

Summary for the Quarter ended 30 September 2017



SmartTrans Holdings Limited
ASX: SMA

An Australian based
Technology Solutions Company

Directors:

Mr Mark Vaile AO
Non-Executive Chairman

Mr Brendan Mason
CEO and Managing Director

Mr Bryan Carr
Non-Executive Director

Mr Yui (Ian) Tang
Non-Executive Director

Ms Tracy Colgan
Non-Executive Director

Mr Mark Ziirsen
Non-Executive Director

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Highlights:

- Receipts from customers of \$652,000 – lower than prior quarter due to reduced focus on low margin telco billing operations
- Progressing acquisition of Resource Connect, a personnel supply chain solutions business, highly complementary to SmartTrans' transport supply chain solutions division
- SmartTrans launches Intellectual Property Protection services to assist in the protection of Australian brands entering China, with three agreements signed since launch
- Development of more channels to market for the China eCommerce business
- Further cost reduction measures implemented following China restructure measures
- SmartTrans continues to actively pursue collection of outstanding receivables from telco partners in China through multiple channels
- Logistics business prospect base and sales leads continues to grow and new contracts signed during the quarter

31 October 2017: ASX-listed eCommerce, payments and logistics software company **SmartTrans Holdings Limited (ASX: SMA) ('SmartTrans', 'the Company')** is pleased to provide this update for the quarter ended 30 September 2017, and provide a summary of events subsequent to the end of the quarter.

Receipts from customers

Receipts from customers for the quarter were slightly lower at \$652,000 and made up of contributions from the China e-commerce operations and some recurring revenue from our Melbourne-headquartered transport logistics software business.

Customer receipts were lower than the prior quarter due to the ongoing exit of low margin telco billing operations which have not generated sufficient returns.

Chinese Operations

Our Chinese operations consist of eCommerce distribution channels and IP protection services. This new business area commenced in February 2017. We categorise this business into two distinct phases. Supply Side Operations and Demand Side Operations.

Supply Side

Supply Side Operations experienced a growth in the number of brands available to Chinese consumers. Our terms of trade are also improving. Currently half of our purchase orders from suppliers are secured of favourable payment terms which allows us to deliver products to Chinese customers before we pay for those goods. In our first six months of operations we grew rapidly,

our payment and working capital balance was unfavourable and our cash was used to fund the supply and sales growth. We've made good progress on improving asymmetric trade terms.

Purchase orders closely mimic our sales orders but we have learnt a lot about import logistics. Managing the order-to-cash cycle has improved now that we can afford a small dedicated operations team who foster the orders through the system. Logistics operations and international supply forms a core skill that we have developed.

In the past quarter, we launched a new service which protects the Intellectual Property of the Australian brands we represent. On a recent visit to a foods trade show in Hong Kong we observed that only about half of the Australian food producers had registered their trade mark in China. Our new service has had encouraging sign on. This service also makes the new brand sticky to our eCommerce platform because we have taken the time to understand the product attributes during the IP protection phase.

Finally, we have discontinued representing some brands where the margin and distribution terms expectations would not allow SmartTrans to turn a reasonable margin after overheads. It's good to show a growing suite of authentic brands but we also need to ensure that we're not representing suppliers with unprofitable demands on SmartTrans.

Demand Side

Demand Side Operations have also undergone a thorough review. Our three business to consumer (B2C) stores on Taobao and WeChat have provided us with tremendous growth but they are also the places where we experience most competition from other channels to market. In some domains the rivalry between B2C stores has created unattractive business conditions. That said, we are in the process of building a fourth B2C channel, located on JD.com, which is geared specifically to small and medium sized winemakers, there is a gap in the market where quality vineyards that crush less than 500 tonnes of fruit per year can be represented in China. To succeed in eCommerce we need to ensure that B2C is a key component of our distribution offering but not the only channel to market for genuine FMCG goods. The Chinese government will inevitably restrict some channels, like Daigou importers, in the future. We need to ensure that all our brands are import compliant so that we can place the brands we represent into their best channel to market.

Our business to business (B2B) channels represent an increasing proportion of our Chinese sales. These channels rely on SmartTrans' ability to source genuine Australian products. As an Australian listed business based in China we have the credibility that comes with our ability to understand what Australian brands want in a distribution channel to a new market like China.

We currently are in discussions with several B2B distribution channels that are searching for authentic Australian products and value our ability to relate to the Australian business ethic.

China other

In China, we maintain a watching brief on a number of new developing areas. Lottery development and other new areas of non-cash transactions are of particular interest. Our SmartPay platform provides SmartTrans with an unique selling proposition for suppliers and merchants seeking to lower financial and cross border payment risk.

Our efforts to recover the debts owed to SmartTrans by China Mobile have not yet yielded a successful payment. We continue to implement our debt recovery program and will continue to work with China Mobile on a negotiated recovery of this debtors outstanding balance.

Supply Chain Operations

The sales pipeline of prospects for the company's logistics software solution continues to grow and is being developed in Australia through an expanded sales force.

The Company signed \$520,000 (\$190,000 of which expected in first 12 months) of new and existing contracts during the quarter. With high customer retention SmartTrans is also currently working with its existing clients to provide

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more value add services to their logistics functions and potential to roll-out the expending implementation of the software to cover more client locations nationally.

The synergies resulting from the Resource Connect will increase the sales pipeline opportunities for our Supply Chain Business.

Financial Notes

The company's cash holding at 30 September 2017 was \$557,000 compared to \$621,000 as at the end of the previous quarter. The balance of funds available for drawdown under the Lanstead funding arrangement.

As announced on 28 December 2016, the company secured funding of \$4,000,000 from UK-based Lanstead Capital LP. The company retained \$600,000 of the \$4,000,000 subscribed by Lanstead Capital LP and invested the balance, amounting to \$3,400,000, under the terms of the Sharing Agreement referred to in the Company's announcement released on 28 December 2016. This Sharing Agreement provides for SmartTrans to receive additional funds on a monthly basis without any further issue of shares.

During the Quarter, SmartTrans also secured \$600,000 in investment by way of a placement to China-based investors. The placement raised \$600,000 at \$0.01, which represent an 11% premium to the company's closing price on 28 July 2017.

Events subsequent to the end of the quarter

Resource Connect Transaction

On 16 October 2017, the Company announced that it had entered into a binding Heads of Agreement for the proposed acquisition (Acquisition) of Resource Connect Pty Ltd (Resource Connect) and iCuro Pty Ltd (iCuro) for (resourceconnect.com.au). Resource Connect is a profitable, privately-held personnel supply chain management solutions business that strongly complements SmartTrans' transport supply chain management division.

Following the announcement, the ASX confirmed that it will not require the Company to meet afresh the requirements of Chapters 1 and 2 of the ASX Listing Rules (as if the Company were applying for admission to the official list) in connection with the Acquisition. The Acquisition remains subject to a number of conditions including shareholder approval at the AGM which has been postponed until 19 December 2017, allowing the Company to combine the AGM with a vote by shareholders on the proposed Acquisition.

The deal is immediately revenue and earnings accretive for SmartTrans shareholders. Resource Connect's FY2017 revenues were \$7.5M. Resource Connect has been consistently profitable since 2013 and has been paying fully franked dividends for the past three financial years.

Resource Connect's patented system platform (icuro.com.au) is a cloud-based solution that allows its blue chip customers to coordinate the movement of personnel at multiple widely-distributed locations in real time.

The business operates from its headquarters in Hendra, Queensland. The iCuro platform has strong synergies with SmartTrans' supply chain solutions for transport and field services operations. The combined entity will offer clients an outstanding suite of planning, management and tracking solutions.

– ENDS –

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About SmartTrans

SmartTrans Holdings Limited (ASX:SMA) is a leading Australian software and technology provider that offers cutting-edge solutions for the online retail and logistics markets. The company operates a payment gateway for the Chinese and Australian markets.

China - In partnership with leading Chinese e-commerce firms, SmartTrans has built online marketplaces from which quality-conscious consumers in China's rapidly growing middle class are able to purchase Australian premium consumer products.

Supply Chain Australia - In addition, SmartTrans has long-term contracts with some of Australia's leading blue-chip organisations for its proprietary, cloud-based supply chain solutions telematics software as a service (SaaS).

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SmartTrans Holdings Limited

ABN

86 009 065 650

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	652	652
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(799)	(799)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(377)	(377)
(f) administration and corporate costs	(429)	(429)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(953)	(953)

2. Cash flows from investing activities

2.1 Payments to acquire:

- (a) property, plant and equipment
- (b) businesses (see item 10)
- (c) investments

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities		

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	902	902
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (Bond)		
3.10 Net cash from / (used in) financing activities	902	902

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	621	621
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(953)	(953)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		
4.4 Net cash from / (used in) financing activities (item 3.10 above)	902	902

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	Cash and cash equivalents at end of quarter	567	567

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	566	566
5.2	Call deposits	1	1
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	567	567

Note: An additional \$234k was received in the first week of April 2017.

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	8
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Directors' salary paid during the quarter		

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)	1,647	*2,353
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

As announced on 28 December 2016, the company secured funding of \$4,000,000 from UK-based Lanstead Capital LP.

This Sharing Agreement provides for SmartTrans to receive additional funds on a monthly basis without any further issue of shares.

* Compromised of revaluation adjustments and \$862,000 received in cash to the end of the quarter.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(373)
9.3 Advertising and marketing	
9.4 Leased assets	
9.5 Staff costs	(471)
9.6 Administration and corporate costs	(535)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	*(1,379)

* SmartTrans is an operating business that generates cash inflows each quarter, including receipts from customers. The above summary of anticipated cash outflows does not fully reflect the anticipated net cash flows for the following quarter, as it excludes cash inflows (such as receipts from customers).

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 31/10/17.

(Managing Director)

Print name: Brendan Mason

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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