

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities
A.B.N. 86 009 065 650

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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SMARTTRANS HOLDINGS LIMITED
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DIRECTORS' REPORT

Your Directors present their report together with the interim report of the consolidated entity for the half year ended 31 December 2014.

The names of Directors in office at the date of this report are:

- Geoffrey W Raby BEc (Hons) MEc PhD – Chairman
- Andrew D Forsyth LLb– Director
- Bryan E Carr BSc– Director
- Ian Robert Hawkins– Director
- Yui Ian Tang- Director

The above named Directors held office during and since the end of the half-year.

Review of Operations

OVERVIEW

SmartTrans is pleased to report strong financial and operational progress for the half year ended 31 December 2014. Revenue for the half was a record at \$1.96 million representing a 95% increase on the previous corresponding period and almost equal to the entire revenue booked in FY2014.

The company is very encouraged by this result which is a reflection of the focus SmartTrans has placed on growing its proprietary SmartPay payments platform in China and underpinned by solid revenue contribution from its Australian business.

The China SmartPay business delivered revenue of \$744,173 for the half, with over \$218,445 generated in December alone.

The benefit of the company's subscription billing business model is borne out in the recurrent nature of revenue earned from its customers and is illustrated by the actual costs and revenue for one particular product line in China as set out below.

Table 1: SmartTrans Product Sample - Expense Recognition and Monthly Revenue

ACTUAL	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
REVENUE	\$14,598	\$75,215	\$66,296	\$56,138	\$46,459	\$43,796
EXPENSE	\$46,922	\$199,807	\$15,741	\$0	\$0	\$0
P/L	(\$32,324)	(\$124,592)	\$50,556	\$56,138	\$46,459	\$43,796

Whilst the company recognises the expense of customer acquisition in the month it is incurred, revenue is generated in subsequent months from these customers for no further expense.

This adversely effects the company's financial performance in the current term but positively benefits the company in subsequent months.

SmartTrans notes that while the period was cash flow negative, and did not result in a statutory profit, the Board took the decision to invest heavily in its SmartPay business and strengthening top line growth as a priority. This investment in customer acquisition is continuing to generate revenue into the second half of FY2015 for no additional cost.

Operational Overview

Online & Mobile Payments Platform in China

SmartTrans' has placed significant focus and investment during the half on securing new third party agreements for the SmartPay integrated payments platform for China's growing smartphone market, now the largest in the world¹.

¹ Source: www.chinamobileltd.com, www.chinaunicom.com, www.chinatelecom.com.cn

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A major achievement was the agreements signed for billing functionality with two of China's largest state-run telecommunications companies, China Unicom and China Telecom, in addition to an existing one with China Mobile.

As a result, SmartTrans now has direct-to-phone billing agreements with all three Chinese state-owned telcos, providing unrivalled reach and access to the 1.26 billion subscribers that these companies collectively have, along with the billing functionality it has via AliPay, UnionPay and ChinaPay².

SmartTrans also had considerable success adding new partnerships for App and content distribution, as well as SmartPay mobile payment integration, most notably:

- Securing product and in-App billing agreements with six leading Chinese smartphone games developers.
- Executing a contract with ASX listed company, Entellect Ltd, to distribute their KNeoWorld educational games Apps in China, integrated with SmartPay.
- Securing an MOU to promote and distribute content for China's oldest existing and first online newspaper, Ta Kung Pao³.
- Signing an agreement to develop a new and innovative travel App for China International Travel Service, China's oldest and largest travel services provider⁴.

The SmartPay platform continues to deliver greater uptake and revenue, in particular through the number of recurring transactions made through monthly in-App subscription billings, an initiative implemented in July 2014. Since then, SmartTrans' month-on-month revenues have increased significantly, as shown below.

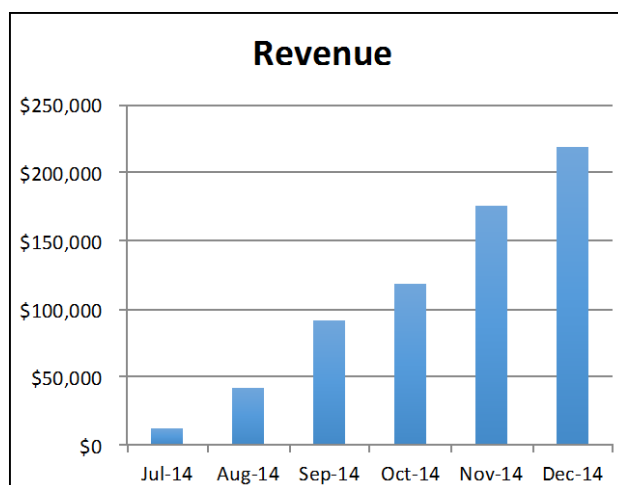


Figure 1. – Revenue generated by SmartTrans' operations in China to end December 2014

Through the initiatives outlined above, and with a significant investment in marketing the SmartPay platform, SmartTrans reached the milestone of 1 million payments transacted in November 2014 (for FY 2015), following this with over 500,000 transactions in the month of December alone. The Company is confident this progress will continue in the second half.

Logistics Software & Services Business in Australia

SmartTrans is pleased with the solid performance of its logistics software and services business in Australia, which delivered revenue of \$1,214,810 for the Half Year period, (includes revenue from a prior period), an increase of 88% on the previous corresponding period \$647,839.

This solid result is supported by the contracts that SmartTrans has in place with numerous blue-chip clients in Australia, which are generally for a period of three to five years and have a high retention rates. This provides SmartTrans with a stable and recurrent revenue source that continues to underpin the Company's growth.

² Source: www.chinamobileltd.com, www.chinaunicom.com, www.chinatelecom.com.cn

³ Source: <http://takungpao.com.hk.w3snoop.com>

⁴ Source: www.cits.net/about/

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Due to the significant growth in the logistics industry caused by the popularity of online shopping, SmartTrans is seeking to expand its presence in Australia and also in China, leveraging off its well-established partnerships and market presence there.

CEO Commentary

The record revenue is very encouraging and a clear indication that our strategy of securing new third party billing agreements for our SmartPay platform is now starting to generate very meaningful and sustainable revenue. What is particularly noteworthy is the revenue growth is all organically driven.

The hard work we have undertaken over a number of years to establish the Company in China, to build trust, credibility and valuable partnerships, now appears to be paying off. This is reflected in the rapid uptake and use of the SmartPay platform, notably by some very large state-owned Chinese enterprises as well as from lucrative smart phone app game developers and content providers.

The emergence of subscription billing, or repeat purchases by Chinese consumers using their smartphones, is a very significant development as SmartTrans is generating a growing base load of recurring revenue. We expect this will be transformational for the company.

It is also pleasing to note that our logistics division in Australia continues to perform well. Contract retention rates are very strong, which is a solid endorsement from the blue chip customers that use the software.

Outlook

We are confident that SmartTrans can continue to deliver strong and sustainable revenue growth especially given the significant investment we have made in the SmartPay platform. The Board has backed Management's strategy to continue building top-line growth so we build a much larger and diversified revenue base. This means we will continue to invest in the rollout of the SmartPay platform.

In the near term we expect to secure a number of new third party billing agreements with large and well recognised Chinese private and government companies. The benefits of subscription billing continues to be apparent in the second half with continuing subscription-based revenue generated in January confirming the success of the company's business model.

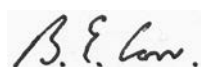
The growth in the logistics industry caused by the growing popularity of online shopping also provides SmartTrans with potential opportunities to expand this business into China while also pursuing new contract opportunities in Australia.

SmartTrans enters the second half of FY 2015 with two well defined and focused business lines aligned with key growth sectors. The company is well placed for continued growth and is on track to become cash flow positive and profitable in FY2016.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in this interim financial report.

Signed in accordance with a resolution of the Board of Directors.



Bryan E Carr
Managing Director

Signed this 27th February 2015

RSM Bird Cameron Partners

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SMARTTRANS HOLDINGS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SmartTrans Holdings Limited which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of SmartTrans Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SmartTrans Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the SmartTrans Holdings Limited financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Philip A Ransom

P A RANSOM

Partner

27 February 2015
Melbourne

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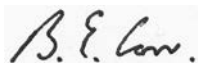
DIRECTORS' DECLARATION

The directors of the company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



BRYAN E CARR
Managing Director

Melbourne, Victoria

Dated: 27th February 2015

SMARTTRANS HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2014

	31 Dec 2014 \$	31 Dec 2013 \$
Revenue	1,961,653	1,023,547
Cost of sales	(1,797,265)	(310,532)
Employee benefits expense	(590,562)	(743,829)
Depreciation expense	(4,014)	(3,805)
Audit & Tax expense	(74,852)	(7,250)
Occupancy expenses	(68,322)	(122,172)
Legal expense	(76,718)	(116,693)
Share based payment	(12,172)	(49,506)
Other expenses	(256,717)	(683,613)
Loss before income tax	(918,969)	(1,013,853)
Income tax benefit	-	-
Loss for the period	(918,969)	(1,013,853)
Other Comprehensive Income for the period	-	-
Total Comprehensive Loss for the Period	(918,969)	(1,013,853)
Basic loss per share (cents per share)	(0.05)	(0.06)
Diluted loss per share (cents per share)	(0.05)	(0.06)

The accompanying notes form part of these financial statements

SMARTTRANS HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 Dec 2014 \$	30 Jun 2014 \$
CURRENT ASSETS			
Cash and cash equivalents		1,647,179	813,913
Trade and other receivables		940,260	230,801
Intangible asset		6,190	122,742
Other non-financial assets		34,625	19,902
Other financial assets		-	-
TOTAL CURRENT ASSETS		2,628,254	1,187,358
NON CURRENT ASSETS			
Trade and other receivables		26,981	13,796
Property, plant and equipment		21,626	21,463
TOTAL NON CURRENT ASSETS		48,607	32,259
 TOTAL ASSETS		 2,676,861	 1,222,617
 CURRENT LIABILITIES			
Trade and other payables		891,327	613,155
Provisions		114,787	126,056
Other Borrowings		-	700,000
TOTAL CURRENT LIABILITIES		1,006,114	1,439,211
 TOTAL LIABILITIES		 1,006,114	 1,439,211
 NET ASSETS		 1,670,747	 (216,594)
 EQUITY			
Issued capital	4	67,722,125	64,927,987
Reserves		598,401	586,229
Accumulated losses		(66,649,779)	(65,730,810)
TOTAL EQUITY		1,670,747	(216,594)

The accompanying notes form part of these financial statements

SMARTTRANS HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Half-Year Ended 31 December 2014

	Issued Capital		Accumulated losses	Total Equity
	Ordinary	Reserves		
	\$	\$	\$	\$
Balance at 1 July 2013	64,805,669	504,530	(61,354,531)	3,955,668
Shares issued during the period	124,000	-	-	124,000
Cost of share issues	(1,682)	-	-	(1,682)
Share based payments	-	49,506	-	49,506
Loss for the period	-	-	(1,013,853)	(1,013,853)
Other Comprehensive Income / (Loss)	-	-	-	-
Balance at 31 December 2013	64,927,987	554,036	(62,368,384)	3,113,639
Balance at 1 July 2014	64,927,987	586,229	(65,730,810)	(216,594)
Shares issued during the period	3,000,000	-	-	3,000,000
Cost of share issued	(205,862)	-	-	(205,862)
Share based payments	-	12,172	-	12,172
Loss for the period	-	-	(918,969)	(918,969)
Other Comprehensive Income / (Loss)	-	-	-	-
Balance at 31 December 2014	67,722,125	598,401	(66,649,779)	1,670,747

The accompanying notes form part of these financial statements.

SMARTTRANS HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2014

	31 Dec 2014	31 Dec 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,221,311	172,519
Payments to suppliers and employees	(2,480,981)	(1,705,476)
Research and development tax concession	-	371,373
Interest received	2,976	19,614
	(1,256,695)	(1,141,970)
Cash flows from investing activities		
Payments for property, plant and equipment	(4,177)	(3,422)
Proceeds from sale of tenements	-	-
Payments for mineral exploration and evaluation Expenditure	-	(8,990)
	(4,177)	(12,412)
Cash flows from finance activities		
Proceeds from issue of convertible loan	500,000	-
Receipts from issue of shares	1,800,000	122,318
Payments for share issue costs	(205,862)	-
	2,094,138	122,318
Net increase in cash and cash equivalents	833,267	1,032,064
Cash and cash equivalents at beginning of period	813,913	2,410,232
Cash and cash equivalents at end of period	1,647,180	1,378,168

The accompanying notes form part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Reporting Basis and Conventions

The financial report covers the consolidated entity of SmartTrans Holdings Limited and controlled entities. SmartTrans Holdings Limited is a listed company and incorporated and domiciled in Australia.

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

The half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by SmartTrans Holdings Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under Corporations Act 2001.

The accounting policies applied by SmartTrans Holdings Limited in this financial report are the same as those applied by SmartTrans Holdings Limited in the consolidated financial report as at and for the year ended 30 June 2014.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$918,969 and had net cash outflows from operating activities of \$1,256,695 for the period ended 31 December 2014. As at that date the consolidated entity had net current assets of \$1,622,140.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Marketing and administration costs are constantly being monitored to they are kept at minimal levels.
- Marketing expenditure are variable month by month and the level of spend is at the sole discretion of SmartTrans management.
- The Company in the past has been able to raise capital as and when required and the Directors believe it could do so in the future if it becomes appropriate to do so, as evidenced in the consolidated statement of cash flows and Note 4.
- The cash flows for the consolidated entity indicate there are sufficient funds to enable its cash requirements to be met over the 12 month period from the date of this report and sufficient working capital to enable the economic entity to meet its debt's as and when they fall due.

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2. EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the state of affairs or operations of the consolidated entity in the future financial periods.

3. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2014.

4. ISSUED CAPITAL

During the half-year reporting period 300,000,000 additional shares were issued at a value of \$0.01 each to a total value of \$3,000,000.

In addition, the following movement in options were recorded;

Grant date	Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Expired / forfeited	Balance at end of the year
7/09/2011	7/10/2014	\$ 0.0186	6,666,666			6,666,666	-
9/09/2014	9/09/2016	\$ 0.03	-	10,000,000	-	-	10,000,000
9/09/2014	9/09/2016	\$ 0.04	-	10,000,000	-	-	10,000,000
			<u>6,666,666</u>	<u>20,000,000</u>	<u>-</u>	<u>6,666,666</u>	<u>20,000,000</u>

5. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

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6. SEGMENT INFORMATION

The consolidated entity has identified its operating segments based on internal reports that are provided to the Board of Directors on a regular basis. Management has identified two operating segments which also reflect the geographical location of the economic entity: **Logistics Software & Services** (Australia) and **Online & Mobile Payments** (China).

Business and Geographic Segment Summary:

For the half year ended 31 December 2013

	Australia	China	Consolidated
	\$	\$	\$
Total Segment Revenue	647,839	356,100	1,003,939
Segment Loss	(75,513)	(399,783)	(475,296)
Segment Assets as at 31 December 2013	411,268	631,463	1,042,731

For the half year ended 31 December 2014

	Australia	China	Consolidated
	\$	\$	\$
Total Segment Revenue	1,214,810	744,173	1,958,983
Segment Profit / (Loss)	183,005	(855,559)	(672,554)
Segment Assets as at 31 December 2014	390,202	848,198	1,238,400

Reconciliation of reportable segment revenue	31 December 2014	31 December 2013
	\$	\$
Total segment revenue	1,958,983	1,003,939
Interest Income	2,893	19,608
Total Revenue	1,961,876	1,023,547

Reconciliation of reportable segment loss	31 December 2014	31 December 2013
	\$	\$
Total loss for reportable segments	(672,554)	(475,296)
Share based payment	(12,172)	(49,506)
Corporate costs	(237,136)	(508,659)
Interest income	2,893	19,608
Loss before income tax	(918,969)	(1,013,853)

Reconciliation of reportable segment assets	31 December 2014	31 December 2013
	\$	\$
Reportable segment assets	1,238,400	1,042,731
Unallocated Assets	1,438,461	2,885,728
Total Assets	2,676,861	3,928,459

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Smarttrans Holdings Limited for the half year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM BIRD CAMERON PARTNERS****P A RANSOM**

Partner

27 February 2015

Melbourne