilson Hanna's full value assessment of \$38.4m - \$38.5m. Additionally, the Proforma Balance Sheet demonstrates that the Proposed Transaction does not prejudice the interests of creditors and shareholders. As the result, we conclude that the Proposed Transaction is fair. Additionally, as the Proposed Transaction is fair it is also reasonable.

### 5.2 Fairness of the Proposed Transaction

If the Proposed Transaction is accepted in full, the Company will return approximately \$36.5m to ONC shareholders. The mechanism to give effect to this component of the Distribution Surplus is an offer to buyback 95% of the ordinary shares that each ONC shareholder holds for a consideration of \$0.22 per share. The assessed market value of the ONC shares is \$38.4m - \$38.5m or between \$0.219 - \$0.220 per share. The Proforma Balance Sheet shows the book net assets after the Proposed Transaction of between approximately \$2.0m or \$0.012 per share.

Accordingly, based on the Proforma Balance Sheet, and the price being paid for the shares by the Company, we consider the interests of creditors and shareholders are not materially prejudiced, and therefore conclude that the Proposed Transaction is fair to ONC shareholders.



### 5.3 Reasonableness of the Proposed Transaction

We also note that pursuant to RG 111, the Proposed Transaction is reasonable if it is fair. In our assessment of the Proposed Transaction, we have also considered the following factors:

- The Directors consider in view of the time required to either exit the Principal Activities or (should an alternative opportunity be identified) to develop a proposal in a form presentable to shareholders, it appropriate to return the capital to shareholders at this point.
- The Company's largest shareholders, together with the Directors, holding a combined interest of over 41% of the Company's ordinary share capital have indicated they support a return of capital. However, we note no shareholder has yet had the opportunity to consider the form of the capital return set out in the Proposed Transaction. Depending on shareholder preferences for the Proposed Transaction, control of the company could pass to shareholders who do not accept the Proposed Transaction.
- The Company has explored a number of potential options and engaged in discussions with a number of parties regarding potential investment opportunities. Despite these efforts, no firm offers have eventuated that could be put to ONC shareholders at this stage.
- The Proposed Transaction represents an opportunity for shareholders to monetise a significant component of their investment holdings in ONC in cash at a price which (together with the dividend) exceeds the Company's trading price over the last year.

Based on the factors identified above, it is our opinion that on balance, the shareholders are better off, or at least no worse off, if the Proposed Transaction proceeds.

Accordingly, Wilson Hanna has concluded that the Proposed Transaction is **reasonable** to the ONC shareholders.

### 5.4 Shareholder Decision

The decision whether to accept or reject the Proposed Transaction is a matter for individual shareholders based on each shareholder's view as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposed Transaction, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in the Company. This is an investment decision independent of a decision on whether to accept or reject the Proposed transaction upon which Wilson Hanna does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

### 5.5 Other Matters

The Appendices also form part of this report. Additionally, Wilson Hanna has prepared a Financial Services Guide as required by the Corporations Act, 2001 which is set out in Part Two of this report.

**WILSON HANNA PTY LTD**



## **Appendix A – Wilson Hanna Disclosures**

### ***Qualifications***

Wilson Hanna Pty Ltd holds Australian Financial Services Licence number 426848 under the Corporations Act, 2001.

The persons responsible for preparing this report on behalf of Wilson Hanna are Martin Toll B Bus ACA and John Patton BEc ACA F Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Each of the above persons is a representative of Wilson Hanna pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

### ***Disclaimers***

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Wilson Hanna's opinion as to whether the Proposed Transaction is fair and reasonable. Wilson Hanna expressly disclaims any liability to any ONC Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Wilson Hanna has prepared this report with care and diligence and the statements and opinions given by Wilson Hanna in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. Neither Wilson Hanna, nor any of its officers or employees, accepts any responsibility for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Wilson Hanna from liability arising from an opinion expressed recklessly or in bad faith.

Wilson Hanna has had no involvement in the preparation of the Notice of Meeting Information issued by the Company and has not verified or approved any of the contents of the Notice of Meeting Information. Wilson Hanna does not accept any responsibility for the contents of the Notice of Meeting Information (except for this report).



### ***Independence***

Wilson Hanna is required to be independent of ONC in order to provide this Report. The guidelines for independence in the preparation of independent expert reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities & Investments Commission ("ASIC").

Wilson Hanna and its related entities do not have at the date of this report, and have not had within the previous two (2) years, any shareholding in or other business or professional relationship with ONC that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Wilson Hanna has no involvement with, or interest in the outcome of the transaction, other than the preparation of this Report.

Wilson Hanna will receive a fee of approximately \$18,000 based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Wilson Hanna's out of pocket expenses in relation to the preparation of this Report will be reimbursed. Wilson Hanna will receive no other benefit for the preparation of this Report.

Wilson Hanna considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC.

### ***Consents***

Wilson Hanna consents to the issuing of this report in the form and context in which it is to be included in the Notice of Meeting Information to be sent to Shareholders of the Company. Neither the whole nor any part of this report nor any reference thereto may be included in any other document, resolution, letter or statement without the prior written consent of Wilson Hanna as to the form and context in which it appears.



## Appendix B – Sources of Information

In preparing this report, Wilson Hanna has relied upon, without independent verification, various sources of information, including:

- Audited Financial Statements for the years ended 31 December 2012, 2013 and 2014;
- ONC ASX announcements;
- ASX share price and volume information;
- Discussions with management;
- ONC website;
- Unaudited management accounts for the period to 31 March 2015;
- Budget/forecast for ONC for the period ending 31 December 2015 prepared by ONC management;
- Other confidential documents, board papers, minutes, strategy papers, presentations and working papers; and
- Other publicly available information.

Wilson Hanna has also held discussions with, and obtained information from, the Company's senior management, directors and consultants.



## Appendix C – Valuation Methodologies

1. **Capitalisation of future maintainable earnings** involves capitalising the future maintainable earnings of a business at an appropriate multiple that reflects the risks underlying the earnings together with growth prospects. This methodology requires consideration of a range of factors including the following:
  - Estimation of future maintainable earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors including key industry risk factors, growth prospects and the general economic outlook. The future maintainable earnings considered are generally net profit after tax ("NPAT"), earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"), depending on the circumstances.
  - Determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and alternative investment opportunities.

In summary,  $\text{Value} = \text{Future maintainable earnings} \times \text{multiple}$

This methodology is appropriate where a company or business has demonstrated a relatively stable record of earnings that is expected to continue indefinitely.

2. **Discounted cash flow** valuations are based on the net present value of cash flows expected to be derived from future activities. The forecast cash flows are discounted by a discount rate, which reflects the time value of money and the risks inherent in the future cash flows.

This methodology is appropriate in valuing businesses with a finite life, such as projects or businesses, which are in a start-up phase and are expecting considerable volatility in earnings during the growth phase. It is also appropriate for placing values on specific contracts.

3. **Notional realisation of assets** involves the determination of the net realisable value of the assets of a business or company assuming an orderly realisation of those assets. This approach generally includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is normally only applied to businesses which do not produce an annual cash flow, or where, because of the stage of establishment of the business or industry conditions, the outlook for a particular company's future earnings is either somewhat uncertain or the capitalised value of such earnings is less than the net realisable value of the assets employed.

### 3.1 *Going Concern basis*

A valuation using the asset-based method on a going concern basis requires the determination of the market value of net assets. Determining the market value of assets and then deducting the market value of liabilities estimate the value. In the absence of any information to the contrary (eg. a property or plant and equipment valuation), a carrying value or book value of the assets is usually taken to be representative of market value.

The going concern assumption basis assumes that the business will continue to trade, albeit generating profits at a rate of return lower than required by investors in some cases, and that no realisation of assets will occur. Accordingly, no allowance for realisation costs is required.



### 3.2 *Notional Realisation of Assets*

The value achievable in a notional realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed notional realisation. The business liabilities and costs associated with the sale of the assets or business segments are deducted as part of the assessment.

The notional realisation process assumes that assets are realised (either individually or as a group) in such a way as to maximise their proceeds.

### 3.3 *Fire Sale*

A “fire sale” assumes a seller who is anxious to sell or liquidate assets and is prepared to accept a discount for a prompt sale. The shorter the timeframe in a “fire sale”, compared to an orderly realisation of assets, typically results in a lower value being attributable to the business.

The method requires assessment of the realisation value of all assets and liabilities in an orderly disposal process, then deducting the value of liabilities and costs of disposal from the value of the assets.

4. **Value of net tangible assets on a going concern basis** can also constitute the determinant of corporate worth for a company holding real estate, portfolio investments, or other assets, which are surplus to operating requirements. The going concern basis of valuation is normally only applied to controlling interests in passive investment companies, and similar entities.
5. **Industry rules of thumb** are commonly used in some industries. These are generally used as a “cross check” of the result determined by the capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primarily basis on which buyers determine prices in some industries. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.





## Appendix D – Glossary

|                               |   |
|-------------------------------|---|
| \$                            | Australian Dollars  |
| ASIC                          | Australian Securities and Investments Commission                                    |
| ASX                           | Australian Securities Exchange  |
| ONC                           | Oncard International Limited  |
| ONC Shareholders              | Shareholders of Oncard  |
| Distribution Surplus          | \$52.2m to be distributed to shareholders via a dividend and a share buy back offer |
| Company                       | Oncard International Limited  |
| DCF                           | Discounted Cash Flow  |
| Directors                     | The directors of ONC  |
| FSG                           | Financial Services Guide  |
| FY                            | Financial Year  |
| IER                           | Independent Expert's report   |
| m                             | \$1,000,000   |
| MarketSmart                   | Australian service business   |
| Notice of Meeting Information | Notice of Meeting and Explanatory Memorandum  |
| Principal Activities          | The sale of its 50% shareholding in SmartPASS and the remaining Chinese businesses  |
| Proforma Balance Sheet        | Balance Sheet following the Proposed transaction                                    |
| Proposed transaction          | Capital return via Share buy back of \$36.5m  |
| SmartPASS                     | Shanghai Smart Service Company  |
| RG 110                        | ASIC Regulatory Guide 110 "Share Buy Backs"   |
| RG 111                        | ASIC Regulatory Guide 111 "Content of expert reports"                               |
| RG 112                        | ASIC Regulatory Guide 112 "Independence of experts"                                 |
| VWAP                          | Volume Weighted Average Price (using the closing price times the volume traded)     |
| Wilson Hanna                  | Wilson Hanna Pty Ltd  |
| YTD                           | Year to date  |



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## Part Two - Financial Services Guide

### 1. Wilson Hanna

Wilson Hanna Pty Ltd ("Wilson Hanna") carries on a business and has a registered office at Level 6, 370 St Kilda Road, Melbourne VIC 3004. Wilson Hanna holds Australian Financial Services Licence No. 426848 authorising it to provide general financial product advice on securities to wholesale and retail clients.

Wilson Hanna has been engaged by Oncard International Limited ("ONC" or "the Company") to provide general financial product advice in the form of an independent expert's report ("Report") in relation to the Proposed Transaction whereby an offer is made by the Company to buy back a proportion of the ordinary Shares in ONC ("the Proposed Transaction").

### 2. Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients to make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

Wilson Hanna provides this FSG in connection with its provision of the Report which is to be included in the Notice of Meeting Information.

### 3. General Financial Product Advice

In this Report, we provide general financial product advice. The advice in this Report does not take into account your personal objectives, financial situation or needs.

You have not engaged Wilson Hanna directly but have received a copy of the Report because you have been provided with a copy of the Notice of Meeting Information. Wilson Hanna is not acting for any person other than the ONC board of directors.

Wilson Hanna does not accept instructions from retail clients. Wilson Hanna provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Wilson Hanna does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

### 4. Remuneration

When providing the Report, Wilson Hanna's client is the Company. Wilson Hanna receives its remuneration from the Company. In respect of this Report, Wilson Hanna will receive a fee of \$18,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses.



No related body corporate of Wilson Hanna, or any of the directors or employees of Wilson Hanna or any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Notice of Meeting Information.

#### **5. Complaints Process**

Wilson Hanna has an internal complaints handling mechanism and is a member of the Financial Ombudsman Service (membership no. 31585). If you have any concerns regarding this Report, please contact the Compliance Officer in writing at Wilson Hanna, Level 6, 370 St Kilda Road, Melbourne VIC 3004. If you have difficulty in putting your complaint in writing, please telephone the Compliance Officer on 03 9686 7000 and they will assist you in documenting your complaint.

If Wilson Hanna cannot resolve the complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service at GPO Box 3, Melbourne VIC 3000 or phone 1300 780 808. This service is provided free of charge.

Wilson Hanna is only responsible for this Report and FSG. Complaints or questions about the Notice of Meeting Information should not be directed to Wilson Hanna as it is not responsible for that document. Wilson Hanna will not respond in any way that might involve any provision of financial product advice to any retail investor.

#### **7. Compensation Arrangements**

Wilson Hanna holds professional indemnity insurance that satisfies the compensation requirements of section 912B of the Corporations Act, 2001.

## 6. Offer

### 6.1 The Offer

- (a) The Company offers to buy back 95% of the number of Ordinary Shares held by you as at 7:00 pm (Melbourne time) on Monday 1 June 2015 (**Record Date**), subject to rounding as set out in section 6.1(b), together with all Rights in respect of those Ordinary Shares, for consideration of \$0.22 for each Ordinary Share, and otherwise on and subject to the terms set out in this section 6.
- (b) If the number of Ordinary Shares that the Company would offer to buy back from you would otherwise be a fractional number, the fractional number will be rounded to the next whole number above that fractional number and the Offer will be made in respect of that whole number of your Ordinary Shares.

### 6.2 Offer Period

The Offer will remain open for acceptance during the period commencing on the date the first Offer is made and ending at 7.00 pm (Melbourne time) on Wednesday 24 June 2015 unless extended by the Company (**Closing Date**).

### 6.3 Who may accept and for how many shares

- (a) The Offer is personal to you, and only you may accept it. You cannot transfer this entitlement.
- (b) The Offer is to buy back 95% of the number of Ordinary Shares you hold at 7:00 pm (Melbourne time) on the Record Date (subject to rounding).
- (c) You may accept the Offer only in respect of all of the number of Ordinary Shares offered to be bought back from you.
- (d) By accepting the Offer, you will agree to sell to the Company that number of Ordinary Shares, irrespective of any Ordinary Shares that you may buy or sell after the Record Date. The number of Ordinary Shares that the Company offers to buy back from you will not change where you subsequently acquire additional Ordinary Shares or dispose of Ordinary Shares.
- (e) In the circumstances, you must ensure that if you accept the Offer, you will hold at least the number of Ordinary Shares that the Company offers to buy back from you.
- (f) Where you accept the Offer but have disposed of Ordinary Shares or otherwise hold less than the number of Ordinary Shares that the Company has offered to buy-back from you, the Company may, in its absolute discretion and without prejudice to its other rights and remedies, treat your acceptance of the Offer as invalid and reject it, or treat your acceptance as valid and relating to the number of Ordinary Shares that the Company has offered to buy-back from you.

## 6.4 How to accept

### *General*

- (a) You may accept the Offer at any time during the Offer Period.
- (b) You may use the Acceptance Form accompanying this share buy-back offer document to accept the Offer.
- (c) The accompanying Acceptance Form forms part of the Offer and specifies your holding of Ordinary Shares as at 7:00 pm (Melbourne time) on the Record Date, the number of Ordinary Shares that the Company is offering to buy-back from you (i.e. 95% of your holding at that time, subject to rounding) and whether your Ordinary Shares are held on the Company's issuer sponsored sub-register or are in a CHESS holding i.e. on the Company's CHESS sub-register.
- (d) The process for acceptance may differ depending on which sub-register your Ordinary Shares are held on.

### *Issuer sponsored shares*

- (e) If your Ordinary Shares are held on the Company's issuer sponsored sub-register, to accept the Offer, you must:
  - (1) complete and sign the Acceptance Form in accordance with the instructions on it; and
  - (2) ensure the completed and signed Acceptance Form (and any documents required by the instructions on the Acceptance Form) are received, or taken to be received, before the end of the Offer Period at the address indicated on the Acceptance Form.

### *CHESS holdings*

- (f) If your Ordinary Shares are in a CHESS holding and you are not a Controlling Participant, to accept the Offer you must instruct your Controlling Participant (in a way acceptable to it) to initiate acceptance of the Offer in respect of your Ordinary Shares in accordance with rule 14.14 of the ASX Settlement Operating Rules (as ASX Settlement Pty Limited has determined the rule to apply as if the buy-back were part of a takeover bid) by the end of the Offer Period.

Do not send the completed and signed Acceptance Form to the Company or its share registrar. However, if you do complete and sign the Acceptance Form in accordance with the instructions on it, and the completed and signed Acceptance Form (and any documents required by the instructions on the Acceptance Form) are received, or taken to be received, before the end of the Offer Period at the address indicated on the Acceptance Form, you will be taken to have authorised the Company to instruct your Controlling Participant on your behalf to initiate acceptance of the Offer in accordance with the ASX Settlement Operating Rules.

- (g) If you are a Controlling Participant, acceptance of the Offer in respect of your Ordinary Shares in a CHESS Holding must be initiated in accordance with the

ASX Settlement Operating Rules (as if the buy-back were part of a takeover bid) by the end of the Offer Period.

***Late or irregular acceptance***

- (h) If your Acceptance Form or any document required by the instructions on the Acceptance Form is sent by post and received after the end of the Offer Period, it will be taken as received before the end of the Offer Period if the envelope in which it is sent is post-marked before the end of the Offer Period.
- (i) If your Acceptance Form or any document required by the instructions on the Acceptance Form is received by facsimile transmission or email before the end of the Offer Period, it will be taken to be received in time **provided that** the original signed and completed Acceptance Form or other document is subsequently received.
- (j) The transmission of the Acceptance Form and other documents is at your own risk.
- (k) The Company may, in its absolute discretion, and without any further communication to you, at any time deem any acceptance it receives to be a valid acceptance and/or waive any requirement for an acceptance, irrespective of how the Company treats any other acceptance.

**6.5 Acceptance is revocable**

- (a) Your acceptance of the Offer is revocable at any time before the end of the Offer Period.
- (b) If you wish to revoke your acceptance, you must complete and sign a withdrawal form in accordance with the instructions on it and ensure the completed and signed form (and any documents required by the instructions on the form) are received before the end of the Offer Period at the address indicated on the form, in which case your acceptance will be revoked upon such receipt.
- (c) You may obtain a withdrawal form from the Company by telephoning +61 3 8689 9997 or the Company's share registrar by telephoning +61 8 9389 8033.
- (d) The Company may, in its absolute discretion, and without any further communication to you, at any time deem any withdrawal it receives to be a valid withdrawal and/or waive any requirement for a withdrawal, irrespective of how the Company treats any other withdrawal.

**6.6 The effect of acceptance**

- (a) If you accept the Offer in accordance with section 6.4, you will have or will be deemed to have:
  - (1) authorised the Company (or any authorised representative of the Company) to complete your Acceptance Form by rectifying any errors in or omissions from it as may be necessary to make it an effective acceptance of the Offer

- or to enable registration of the transfer of your Ordinary Shares to the Company;
- (2) represented and warranted to the Company that you are a person to whom the Offer may be made, who can receive the buy-back consideration and otherwise whose participation in this buy-back is permitted, under the laws of the jurisdiction in which you are resident or to which you are otherwise subject;
  - (3) undertaken not to sell, transfer or otherwise dispose of any Ordinary Shares that would result in you holding less than the number of Ordinary Shares the subject of your acceptance, or offer or agree to do so, other than in accordance with the terms of the Offer or until you revoke your acceptance in accordance with section 6.5;
  - (4) authorised the Company to place, or to procure to be placed, the number of Ordinary Shares the subject of your acceptance in a sub-position in the Company's register of member to prevent them being dealt with following your acceptance, other than in accordance with the terms of the Offer or until you revoke your acceptance in accordance with section 6.5;
  - (5) acknowledged that the Company has not provided you with, and does not have any obligation to provide you with, any financial product advice in relation to the Offer or your acceptance;
  - (6) recognised that damages may not be an adequate remedy for a breach of this section 6.6;
  - (7) indemnified the Company against all losses, costs and other liabilities suffered or incurred by the Company arising from any breach of this section 6.6; and
  - (8) agreed that the Company's obligation to buy-back your Ordinary Shares is conditional on your compliance with this section 6.6.
- (b) If you accept the Offer in accordance with section 6.4 and do not revoke your acceptance in accordance with section 6.5, you and the Company will be taken to have entered into a buy-back agreement at the end of the Offer Period under which the Company agrees to buy back from you, and you agree to sell and transfer to the Company, all of the number of Ordinary Shares that the Company has offered to buy-back from you on terms that:
- (1) the buy-back consideration payable by the Company for each Ordinary Share agreed to be bought back is \$0.22;
  - (2) you:
    - (A) agree to the transfer to the Company of all of the number of Ordinary Shares agreed to be bought back;
    - (B) agree to execute any instruction, direction, transfer or other document and to do any other act at the request of the Company (or any

authorised representative of the Company) that is or may be necessary or desirable to transfer or otherwise convey that number of your Ordinary Shares and all Rights in respect of them to the Company; and

- (C) authorise the Company (or any authorised representative of the Company) to execute any instruction, direction, transfer or other document and to do any other act on your behalf that is or may be necessary or desirable to transfer or otherwise convey that number of your Ordinary Shares and all Rights in respect of them to the Company;

at any time after the end of the Offer Period;

- (3) you represent and warrant to the Company both at the time of your acceptance and at the time immediately before the transfer to the Company of the Ordinary Shares agreed to be bought back is registered that:
  - (A) you are the registered holder of the number of Ordinary Shares the subject of your acceptance;
  - (B) those Ordinary Shares are fully paid; and
  - (C) you have full power and capacity to accept the Offer and to sell and transfer (and at the time of transfer will be selling and transferring) full legal and beneficial title to, and all other right, title and interest in and to, the number of Ordinary Shares agreed to be bought back together with all Rights in respect of them, free of any Encumbrance; and
- (4) the Company agrees to pay to you the buy-back consideration for the Ordinary Shares it has agreed to buy back from you in accordance with section 6.7;

and otherwise on and subject to the terms set out in this section 6.

- (c) The representations, warranties and authorities referred to in this section 6.6 will remain in force after you receive the buy-back consideration for your Ordinary Shares and after the transfer of your Ordinary Shares to the Company is registered and the Ordinary Shares are cancelled.

## **6.7 When you will receive the offer consideration**

- (a) Subject to this section 6.7, if:
  - (1) you have accepted the Offer in accordance with section 6.4 and have not revoked your acceptance in accordance with section 6.5; and
  - (2) the buy-back agreement resulting from your acceptance is not rescinded in accordance with section 6.8;



the Company will pay the buy-back consideration for your Ordinary Shares (as set out in section 6.1) within 2 Business Days from the end of the Offer Period.

- (b) Where your original signed and completed Acceptance Form or another document required by the instructions on the Acceptance Form (such as a power of attorney) is received after the end of the Offer Period, the Company will provide the buy-back consideration due to you within 2 Business Days after all such documents are received.
- (c) Under no circumstances will interest be paid on the buy-back consideration, regardless of any delay in providing the buy-back consideration due to the Company, you, any other person or any extension of the Offer.
- (d) Payment of the buy-back consideration to which you are entitled will be made in Australian currency by cheque drawn in your favour or by electronic funds transfer to an account you have nominated for receipt of dividends or other distributions from the Company provided you have supplied sufficient details of the account to allow the payment to be made by electronic funds transfer. If payment is made by cheque, the cheque will be sent to you at your risk by ordinary post (or in the case of overseas shareholders, by airmail) to your address as shown on the Acceptance Form or such other address as you may notify the Company in writing before dispatch. Payment by electronic funds transfer will be sent using the account details supplied at your risk.
- (e) If, at the time of acceptance of this Offer or the provision of any consideration under it, any authority or clearance of the Reserve Bank of Australia or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are a resident in or a resident of a place to which, or you are a person to whom, any law of Australia would make it unlawful for the Company to provide you with the consideration under the Offer, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained by the Company.

## **6.8 Condition of the Offer - no material prejudice to creditors**

- (a) The Offer, and any buy-back agreement resulting from your acceptance of the Offer, is conditional on no event or circumstance occurring or being discovered during the period starting on the Record Date and ending at the end of the Offer Period which on its own or together with other events or circumstances has or could reasonably be expected to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of the Company or any of its subsidiaries such that completion of the buy-back of Ordinary Shares under the buy-back agreement and all other buy-back agreements resulting from acceptance of equivalent Offers under this equal access scheme, would materially prejudice the Company's ability to pay its creditors.
- (b) This is a condition subsequent, the non-fulfilment of which does not prevent the buy-back agreement for the sale and buy back of your Ordinary Shares from arising, but entitles the Company to rescind the buy-back agreement.

- (c) The Company alone is entitled to the benefit of the condition or to rely on any non-fulfilment of it.
- (d) The condition will be taken to have been fulfilled, unless the Company gives to ASX not more than 2 Business Days after the end of the Offer Period an announcement that the condition has not been fulfilled. In that case, the buy-back agreement, and all other buy-back agreements resulting from acceptance of equivalent Offers under this equal access scheme, will be rescinded.

## 6.9 Cancellation of buy-back

The Company may cancel the buy-back under this equal access scheme by giving to ASX an announcement to that effect at any time before the end of the Offer Period. In that case, the Offer to you and all equivalent Offers under this equal access scheme, and all acceptances, will become null and void and of no effect, despite anything to the contrary contained in this share buy-back offer document.

## 6.10 Governing Law

The Offer, and any buy-back agreement that results from your acceptance of the Offer, are governed by the laws in force in Victoria.

## 7. No other material information

Other than as set out in this share buy-back offer document, there is no other information known to the Company that is material to the decision whether to accept the Offer.

## 8. Glossary

### 8.1 Definitions

In this share buy-back offer document and in the Acceptance Form, unless the context otherwise requires:

**Acceptance Form** means the acceptance form accompanying this share buy-back offer document;

**ASIC** means Australian Securities and Investments Commission;

**ASX Settlement Operating Rules** means the operating rules (as defined in chapter 7 of the Corporations Act) of CHESS which are known as the ASX Settlement Operating Rules;

**ASX** means ASX Limited or the financial market (as defined in chapter 7 of the Corporations Act) operated by ASX Limited called the Australian Securities Exchange, as the context requires;

**ASX Listing Rules** means the listing rules (as defined in chapter 7 of the Corporations Act) of the Australian Securities Exchange which are known as the ASX Listing Rules;

**Australian Securities Exchange** means the financial market (as defined in chapter 7 of the Corporations Act) operated by ASX which is known as the Australian Securities Exchange;

**Business Day** means a day which is not a Saturday, Sunday, bank holiday or public holiday in Melbourne;

**CGT** means capital gains tax;

**CHESS** means the clearing and settlement facility (as defined in chapter 7 of the Corporations Act) operated by ASX Settlement Pty Limited which is known as the Clearing House Electronic Sub-register System or CHESS;

**Closing Date** means the last day of the Offer Period, being Wednesday 24 June 2015 or such later date as the Company may determine;

**Company** or **OnCard** means OnCard International Limited ACN 084 800 902;

**Controlling Participant** has the meaning set out in the ASX Settlement Operating Rules;

**Corporations Act** means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC;

**Encumbrance** means an encumbrance or security interest including but not limited to a mortgage, fixed charge, floating charge, pledge, lien, conditional sale agreement, hire or hire purchase agreement, option, restriction as to transfer, use or possession, easement or a subordination to a right of a person or an adverse or competing interest of another person;

**Offer** means an offer to buy back Ordinary Shares as contained in section 6;

**Offer Period** means the period for which Offers are open for acceptance in accordance with section 6.2;

**Record Date** means the date to determine the entitlement of the shareholders of the Company to receive an Offer, being Monday 1 June 2015;

**Regulator** means a government, a governmental, semi-governmental, administrative, fiscal, public, statutory, regulatory or judicial authority, agency, body or other entity, a non-governmental regulatory entity or the operator of a securities or other financial market, in any jurisdiction whether federal, state, local or territorial;

**Rights** means all accretions, rights or benefits of whatever kind attached or attaching to or arising from or in respect of the Ordinary Shares directly or indirectly at or after the Record Date; and

**Ordinary Share** means a fully paid ordinary share in the Company.

## 8.2 Interpretation

In this share buy-back offer document and the Acceptance Form, headings and bold typing are included for convenience only and do not affect interpretation and, unless the context otherwise requires:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture, a sovereign state, a government or a government department or agency;
- (e) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (f) a reference to a section, annexure, schedule or other part is a reference to an item of that type in this share buy-back offer document;
- (g) a reference to a statute or regulation or a provision of a statute or regulation is a reference to that statute, regulation or provision as amended or a statute, regulation or provision replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws made or issued under that statute;
- (h) a reference to writing includes email and facsimile transmission;
- (i) a reference to a time is a reference to Melbourne time;
- (j) a monetary reference is a reference to Australian currency;
- (k) a reference to a subsidiary in relation to a person includes an entity controlled by that person; and
- (l) a word or term defined in the Corporations Act has the same meaning in this share buy-back offer document and the Acceptance Form.

## 8.3 Your Ordinary Shares

In this share buy-back offer document and in the Acceptance Form, unless the context otherwise requires, a reference to your Ordinary Shares means the Ordinary Shares to which the Offer relates which you are the registered holder of at 7:00 pm (Melbourne time) on the Record Date.

## Approval of share buy-back offer document

This share buy-back offer document has been approved by a resolution passed unanimously by the directors of the Company.

**Signed** for and on behalf of **OnCard International Limited** by:

A handwritten signature in black ink, appearing to read 'Hugh Robertson', is written over a light gray rectangular background.

.....  
**Hugh Robertson**  
Chairman

## **Corporate directory**

### **Company**

OnCard International Limited  
Level 7, 330 Collins Street  
Melbourne VIC 3000

### **Directors**

Mr Hugh Robertson (chairman)  
Mr Tony Robinson (managing director)  
Mr Ross Burney

### **Company secretaries**

Mr Mark Licciardo  
Mr Matthew Rowe

### **Independent expert**

Wilson Hanna  
Level 6, 370 St Kilda Road  
Melbourne VIC 3004

### **Lawyers**

Norton Gledhill  
Level 23, 459 Collins Street  
Melbourne VIC 3000

### **Share registrar**

Advanced Share Registry Ltd  
110 Stirling Highway  
Nedlands WA 6009

**OnCard International Limited**  
**ACN 084 800 902**

**Acceptance Form**

|   |   |
|---|---|
| [insert name and address of shareholder(s)] | [Security holder reference number/CHESS holder identification number]: [ <i>delete whichever is inapplicable</i> ]<br>[insert SRN or HIN (whichever is applicable)] |
|   | Ordinary Shares you held at 7:00 pm (Melbourne time) on 1 June 2015 ( <b>Record Date</b> ):<br>[insert]   |

I/We hereby accept the offer by OnCard International Limited (**Company**) to buy back from me/us the following number of Ordinary Shares for \$0.22 each and otherwise on the terms of the Offer.

|   |          |
|---|----------|
| <b>Number of Ordinary Shares the Company offers to buy back from you:</b> | [insert] |
|---|----------|

A capitalised term used in this Acceptance Form has the same meaning as set out in the Company's share buy-back offer document dated 3 June 2015.

|   |           |                 |   |           |                 |   |           |                 |
|---|-----------|-----------------|---|-----------|-----------------|---|-----------|-----------------|
| <p>*Security holder 1</p> <table border="1"><tr><td>Signature</td></tr><tr><td>Print full name</td></tr></table> <p>* Director/sole director and sole company secretary</p> | Signature | Print full name | <p>* Security holder 2</p> <table border="1"><tr><td>Signature</td></tr><tr><td>Print full name</td></tr></table> <p>* Director/company secretary</p> | Signature | Print full name | <p>* Security holder 3</p> <table border="1"><tr><td>Signature</td></tr><tr><td>Print full name</td></tr></table> <p>* Sole director (no company secretary)</p> | Signature | Print full name |
| Signature   |           |                 |   |           |                 |   |           |                 |
| Print full name   |           |                 |   |           |                 |   |           |                 |
| Signature   |           |                 |   |           |                 |   |           |                 |
| Print full name   |           |                 |   |           |                 |   |           |                 |
| Signature   |           |                 |   |           |                 |   |           |                 |
| Print full name   |           |                 |   |           |                 |   |           |                 |

\* Delete if (or whichever is) inapplicable

**If this form is signed on behalf of a security holder under power of attorney, each attorney states that he or she has not received any notice of revocation of the power of attorney by death of the grantor or otherwise. If this form is signed by a security holder that is a company each person signing certifies that he or she holds the office of director of the company or such other office with the company as shown and is authorised to complete and sign this form for the company, and if only one person signs, he or she is the sole director and sole company secretary of the company unless expressly stated otherwise. Where a person signs just as sole director of the company, he or she certifies that the company does not have a company secretary.**

|  |
|--|
| <p>The Offer closes at <b>7:00 pm (Melbourne time) on Wednesday 24 June 2015</b> (unless extended by the Company).</p> <p>If you wish to accept the Offer, you must do so before the Offer closes. Instructions about how to accept the Offer are set out on the back of this Acceptance Form.</p> |
|--|

**Instructions:*****Issuer sponsored shares***

1. If you wish to accept the Offer and your Ordinary Shares are held on the Company's issuer sponsored sub-register, you must complete and sign this Acceptance Form where indicated above, and then return it by no later than **7:00 pm (Melbourne time) on Wednesday 24 June 2015** (or any such later time or date as extended by the Company) to the Company's share registrar, Advanced Share Registry Services, by:
  - (a) hand delivery to 110 Stirling Highway, Nedlands, Western Australia, 6009;
  - (b) post to PO Box 1156, Nedlands, Western Australia, 6909;
  - (c) facsimile on 08 9262 3723 (within Australia) or +61 8 9262 3723 (outside Australia); or
  - (d) email to admin@advancedshare.com.au.
2. A company may sign by 2 directors or a director and secretary or, for a proprietary company that has a sole director who is also the sole company secretary (or that does not have a company secretary), that director.
3. If this Acceptance Form is signed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of that power or authority, must accompany the Acceptance Form, unless previously provided to the Company or its share registrar.
4. If this Acceptance Form or any document required to accompany it is sent by facsimile transmission or email, the original document must also be sent to Advanced Share Registry Services by hand delivery or post to the address set out above.

***CHESS holdings***

5. If your Ordinary Shares are in a CHESS holding (in which case there will be a CHESS holder identification number set out adjacent to your name and address on this Acceptance Form), you may accept the Offer simply by calling your broker and instructing him or her (in a way acceptable to your broker) to accept the Offer on your behalf. **Do not send the completed and signed Acceptance Form to the Company or its share registrar.**

***Acceptance is revocable***

6. Your acceptance of the Offer is revocable at any time before the end of the Offer Period. If you wish to revoke your acceptance, you must complete and sign a withdrawal form in accordance with the instructions on it and ensure the completed and signed form (and any documents required by the instructions on the form) are received before the end of the Offer Period at the address indicated on the form, in which case your acceptance will be revoked upon such receipt. You may obtain a withdrawal form from the Company by telephoning +61 3 8689 9997 or the Company's share registrar by telephoning +61 8 9389 8033.