SmartTrans

SmartTrans Holdings Limited (ASX: SMA)

Investor update – Q2 2015

February 2015

Corporate overview

Major Shareholders	% Ownership
Directors, management, related ownership	49.95
Top 20	59.91
Dymocks Securities Pty Ltd	18.04
Loyal Strategic Investment Limited	10.97
Ocean Magic Investments Limited	6.22
Jamajon Pty Ltd	3.71
ITS Worldwide Ltd	2.95

Corporate Snapshot	
ASX Code	SMA
Cash (as at 31 December, 2014)	$1.5 million
Market Cap (at $0.01/share)	$19 million
52 week high ($/share)	$0.025
52 week low ($/share)	$0.009
Shares on issue	1,928,183,299

Board of Directors

Dr Geoff Raby
Non-Executive Chairman

Andrew Forsyth
Non-Executive Director

Yui (Ian) Tang
Non-Executive Director

Ian Hawkins
Executive Director

Bryan Carr
Managing Director

Two established businesses

1.

SmartPay – smartphone payments platform servicing China market

- Allows companies to transact and process payments in China
- SmartTrans receives royalty revenue by operating billing platform
- Use of SmartPay platform in China is growing rapidly
- Growing uptake of SmartPay by well established Chinese and foreign companies
- Mobile payments preferred payment method for Chinese consumers

2.

Mobile & online Logistics software provider in Australia

- Logistics software to optimise goods delivery
- Blue chip customer base
- Recurring revenue from long term contracts – typically 3-5 years
- Tender pipeline of new contracts to give the business greater scale
- Pursuing growth opportunities in China

Current growth drivers

1\.

SmartPay Mobile Payments

- Four new groups licencing SmartPay platform in China – all secured in HY2015
- Customers include smartphone games developers, mobile content providers, media and travel
- Subscription billing by Chinese consumers generating recurring revenue
- Monthly customer retention of 80% from prior month
- New SmartPay agreements pending

2\.

Mobile & Online Logistics Business

•Mature online and mobile software products

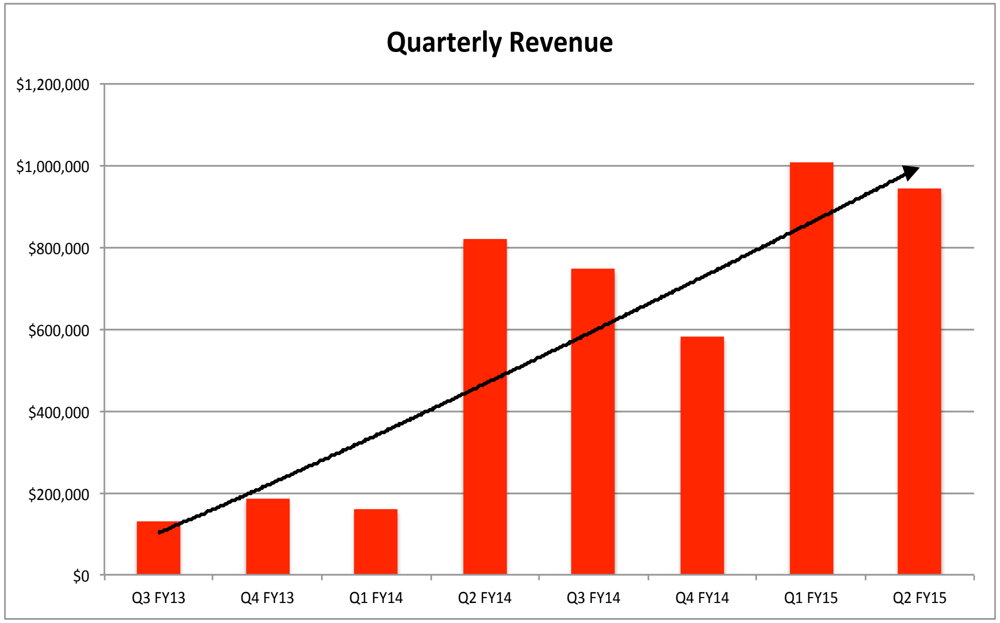
•Pursuing new long-term contracts in Australia & expansion opportunities in China

•New tenders being pursued with large Australian businesses

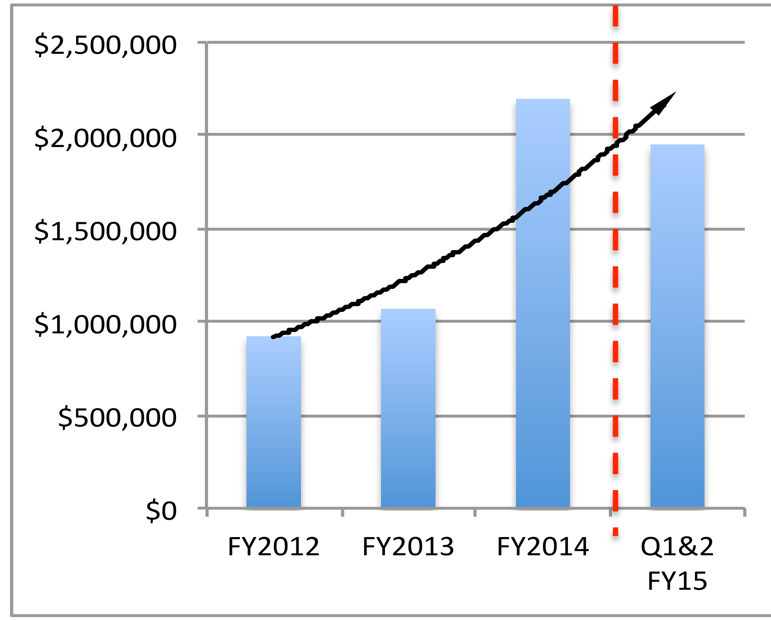
•Pursuing opportunities to enter China market – logistics sector presents growth opportunities

Revenue profile

Quarterly revenue



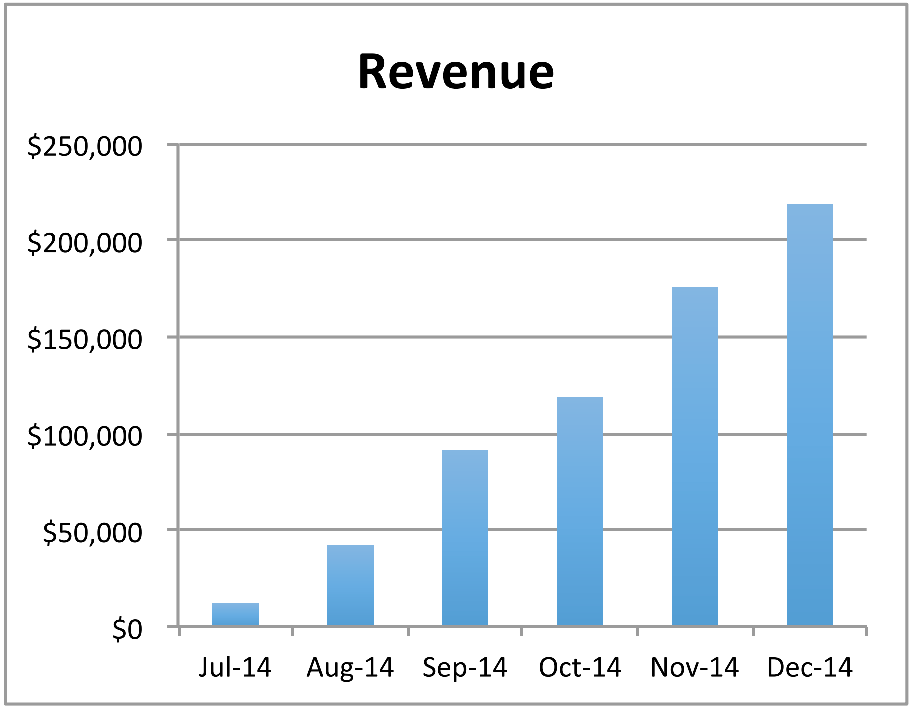
Annual revenue FY2012–FY2014 vs HY2015



- FY2015 Q2 revenue of circa $1 million
- $512,000 of revenue generated from SmartPay platform and $480,000 from Logistics business in Q2 2015
- $220,000 of revenue generated from SmartPay in December alone
- SMA's HY2015 revenue is circa $2 million - equal to total revenue for FY2014

SmartPay mobile payments revenue growth in China

- Sixth consecutive month of revenue growth from China mobile billing business (July to December 2014)
- Subscription billing is delivering recurring monthly revenue with no further customer acquisition cost
- Revenue is derived in first month and subsequent months
- Customer retention rates on subscription billing 80%+ after 90 days
- Billing transactions in last Quarter – 1.17 million
- 505,000 billing transactions in December 2015



SmartPay platform – how SmartTrans earns revenue

SMARTTRANS
¥7.20 ($1.44)
¥27.20 ($5.44)
¥39.20 ($7.84)
¥79.20 ($15.84)

- SmartPay system is the embedded in-app billing platform used by Chinese smartphone game developers
- SMA earns revenue from up-front content purchase and subscription billing – repeat purchases
- SMA also markets content to a large number of mobile app users via its multiple billing relationships
- SmartPay is now used by 6 smartphone game and content providers – strategy is to increase number of providers

AUD1.00 = CNY5.00

New SmartPay agreement 1: Travel sector

- SmartTrans and China International Travel Service (CITS) to provide new travel App with SmartPay platform
- App to utilise CITS' travel products and SMA's proprietary mobile payments platform to facilitate payment
- CITS is a state-owned enterprise, established in 1954 and among China's Top 500 Enterprises[1]
- CITS won No.1 Brand of the Year 2014 released by World Brand Lab on Dec 29, 2014[2]
- SMA looking to tap into huge and growing outbound tourism market in China – 98.19 million tourists in 2013[3]
- App will cater for inbound tourists from Australia – over 700,000 tourists last year[3]

[1]www.cits.net/about/cits.html, [2]www.cits.net/about/company-news/, [3]*www.travelchinaguide.com/tourism/2013statistic*

New SmartPay agreement 2: Media sector

- SmartTrans working with China's oldest existing and first online newspaper – Ta Kung Pao[1]
- MOU for SmartTrans to distribute Ta Kung Pao online news in China with telco partner
- Agreements with telcos give SmartTrans and Ta Kung Pao reach to an audience of 1.26 billion[2]
- SmartTrans aiming to establish channels to distribute Ta Kung Pao online content globally

1. www.takungpao.com 2.www.chinamobileltd.com, www.chinaunicom.com, www.chinatelecom.com.cn,

SmartPay mobile payments platform explained

SmartTrans

SmartTrans

Consumer makes purchase on mobile device or online

- Revenue derived from Chinese consumers making purchases through mobile devices and online

Transaction processed through SMA's payment platform

•SMA earns revenue from transaction:
- Fee for use of payments platform
- Purchase of online content

Direct settlement to SMA's bank account

- 24 hours with Union Pay and Alipay
- 80-90 days with China Mobile, China Unicom, China Telecom (standard terms for China telcos)

Examples of payments using SMA platform	Transaction value	SmartTrans
Third-party game or content App provider	¥18 ($3.60)	**¥7.20 ($1.44)**
User purchases mobile app/content subscription	¥5 ($1.00)	**¥2.00 ($0.40)**
Third party corporate using billing platform to bill its customers	¥100 ($20.00)	**¥3.00 ($0.60)**

AUD1.00 = CNY5.00

SmartPay - long standing agreements with key China payment gateways

- Long-term relationships and agreements in place with China's teleco and billing providers
- High Barriers to Entry: SMA has the agreements, licences and registrations – assembled over many years

- Direct-to-phone billing and In Application billing with China Mobile
- China Mobile has 784 million customers*
- Agreement with China Mobile – retains 30% as a fee

- Direct-to-phone billing and In Application billing with China Telecom
- China Telecom has 190 million customers*
- Agreement with China Telecom - retains 30% as a fee

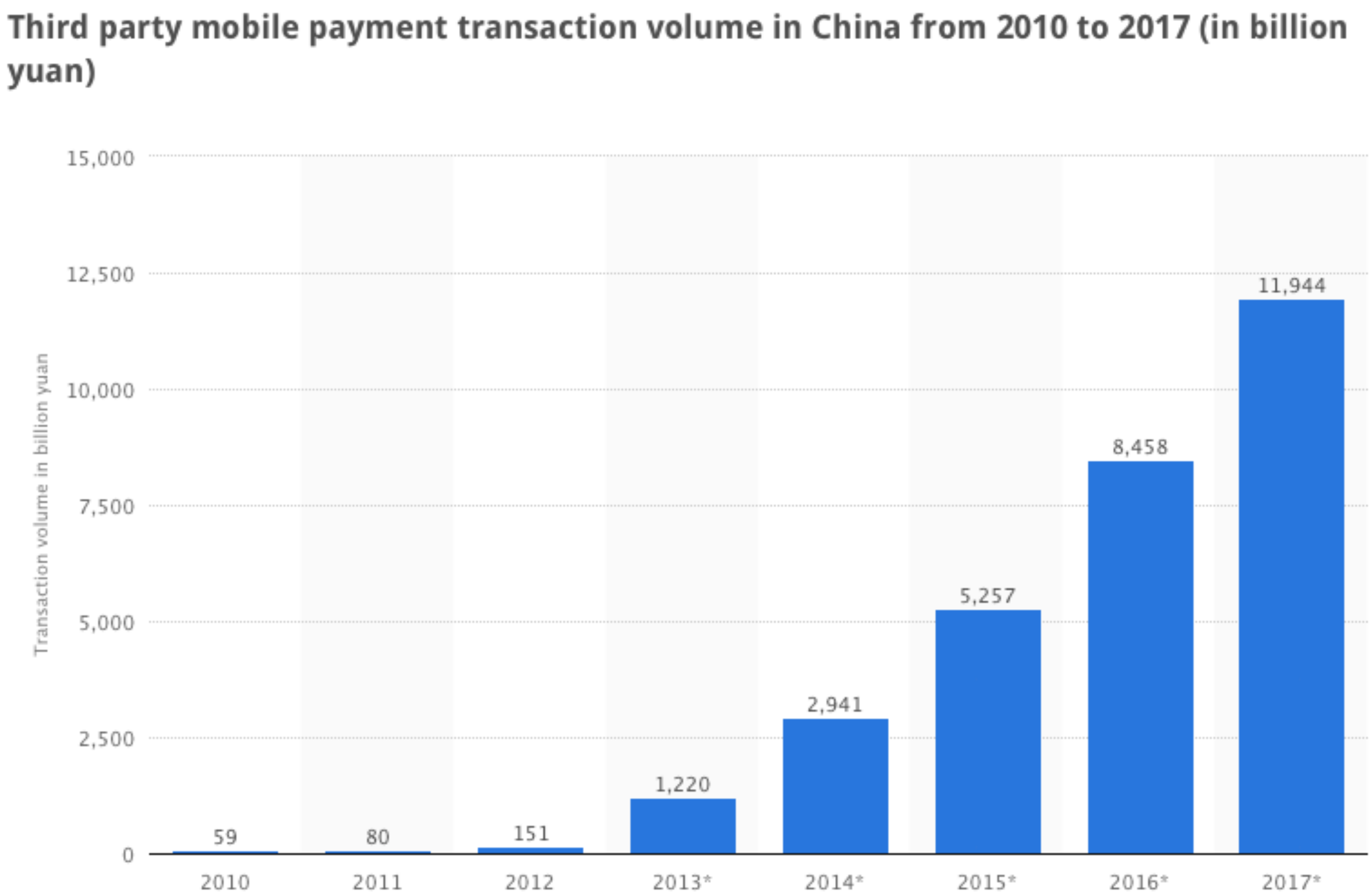
- Direct-to-phone billing and In Application billing with China Unicom
- China Unicom has 285 million customers*
- Agreement with China Unicom - retains 30% as a fee

- Annually auto renewing agreement in place with Alipay
- Circa 600 million subscribers*
- AliPay charges SMA 1% of transaction fee to access its platform

- Over 1 billion UnionPay account holders in China*
- Annually auto renewing agreement to utilise UnionPay in its platform
- UnionPay charges SMA 0.65% of transaction fee to access its platform

* Source: www.chinamobileltd.com, www.chinaunicom.com, www.chinatelecom.com.cn, www.alipay.com, www.unionpay.com

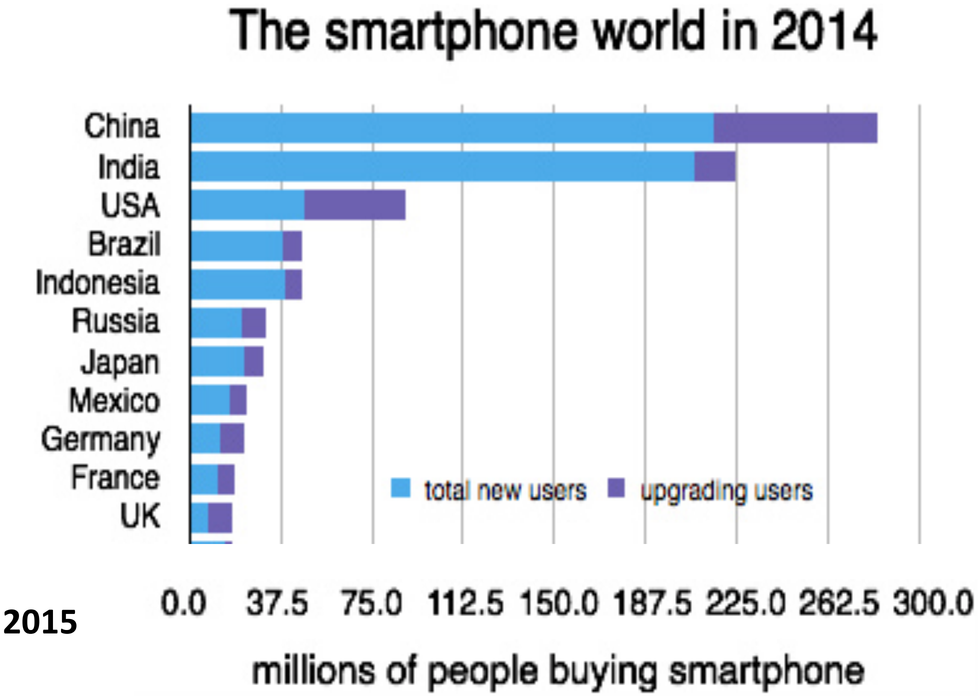
Mobile payments growing rapidly in China



The turnover of Chinese mobile payment industry grew 317.56% year-over-year to 9.64 trillion yuan ($1.59 trillion) in 2013, while the number of orders hiked 212.86% year-on-year to 1.67 billion, according to the bank-level data released by Chinese central bank-People's Bank of China.

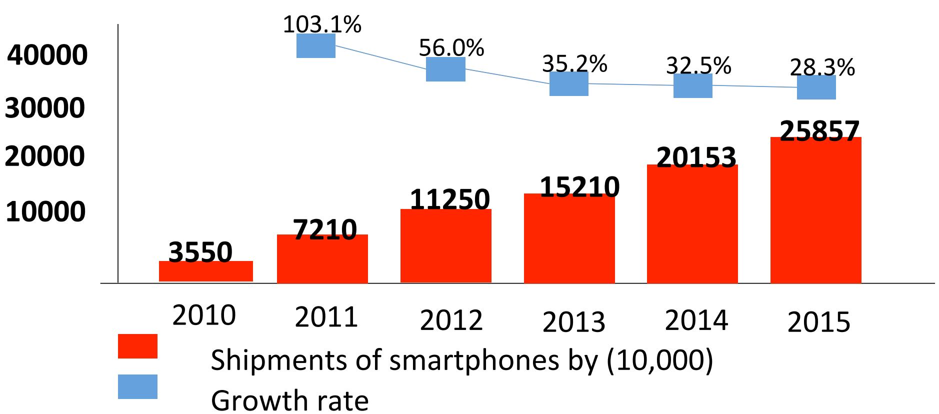
Source: http://technode.com/2014/02/17/chinas-mobile-payment-turnover-soared-317-yoy-to-1-59-trillion-dollars-in-2013-pboc/

Smartphone use and export growing rapidly in China



Source: www.theguardian.com/technology/2014/jan/13/smartphone-explosion-2014-india-us-china-firefoxos-android

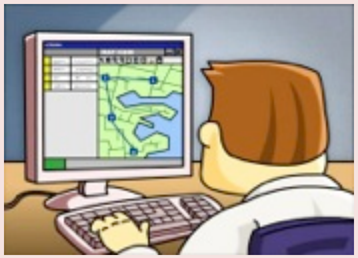
Shipments of smartphones in China from 2010 to 2015



Source: *Publically available data of iResearch*

Logistics mobile and internet software business

Client Logistics Operation Centre



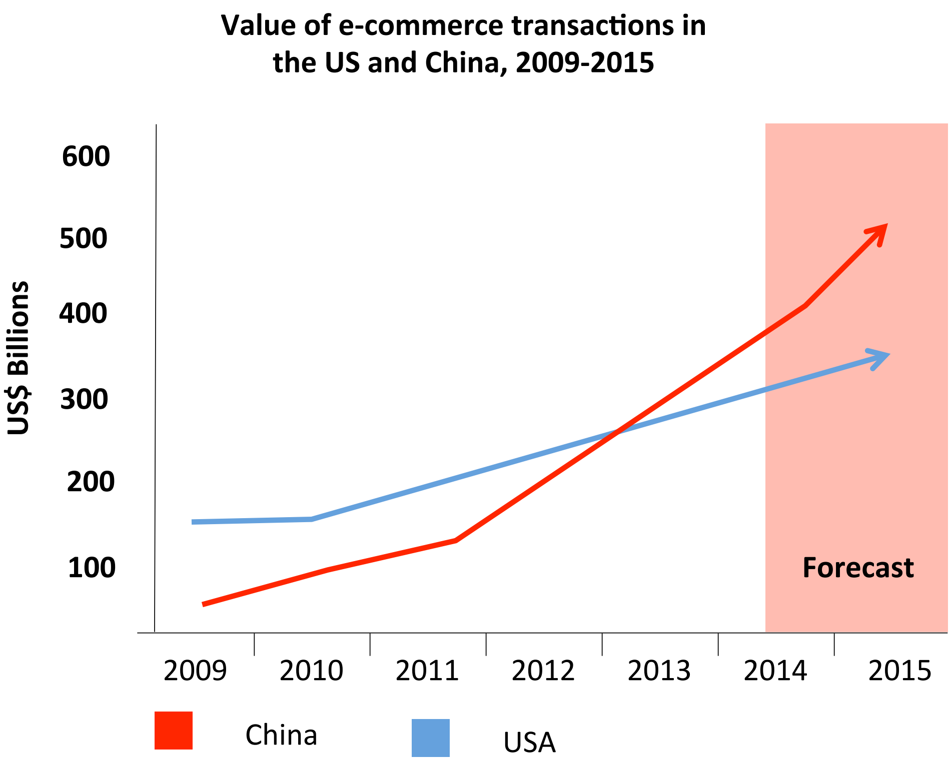
SMA distribution platform sends information to drivers

Delivery information sent to handheld devices

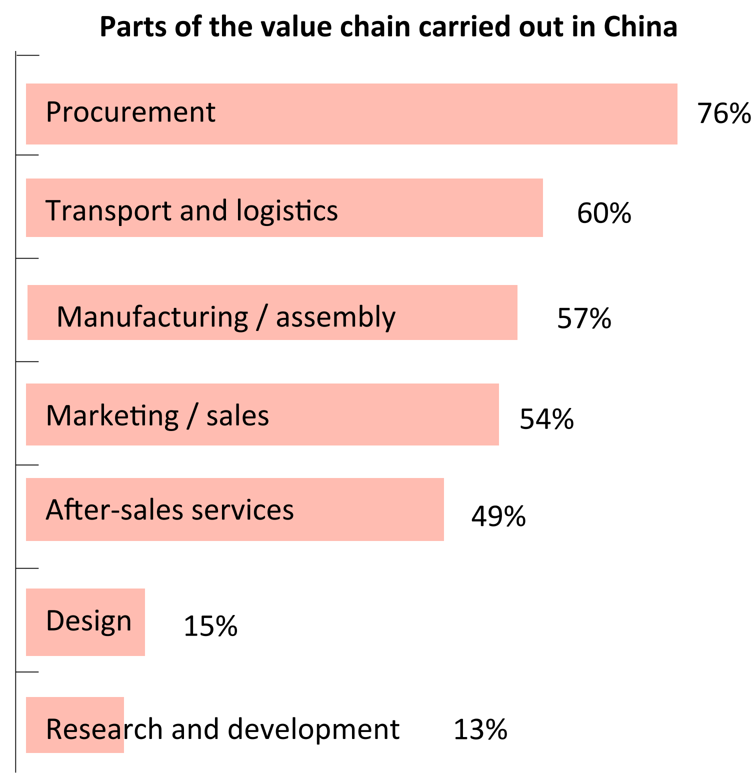
Driver information monitored through logistics platform

- SMA logistics software used by blue chip companies to optimise goods delivery and reduce logistics costs
- Electronic Proof-of-Delivery, bar code & signature record keeping, cash reconciliation systems
- Typically 3-5 year contracts with circa 50% of contract value billed in first year – very high customer retention
- Strong recurring revenue streams with good margins
- Pursuing expansion in Australia and China + integration with billings platform

Logistics sector market dynamics support growth prospects



Source: *KPMG analysis of US and Chinese e-commerce data from Statista Bain & Company*



Source: *Logistics in China: An All-inclusive Market PriceWaterhouseCoopers*

- Annual revenues of China's logistics industry is A$533 billion in 2014
- By 2020 China's e-commerce sector will be larger than the US, Britain, Japan, Germany and France combined
- $22 billion earmarked by US funds Carlyle and Blackstone to invest in warehousing and logistics in China

In Summary

Continuing uptake by third parties of SmartPay platform - SMA has a pipeline of new revenue streams

Revenue growth as more Chinese consumers transact through smartphones – SmartPay is a key gateway

Subscription payments by Chinese consumers purchasing mobile content is generating a recurring revenue base

Growth in logistics business in Australia and potential in China will strengthen this division

$1.5 million cash at end Dec 2014 and growing revenue base

Appendix 1: Financial Summary - FY 2014/2013 comparison

	30 Jun 2014 ($)	30 Jun 2013 ($)	Difference
Revenue – Australia	1,266,380	982,336	284,044
Revenue – Asia	927,989	87,574	840,415
Employee salaries and benefits expense	(1,578,289)	(1,347,204)	*231,085
Depreciation expense	(7,623)	(8,735)	(1,112)
Material & installation costs – Australia	(300,072)	(190,793)	*109,279
Material & installation costs – Asia	(886,712)	(111,922)	*744,790
Other Expenses	(1,157,600)	(1,254,483)	(96,883)
Loss before income tax	-1,735,927	-1,843,227	107,300

* These figures represent the expected increase of cost of sales in line with increase revenue

Appendix 2: Financial Summary – balance sheet

	30 June 2014 $	30 June 2013 $
CURRENT ASSETS		
Cash and cash equivalents	813,913	2,410,232
Trade and other receivables	230,801	104,244
Intangible asset	122,742	-
Other current assets	19,902	28,613
TOTAL CURRENT ASSETS	**1,187,358**	**2,543,089**
NON-CURRENT ASSETS		
Trade and other receivables	13,796	29,474
Property, plant and equipment	21,463	21,356
Exploration, evaluation and development costs	-	2,086,640
TOTAL NON-CURRENT ASSETS	**35,259**	**2,137,470**
TOTAL ASSETS	**1,222,617**	**4,680,559**
CURRENT LIABILITIES		
Trade and other payables	613,155	422,032
Provisions	126,056	302,859
Other borrowings	700,000	-
TOTAL CURRENT LIABILITIES	**1,439,211**	**724,891**
NET ASSETS	**(216,594)**	**3,955,668**
EQUITY		
Issued capital	64,927,987	64,805,669
Reserves	586,229	504,530
Accumulated losses	(65,730,810)	(61,354,531)
TOTAL EQUITY	**(216,594)**	**3,955,668**

Disclaimer

This document does not, and does not purport to, address any or all issues which are or may be material or of interest to the Recipient in connection with its own due diligence review of the Company, the Business or otherwise. The Recipient may not, and by receiving this document the Recipient acknowledges that it is not entitled to and agrees not to, rely on any part of this document (whether as to a matter of fact, forecast, opinion or belief) for any purpose whatsoever.

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the Company and the Business to be materially different from future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future. No representation, assurance or guarantee is given that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur. The forward looking statements in this document reflect views held only at the date of this document.

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. By accepting this document, the Recipient agrees that it will make and rely solely upon its own due diligence investigations and enquiries and will not in any way rely upon any of the information in this document or use this document for any purpose other than as information to assist the Recipient and its advisers to undertake its own due diligence investigations and enquiries.

None of the statements, opinions, projections, forecasts or other forward-looking information contained in this document have been independently verified and no commitment, representation or warranty, express or implied, is made in relation to their accuracy, reasonableness or completeness. Furthermore, where statements in this document are taken from or attributed to sources created by third parties, the Recipient should have regard to those sources and rely on its own enquiries.

SmartTrans has prepared this document based on information available to it at the time of preparation and subject to the qualifications in this document. To the maximum extent permitted by law, neither the Company nor any of its respective related bodies corporate or other affiliates, directors, officers, employees, representatives, agents, advisors or their respective advisors' affiliates or partners, directors, officers, employees or contractors (each a Limited Party and together the Limited Parties) takes any responsibility for the contents of this document or any action taken by the Recipient or any other person on the basis of any information in the document. The Limited Parties disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based. To the maximum extent permitted by law any and all liability in respect of this document and the information contained within it is expressly excluded including without limitation any direct, indirect or consequential liability, expenses, losses, damages or costs incurred by the Recipient or any other person as a result of their receipt or use of this document or arising from the information in this document being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. No Limited Party makes any representation or warranty, express or implied, as to the currency, accuracy, completeness, reliability, fairness or correctness of the information contained in this document or about SmartTrans generally or any opportunity to invest in SmartTrans in the future.

Contact:

Bryan Carr
Managing Director
+61 412 111 968
bcarr@smarttrans.com.au