

OnCard International Limited

Annual General Meeting

25 November 2011

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1. Business Overview

- ▶ OnCard International Limited is a leading provider of loyalty, reward and payment solutions across Asia Pacific, with a focus on growth markets – particularly China.
- ▶ OnCard has evolved from its origins as an Australasian based transaction processing provider to become a full end-to-end card issuing, loyalty, rewards and payments management platform.
- ▶ OnCard's core businesses centre on card-centric platforms targeting high volume niche markets - dining, executive travel, entertainment, lifestyle and prepaid cards.
- ▶ OnCard has significantly expanded its reach into China and now has operations in 20 cities with further expansion planned.

China Markets



2. Key Achievements – Y/E 30 June 2011

- ▶ Net profit before tax of \$1.9million was slightly below the previous year's result of \$2.1million principally due to additional costs of \$0.2million related to our strategic review undertaken with UBS and a \$0.3million negative impact for currency movements versus exchange rates that applied in the previous period. Excluding these impacts, profit before tax in reported terms would have been \$2.4million.
- ▶ Prior period profits of \$3.3million (before Chinese withholding taxes of \$0.3million) were repatriated to Australia from our joint-venture investment in Shanghai Smart Service Co Ltd and our group cash balance has increased by \$3.4million to \$18.5million at 30 June 2011. The group remains debt free. An additional \$1.2million after taxes was repatriated in July 2011.
- ▶ Buffet Club, which had previously developed its operations in Hong Kong and Singapore, expanded strongly into mainland China during the year to be able to offer recognition benefits to members in over 65 four and five star hotels in 20 cities, including Shanghai, Beijing and Guangzhou.

3. Financial Highlights (Cont'd)

▶ OnCard International – 30 June 2011

	Year Ended:			
	30 June 11	30 June 10		
	000's	000's		
OnCard Operating Income	5,492	5,933	(7.4%)	↓
OnCard Non-operating income	280	163		
Investment & Equity Accounted Income	5,090	5,461	(6.7%)	↓
Total Income	10,862	11,557	(6.0%)	↓
Operating expenses	(8,951)	(9,493)	(5.7%)	↓
Profit (loss) Before Income Tax	1,911	2,064	(7.4%)	↓
Income Tax Expense / (Benefit)**	(638)	(146)		
Profit (loss) after Income Tax	1,273	1,918		

***Note: included within income tax expense for 2011 were \$0.3million related to withholding taxes levied on profits repatriated from SmartPASS. Net cash received after WHT \$3million.*

4. Operations Update

Sale of BilltoBill:

- ▶ The sale of OnCard's online payments business (BilltoBill) was completed on 1 September 2011. Proceeds from the sale were cash of RMB 6million (A\$920k) of which RMB4.8million has been received with the balance due 18 months from completion date.
- ▶ Due to new regulatory requirements for the payments business to be licensed under the Non Bank Payments Industry (NBPI) regulations, the capital requirements under the new regulations would have far outweighed the expected future returns.

OnCard Strategic Review - UBS

- ▶ As announced to market on 3 March 2011 and updated on 31 March 2011, UBS was retained to assist in assessing OnCard's strategic alternatives and a number of parties expressed an interest in acquiring OnCard's 50% holding in Shanghai Smart Service Company Ltd (SmartPASS).
- ▶ OnCard continues to evaluate expressions of interest that have and continue to be received. The evaluation of the expressions of interest has been delayed by the regulatory processes that SmartPASS is currently managing with regard to obtaining a NBPI licence from the China Central Bank (PBOC).

5. Prepaid Card Operations - China

SmartPASS – Card Sales & Float

- ▶ 50% joint venture established in December 2004 with SAND Bankcard Link (an ETPOS terminal network provider).
- ▶ SmartPASS' strong card sales growth has resulted in a significant increase in float funds over time (**Table 1.1**). **Table 1.2** details corresponding transaction growth of prepaid cards in China. In the calendar years from January 2007 to December 2010, SmartPASS' float funds have grown at a CAGR of 30% with corresponding CAGR for card sales over same period of 25%. Both sales and float have slowed in 2011 calendar year due to uncertainties surrounding the implementation of the PBOC regulations for NBPIs.
- ▶ The SmartPASS 3 year average float is approximately ¥1,700 million (A\$260 million). SmartPASS future revenues are supported by:
 - low cost, stable deposit base; and
 - expanding revenue pool as business matures (expired services, card fees and technological innovation of cards).

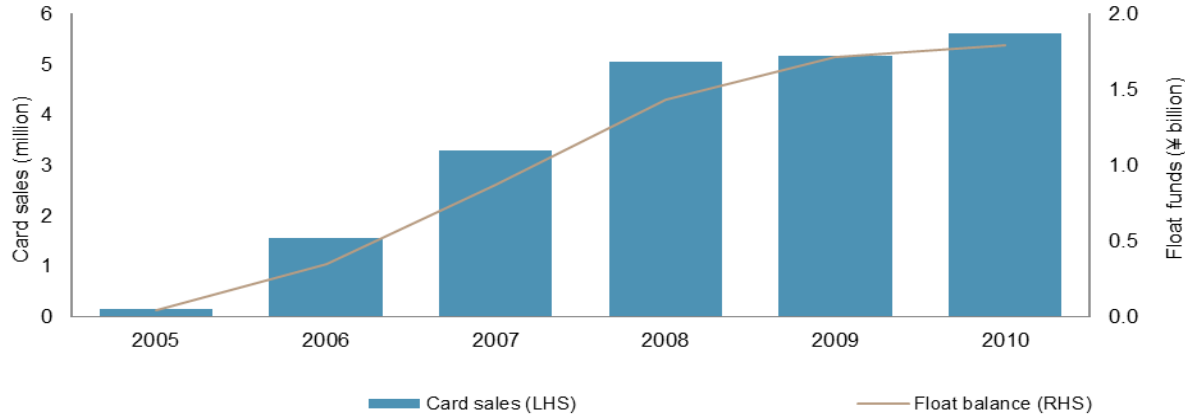
5. Prepaid Card Operations - China

SmartPASS – Card Sales & Merchants

- ▶ In January 2011, SmartPASS sales were a record of ¥543 million (A\$83 million) and the float increased to ¥2,043 million (\$A310 million). Throughout current year, sales have slowed with cyclical peak sales expected in the lead up to Chinese New Year.
- ▶ SmartPASS has expanded its sales channels by partnering with local Chinese banks to sell prepaid cards.
- ▶ SmartPASS Cards can be used at over 8,000 merchants.
- ▶ The merchant base continues to expand.

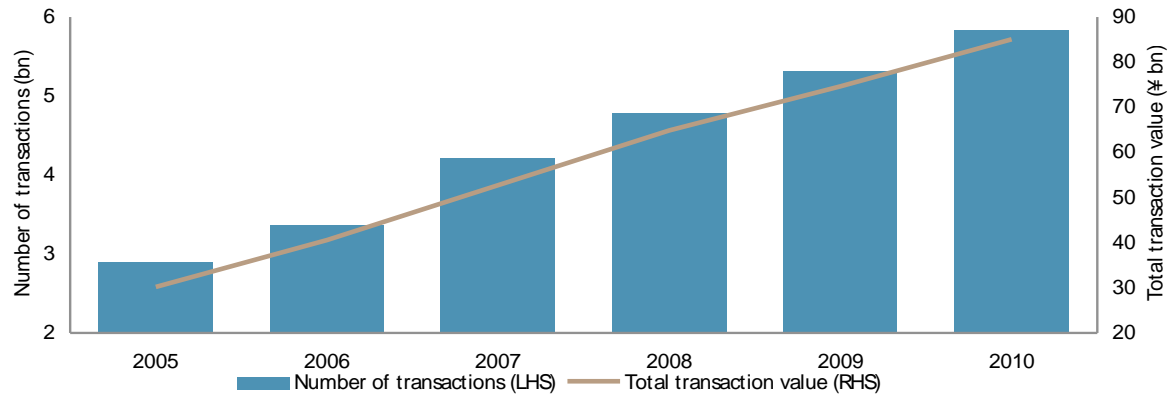
5. Prepaid Card Operations - SmartPASS

Table 1.1 SmartPASS Float Growth vs Card Sales (RMB) Year on Year.



Note: Data relates to Calendar years up to 31 December 2010.

Table 1.2 Prepaid Card Transaction Growth in China



Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources.

5. Buffet Club



- ▶ In December 2010 OnCard signed a Buffet Club Purchase Cooperation Agreement with China Citic Bank (CITIC) formalising a milestone step for OnCard to significantly expand its Buffet Club business into mainland China. The CITIC deal is a substantial bulk purchase transaction.
- ▶ Since March 2011 in excess of 100,000 Buffet Club memberships have been issued to CITIC Gold and Platinum credit cardholders with the target of 200,000 planned to be issued by mid 2012.
- ▶ In addition to the CITIC bulk deal, OnCard has also entered into an agreement to cooperate in an outsourced callcentre arrangement managed by CITIC selling Buffet Club memberships. Launched in early September 2011, sales to date have met the business forecast and are encouraging for the planned strategic growth into the China consumer market.
- ▶ The Buffet Club value proposition lies in both the number and quality of the hotel buffets on offer. Since January 2011, over 65 five star hotels have been signed across 20 cities with significant further expansion planned.
- ▶ Further expansion is planned in 2012 into Buffet Clubs operating through non-hotel restaurant packages for buffets through a core network of quality Chinese restaurants.

5. Buffet Club



OnCard Buffet Club - China Strategy

- ▶ OnCard has developed a comprehensive strategy to enhance its buffet club business throughout Asia and in particular China. The matrix below summarises the overall strategy:

	Existing Product	New Product
Existing Channel	<p>GEOGRAPHIC EXPANSION – Expansion of Cities from 15 to 50</p>	<p>PRODUCT INNOVATION – Increased range and access of products available. (Including Online Coupons)</p>
New Sales Channel	<p>CHANNEL DEVELOPMENT – Banks, Hotels, Callcentres & Airlines</p>	<p>NEW PARTNERSHIPS (eg China CITIC Bank)</p>

5. Buffet Club



▶ Growth of Market Potential:

The China consumer market is growing rapidly in affluence. Rapid expansion of five star hotel chains in China presents further opportunities. Quality hotel partners are the key to Buffet Club's value proposition and hence sales success rate. The Buffet Club hotel network now covers 20 cities in China with 65 hotels signed:

6 hotels in Beijing

15 hotels in Shanghai

7 hotels in Shenzhen

12 hotels in Guangzhou

25 hotels in other selected Tier 2 cities

Further expansion of the hotel network is occurring across mainland China with the medium term goal of 50 cities having Buffet Club hotels for members to dine at.

5. Buffet Club



▶ **Development of Callcentres:**

In discussion with several outsourcing callcentre partners in Shanghai. Initial success achieved in CITIC callcentre provides enhancement to sales training and strategy for additional outsource callcentres.

China CITIC Bank callcentre Program was launched in late August. Staffed with an experienced sales team from CITIC callcentre and good quality CITIC member data, this business has proven to be a successful revenue stream model.

▶ **Improvement of Product Margin:**

Margin improvement from product re-pricing. Value proposition arises from increasing pool of high quality 5 star hotels across selected Tier 1 and Tier 2 cities.

▶ **Consolidation of Operations:**

Profit maximisation by synergizing daily operations including card management, customer service and settlement in Shanghai and Shenzhen.

5. OnCard Rewards

- ▶ China is seeing a rapidly evolving trend of consumer wealth expansion and product demand driven by increasing domestic consumption and mass urbanisation.
- ▶ Our multimerchant rewards platform in China, Koala points program, initiated a pilot launch in September 2011. 500+ members have been recruited as pilot customers as at October 2011.
- ▶ Koala merchant network continues to expand steadily in China with 120 merchants recruited in total, including 85 online merchants and 35 instore merchants.
- ▶ Signed an initial strategic cooperation agreement with China CITIC Bank.
- ▶ Further strategic cooperation discussions continue with several significant potential partners (banks & airlines) with regard to joint reward programs through co-branded campaigns. Options also continue to be explored with regard to OnCard being a system provider for Rewards programs.
- ▶ OnCard Rewards and Buffet Club have synergistic business plans and Rewards programs will operate in conjunction with Buffet Club expansion.

6. China - Non Bank Payments Industry Update

Non Bank Payments Industry Regulations - Background

- ▶ Until recently, Non-Banking Payment Institutions in China such as SmartPASS were largely unregulated.
- ▶ The PBOC issued a new regulation governing NBPIs in June 2010 (the PBOC Announcement No. 2 [2010]) and then the detailed implementation rules in December 2010 (the PBOC Announcement No. 17 [2010]). The regulations stipulated that any NBPIs engaging in payment and settlement services within the territory of China must be approved by PBOC and obtain a Licence of Payment Services. The licence remains valid for five years following its issuance and is renewable for five-year periods upon PBOC's approval.
- ▶ A further circular was issued by the General Office of the State Council on 23 May 2011 for the Standardisation of Administration of Commercial Prepaid Cards.

6. China - Non Bank Payments Industry Update (cont'd)

Non Bank Payments Industry Regulations – OnCard Compliance Action

- ▶ The rules became effective as of 1 September 2010. NBPIs that commenced operations prior to the 1 September 2010 received a one year grace period to comply with the new regulation, lasting until 1 September 2011. This period has been extended to allow some existing NBPIs the chance to complete the licence application process as long as the initial application was made by 31 August 2011.
- ▶ The initial licence application package for SmartPASS was submitted to the PBOC on 29 August 2011. A key element of the SmartPASS licence application is the State Council ruling on foreign ownership.
- ▶ The timing of the announcement of foreign ownership rules is unknown.
- ▶ Float funds currently at call earning 1.5% at request of PBOC.
- ▶ OnCard continues to work with the appropriate Chinese regulatory bodies to pursue a successful outcome for its shareholders.

7. China Economic Outlook

- ▶ Growth is likely to be domestically driven rather than export driven which is to OnCard’s strategic benefit.
- ▶ In a report recently prepared by UBS, they believe the greatest risk to economic growth in China in the next 12 months is a global downturn or recession despite various concerns on domestic issues.
- ▶ UBS expect net exports to subtract more than 1% from GDP growth next year (2012), with additional negative impact on manufacturing investment and on household consumption.
- ▶ The Economist reported in November that China’s annual inflation fell sharply in October 2011 to annualised 5.5% from September’s 6.1%. Other data showed a slowing of Chinese industrial production leading some to suggest that the government will refocus on policies that promote growth rather than rein in inflation. The table below shows a selection of key economic indicators and forecasts for 2012-13 prepared by UBS:

	%YOY	2009	2010	2011F	2012F	2013F
GDP		9.2	10.4	9.1	8.3	8.0
Unemployment Rate (%)		4.3	4.2	4.2	4.2	4.2
Consumer Prices		-0.7	3.3	5.4	3.5	4.0
1-yr benchmark deposit rate (End %)		2.3	2.8	3.5	3.5	3.8

8. Strategic Focus Moving Forward

OnCard's strategic plan encompasses the growth and expansion across Asia Pacific of its synergistic Loyalty, Rewards and Payments business platforms including:

- ▶ Prepaid Cards:
 - Continue to grow and develop within China.
- ▶ Buffet Club:
 - Continue to expand growth into major cities across China and further develop key partnerships.
 - Expansion and innovation of product range including introduction of online coupons, luxury packages and enhanced membership offerings.
- ▶ OnCard Rewards :
 - Use existing wholly owned infrastructure to expand OnCard Rewards, incorporating our own multi-merchant rewards platform and expansion to joint reward programs through co-branded campaigns with partner banks & airlines.

OnCard International Limited
