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## **ASX ANNOUNCEMENT – SMARTTRANS HOLDINGS LIMITED (ASX: SMA)**

**16 July 2018**

### **Strategic Review & eCommerce Divestiture**

**16 July 2018: SmartTrans Holdings Limited (ASX: SMA) (“SmartTrans” or “the Company”)** is pleased to announce that following a strategic review, it has entered into a binding Heads of Agreement with 2WayWorld Technologies Pty Ltd (“**2 Way World**”) for the proposed divestment of the SmartTrans China eCommerce business structure owned by its 100% subsidiary Smartrans (HK) Limited and its related Chinese mainland subsidiary SmartTrans Technology (Beijing) Company Limited.

The transaction is subject to a number of conditions, including the completion of due diligence and SmartTrans entering into a share sale agreement with 2 Way World. The transaction excludes SmartTrans debtors, creditors and the legal action against China Mobile Jiangsu for the recovery of CNY20 million (~AUD4 million) trade debt owed to SmartTrans (ASX: 29 June 2018).

#### **Strategic Review**

Following recent Board and senior management changes, SmartTrans has undertaken a strategic review of its business. This has revealed that our shareholders and customers have both historically misunderstood the Company’s strategy in relation to the two core businesses: industrial logistics solutions and China eCommerce. Potential investors in the Company invariably prefer a ‘pure play’ company rather than those stocks that are built upon unrelated diversification.

The Strategic Review was prompted in part by favourable developments and the growth profile of SmartTrans’ **Transport Logistics, Health Logistics** and **Resources Logistics** business units.

SmartTrans’s unprofitable China eCommerce business was identified as an unattractive sector. The China eCommerce sector is characterised by intense rivalry with competition ranging from the large, well-known, Chinese eCommerce platforms through to low-cost exporters known as ‘daigous’. As a result, many medium-sized Chinese based eCommerce platforms have shut down in the past year as the Chinese eCommerce industry consolidates.

Following the review, SmartTrans’ Board took the decision to offer its Hong Kong and mainland China corporate structure as a trade sale. The divestment is an opportunity to simplify the Company’s corporate structure, and it allows SmartTrans to focus on the growth and development of its three Australian core logistics operations.

#### **Divestment of Hong Kong and China Mainland Entities**

On 13 July 2018, a binding heads of agreement was entered into for the sale of SmartTrans’s interests in its Hong Kong entity, Smartrans (HK) Limited and its wholly foreign-owned subsidiary incorporated in Beijing, SmartTrans Technology (Beijing) Company Limited which has arrangements with a Beijing incorporated Chinese owned entity.

The potential acquirer is 2WayWorld Technologies Pty Ltd, a financial technology sector business who is seeking to develop a permanent presence in the Chinese market. The divestment transaction proposes that 100% of the shares

in Smartrans (HK) Limited will be sold for a consideration of A\$300,000, plus a transaction expense allowance of A\$60,000. Settlement is expected this month.

### **Management Commentary**

**SmartTrans Chairman Nicholas Johansen said:** “Our Strategic Review has highlighted the need to simplify our structure and activities. Our China eCommerce and Australian logistics businesses are best described as ‘unrelated diversification’ with very few synergies. We have taken the decision to focus the Board’s and Management’s efforts to scale up the most attractive business, our Australian logistics operations, where we believe we will add considerable value to shareholders.”

**SmartTrans Managing Director Brendan Mason added:** “SmartTrans is well advanced in resetting its growth strategy. We have a new Board, a new Management team and some lucrative opportunities where shareholders will gain exposure to a pure play in three attractive logistics segments:

**Resources Logistics:** The sheer scale of operations in the resources sector provides material upside for investors. For example, A mine shutdown maintenance trial (ASX: April 19, 2018) has been successfully completed. We look forward to providing more resources logistics news soon.

**Health Logistics:** Our recently launched Orcoda Healthcare Logistics division is an exciting new venture that taps into a huge unmet need for efficient technology services for the disability (NDIS) and aged care markets.

**Transport Logistics:** Our Transport efficiency operations division has a full sales funnel, especially in light of recent challenges by competitors with gimmicky solutions. The needs of our customers vary enormously but, despite this variation, customer conversion contract rates are a healthy ~50% and customers in the logistics sector are loyal with most renewing contracts for a second, and third contract term.”

Further details on the 2 Way World transaction will be provided on August 7, 2018 as part of an operational update presentation at an extraordinary general meeting of shareholders.



Brendan Mason  
Managing Director

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