



Appendix 4D

Rule 4.2A

1. Half yearly report

Name of entity

SmartTrans Holdings Ltd

ABN: 86 009 065 650

Report for the half-year ended 31 December 2017

Previous corresponding period
for the half year ended 31 December 2016

2. Results for announcement to the market

			<u>A\$'000s</u>
Revenues (item 2.1)*	down	68% to	871
Loss after tax attributable to members (item 2.2)	up	80% to	(2,992)
Net Loss for the period attributable to members (item 2.3)	up	80% to	(2,992)
Dividends (item 2.4) No dividends will be paid			
Record date for determining entitlements to the dividend (item 2.5)	N/A		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Please refer to the accompanying Directors report.			

3. Net tangible assets per security (*item 3*)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(0.03¢)	0.18¢

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Melbourne
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MELBOURNE
VIC 3004
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4. Details of entities over which control has been gained or lost during the period: (item 4)

Control gained over entities

Name of entities (item 4.1)

N/A

Date(s) of gain of control (item 4.2)

N/A

Loss of control of entities

Name of entities (item 4.1)

N/A

Date(s) of loss of control (item 4.2)

N/A.

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost

(item 4.3).

N/A.

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)

N/A

5. Dividends (item 5)

N/A

Date of payment

Total amount of dividend

Final dividend – N/a

Interim dividend – N/a

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Interim dividend: Current period	N/A	-	-
Previous period	N/A		

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Interim dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	-	-
Preference securities <i>(each class separately)</i>	-	-
Other equity instruments <i>(each class separately)</i>	-	-

Total

6. Details of dividend or distribution reinvestment plans in operation are described below *(item 6)*:

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

7. Details of associates and joint venture entities *(item 7)*

Name of associate or joint venture entity	% Securities held

Aggregate share of profits (losses) of associates and joint venture entities *(where material)*

	6mths to 31 Dec 2017 \$	6mths to 31 Dec 2016 \$
Group's share of associates' and joint venture entities':		
Profit (loss) before tax		-
Income tax		
Net profit (loss) after tax		-
Adjustments		
Share of net profit (loss) of associates and joint venture entities		

8. The information provided in the Appendix 4D is based on the interim financial report of SmartTrans Holdings Limited for the half year ended 31 December 2017 (attached), which has been prepared in accordance with Australian accounting standards *(item 8)*.

9. Audit qualification or review.

The financial statements have been subject to a review by the auditors and the review report is included as part of the interim financial report. The review conclusion contains a Material Uncertainty paragraph in relation to going concern.



Sign here:

Print name: Brendan Mason

Date: 28 February 2018

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

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

C O N T E N T S

Directors' Report
Auditor's Independence Declaration
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the Financial Statements
Directors' Declaration
Independent Auditor's Review Report

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

DIRECTORS' REPORT

The directors present their report together with the financial statements on the consolidated entity consisting of SmartTrans Holdings Limited and the entities it controlled at the end of and during the half year ended 31 December 2017.

Directors

The directors during the financial year and up to the date of this report are:

Hon. Mark VAILE AO	Non-Executive Chairman
Brendan MASON	CEO & Managing Director (Appointed 29/07/17)
Bryan CARR	Non-Executive Director
Yui (Ian) TANG	Non-Executive Director
Tracy COLGAN	Non-Executive Director (Appointed 29/07/17)
Mark ZIIRSEN	Non-Executive Director (Appointed 6/10/17)

Dividends

There were no dividends declared or paid during the course of the financial year and no dividend is recommended (2016: nil).

Principal Activities

Internet and mobile software systems for logistics, China eCommerce and consumer mobile applications and billing.

Review of Operations

The loss of the consolidated entity amounted to \$2,992,288 (2016: 1,665,574 loss).
As at 31 December 2017 the consolidated entity had net liabilities of \$ 662,895 (net assets 2016: 1,718,563).
Post reporting period, balance sheet strengthened following a successful placement raising \$4m.

Key points

- Secured a range of new contracts and extensions for SaaS Supply Chain Division New (\$1.4 million in recurring revenue with \$494k expected in the first year)
- Refocussed the China eCommerce business to grow the most profitable channels
- Restructuring process to right size the business well underway
- Cessation of Telco payments activities
- Cessation of loss making B2C business activities in China
- Rationalised headcount
- Closure of Guangzhou and Sydney offices
- Discontinued Lanstead equity funding arrangement
- China Mobile debt recovery process continuing
- Developed a range of strategic options
- Acquisition/Merger of Resource Connect being completed

ASX-listed logistics software and China eCommerce company SmartTrans Holdings Limited (ASX: SMA) provides the following update for the Half Year ended 31 December 2017.

Operational

During the six months to December 2017, SmartTrans reviewed and rationalised its business operation in Australia and China.

With a renewed focus the Australian business operation secured a range of new contracts and extensions for its SaaS Supply Chain Division. New customer agreements secured in this period are contracted to deliver \$1.4 million in recurring revenue with \$494k expected in the first year.

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

Contract renewal rates for the division presently run at 89% with contract extensions achieved during the reporting period with:

- Austral Bricks;
- Sigma Healthcare;
- Baycorp; and
- BAM Wine Logistics

New contracts were signed with:

- Ceva Logistics for Caltex;
- Ceva Logistics for "On The Run" stores;
- Calendar Cheese; and
- Fultons Landscape Deliveries

SmartTrans' customers have proven to be very sticky and have typically stayed with our solution for 6 or 7 years. Therefore, extra efforts in marketing are expected to pay off handsomely as the business strives for growth.

Concurrent with the refocussing of the company's Supply Chain SaaS division in Australia preparations were also made for the integration of the Resource Connect operations which is expected to deliver integration efficiencies, cross-selling opportunities and growing revenue.

The Chinese e-commerce platforms business continued to develop during the period.

Premium Australian wine was a popular category among Chinese consumers on the RooLife and Wjike platforms and during the latter half of calendar 2017, SmartTrans added well recognised and highly regarded labels including Rawson's Retreat, Lindemans, Wolf Blass and Saltram Wine brands to the platforms.

Also during this period, the company appointed a new group Managing Director, Brendan Mason, and two new board members. Tracy Colgan and Mark Ziirsen joined to provide local experience, operational capability and financial rigour and management personnel changes were made in China and Australia.

The various e-Commerce outlets and channels to market in China were reviewed, removing any channels which were not immediately profitable. The mobile carrier payments activities were discontinued following assessment of their declining profitability.

The company worked on reducing costs and continuing only higher-margin business operations. Our flagship Beijing and Melbourne offices were downsized to, more appropriate, smaller locations. Qingdao operations (FTE 2) were moved to a co-shared location and the company's Sydney and Guangzhou operations were closed.

Other expenses have been cut to half of the Q4 FY17 run rate. These savings have occurred mainly from headcount reductions and overhead savings. Headcount is down from 45 to 16 without adversely impacting the ability to convert opportunities into sales. Transaction costs associated with the Resource Connect acquisition have increased legal, external accounting and advisor fees but these one-off costs will cease on completion of the transaction.

The identification of a good strategic partner for our Australian operations was critical because we know our scheduling and transport solutions application works very well but company-wide profitability will come with more customers.

The Resource Connect acquisition provides us with the opportunity to vastly increase our customer numbers while providing both fleet and personnel movement efficiencies

Resource Connect is a personnel supply chain solutions business that is highly complementary to SmartTrans' transport supply chain solutions division and delivers immediate strength, with added downstream horizontal integration expanding depth of customer offers.

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

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

Combined entity will have a complementary customer base.

In our Chinese eCommerce division, we launched new services that:

- Protect the IP of Australian brands. An in-house survey showed that only half of Australian brands have IP trade mark protection before they get on a plane to China. Our solution protects the IP and creates a customer relationship that allows SmartTrans to assist the brand with other value added services
- Preparation of import regulatory submissions for foods and wine. This is an important service as cross border importing and Daigou exports are already being scrutinised by the Chinese authorities and merchants are not able to connect directly with their customers – this is something that SmartTrans is able to provide.. Australian exporters need to gain the correct regulatory approvals as grey market Daigou exports are expected to come under increasing pressure and SmartTrans will be well-placed to capitalise on these changes.
- We have expanded our skills in sourcing quality brands with Australian brands in demand with Chinese consumers. The rivalry between two of the three largest eCommerce platforms has had adverse consequences for a number of brands due to heavy price discounting by a number of the platforms. In calendar year 2017 about 31 well established eCommerce platforms went bankrupt driven by this price war between the large eCommerce players. SmartTrans has managed to remain competitive during this period by aggressively cutting costs rather than re-doubling our expenses. Today we are being approached by Chinese online and offline distribution channels to assist them with sourcing products from Australia. At the same time we are increasingly being approached by Australian brands seeking to enter the China market with a trusted and credible partner and so we are meeting demand from both side of the e-Commerce transaction.

An agreement to finalise our financing arrangement with Lanstead LLC was completed on 22 December 2017.

Events since the end of the reporting period

There were three material events that have occurred subsequent to end of the 31 December 2017 reporting period:

- There was an EGM on 15 February 2018 where the shareholders considered and approved the cancellation of 85 million shares that were returned to the company as part of the Lanstead settlement
- The Company successfully raised \$4 million dollars by way of a placement to new and existing shareholders strengthening the company's balance sheet

The Company continued to make progress with the acquisition of Resource Connect. The Company announced today that the transaction will complete this week ending 2 March 2018

Outlook

Our priorities over the near term can be seen below. In the past six months we have made many improvements to the business. The list below provides a summary of our current priorities.

Personnel and Transport Logistics Solutions Business

- Expand customers and revenues
- Successful integration of Resource Connect acquisition
- Increase sales resource to cover interstate and selected international transport and resource sector markets
- Expand transport optimisation and tracking into Pathology, NDIS and Home Care personnel and other large health markets
- Conclude rationalisation of administrative costs
- Complete registration of PCT international patents (already approved by international examiner)

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

China eCommerce

- Monetise the strength of our unique regulatory and compliance position in China
- Continue recruiting Australia/NZ brands
- Leverage sourcing of authentic Australian /NZ products into more distribution partners
- Improve sourcing margins e.g. house branding
- Pursue China Mobile debt \$4M
- Evaluate medium-term corporate options

Corporate Initiatives

- Board renewal: three new directors to join SMA Board, new board will be seven
- Continue strengthening management team
- Institute employee performance rights plan
- Share consolidation, resolve unmarketable parcels

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Brendan Mason
Managing Director

Signed this 28th February 2018

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of SmartTrans Holdings Limited and its controlled entities for the half year ended 31 December 2017, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink that reads "P A Ransom".

P A RANSOM
Partner

Dated: 28 February 2018
Melbourne, Victoria

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue - Operations	5	870,981	2,715,745
Online mobile promotion & third party cost		-	(1,709,474)
Ecommerce related cost		(212,063)	-
Employee salaries and benefits expense		(923,738)	(1,330,676)
Material and installation costs		(111,521)	(285,034)
Depreciation expense		(12,634)	(13,817)
Consultancy cost		(479,343)	(383,558)
Share registration regulatory and compliance costs		(189,937)	(136,533)
Corporate advisory		(30,000)	(55,291)
Rental & occupancy costs		(148,748)	(120,815)
Travelling and accommodation costs		(106,300)	(110,536)
Legal & associated costs		(98,800)	(68,231)
Amortisation of intangible assets		(33,529)	(12,068)
Foreign exchange gain/(loss)		434	(3,970)
Impairment loss on other receivable	7	(904,912)	-
Loss on recoverability of other receivable		(383,211)	-
Other expenses		(228,967)	(151,316)
Loss before income tax		(2,992,288)	(1,665,574)
Income tax benefit		-	-
Loss for the period		(2,992,288)	(1,665,574)
Other comprehensive income for the period:			
Foreign currency translation		10,830	40,058
Total comprehensive loss for the period		(2,981,457)	(1,705,632)
Basic loss per share (cents per share)		(0.10)	(0.07)
Diluted loss per share (cents per share)		(0.10)	(0.07)

The accompanying notes form part of these financial statements

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		227,086	621,684
Trade and other receivables	6	575,561	663,940
Inventory		10,111	40,389
Other assets		70,463	50,872
Other receivable	7	317,269	1,700,426
TOTAL CURRENT ASSETS		<u>1,200,490</u>	<u>3,077,311</u>
NON CURRENT ASSETS			
Other receivable	7	-	371,968
Intangible asset		139,493	173,022
Property, plant and equipment		37,614	49,957
TOTAL NON CURRENT ASSETS		<u>177,107</u>	<u>594,947</u>
TOTAL ASSETS		<u>1,377,597</u>	<u>3,672,258</u>
CURRENT LIABILITIES			
Trade and other payables		1,879,950	1,770,259
Provisions		160,542	183,436
TOTAL LIABILITIES		<u>2,040,492</u>	<u>1,953,695</u>
NET ASSETS/(LIABILITIES)		<u>(662,895)</u>	<u>1,718,563</u>
EQUITY			
Issued capital	7	77,195,535	76,919,120
Reserves		1,539,949	1,205,534
Accumulated losses		(79,398,379)	(76,406,091)
TOTAL EQUITY		<u>(662,895)</u>	<u>1,718,563</u>

The accompanying notes form part of these financial statements

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Half-Year Ended 31 December 2017

		Issued Capital		Accumulated	
		Ordinary	Reserves	losses	Total Equity
Note		\$	\$	\$	\$
Balance at 1 July 2016		73,035,195	695,149	(70,195,106)	3,535,238
Shares issued during the period		4,554,565		-	4,554,565
Cost of shares issued		(670,640)	-	-	(670,640)
Options issued during period		-	655,000	-	655,000
Options expired during period		-	(67,176)	67,176	-
Foreign currency translation		-	(77,439)	-	(77,439)
Loss for the period		-	-	(6,278,161)	(6,278,161)
Balance at 30 June 2017		76,919,120	1,205,534	(76,406,091)	1,718,563
Balance at 1 July 2017		76,919,120	1,205,534	(76,406,091)	1,718,563
Shares issued during the period	7	288,915	-	-	288,915
Cost of shares issued		(12,500)	-	-	(12,500)
Options issued during period		-	323,585	-	323,585
Options expired during period		-	-	-	-
Foreign currency translation			10,830	-	10,830
Loss for the period			-	(2,992,288)	(2,992,288)
Balance at 31 December 2017		77,195,535	1,539,949	(79,398,379)	(662,895)

The accompanying notes form part of these financial statements.

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2017

	31 Dec 2017	31 Dec 2016
	\$	\$
Cash flows from operating activities		
Receipts from customers	847,371	4,410,941
Payments to suppliers and employees	(2,544,544)	(5,852,695)
Research and development tax concession	235,683	(3,394)
Interest received	83	(1,709)
Net cash used in operating activities	(1,461,407)	(1,446,857)
Cash flows from investing activities		
Payments for property, plant and equipment	(713)	(8,225)
Net cash used in investing activities	(713)	(8,225)
Cash flows from finance activities		
Receipts from issue of shares and collection of funds from Lanstead Capital LP	1,067,001	576,886
Payments for share issue costs	-	(60,000)
Proceeds from loan from shareholders	-	85,562
Net cash flow (used in) from financing activities	1,067,001	602,448
Net increase (decrease) in cash and cash equivalents	(395,119)	(852,634)
Cash and cash equivalents at beginning of period	621,684	2,130,091
Effects of Foreign Exchange	521	24,548
Cash and cash equivalents at end of period	227,086	1,302,005

The accompanying notes form part of these financial statements

**SMARTTRANS HOLDINGS LIMITED
And Controlled Entities**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Reporting Basis and Conventions

The financial statements cover the consolidated entity of SmartTrans Holdings Limited and its controlled entities. SmartTrans Holdings Limited is a listed company and incorporated and domiciled in Australia. The financial statements are presented in Australian dollars, which is SmartTrans Holdings' functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2018.

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by the company during the half-year in accordance with the continuous disclosure requirements arising under Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 \$2,992,288 and had net cash outflows from operating activities of \$1,461,407 for the period ended 31 December 2017. As at that date, the consolidated entity had net current liabilities of \$840,002 and net liabilities of \$662,895.

These factors indicate a material uncertainty that may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Going Concern (Cont.)

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern after consideration of the following factors:

- The company has been in active discussions with potential investors regarding a capital raising and placement of securities which was successfully completed and advised to the ASX on 28 February 2018 with the company raising \$4 million;
- The cash flow forecasts for the consolidated entity, inclusive of the funds to be received from the fund raising as discussed above, indicate there will be 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 consolidated entity to meet its debts as and when they fall due;
- Marketing and administration costs are constantly being monitored so that they are kept at minimal levels and the company has implemented strategies to further reduce operating costs to reflect the current operations; and
- The acquisition of Resource Connect Pty Ltd and iCuro Pty Ltd (together ('Resource Connect')) (see Note 2), approved at the company AGM, is expected to contribute positive cash flow to the group once it is successfully completed.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

The financial statements do not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the consolidated entity does not continue as a going concern.

2. EVENTS SUBSEQUENT TO REPORTING DATE

SmartTrans Holdings Limited has entered into a binding Heads of Agreement for the proposed acquisition of Resource Connect (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. The proposed transaction has received confirmation from the ASX and was approved at the company's AGM in December 2017. The parties have agreed to extend the date for completion of the acquisition to facilitate satisfaction of the remaining conditions precedent, including completion of a capital raising, which was completed on 28 February 2018 (see note 7).

Regarding the Lanstead Capital LP funding, the company entered into an arrangement on 22 December 2017 for the cancellation of the residual Lanstead obligations under the agreement by way of selective capital reduction, which has received approval from shareholders at the EGM held on 15 February 2018. Further information is outlined in note 7.

3. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2017.

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2017

4. 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 that the consolidated entity operates in one operating segment across two geographical locations: Australia and China.

Geographical Segment Summary:

***For the half year ended
31 December 2016***

	Australia	China	Total
	\$	\$	\$
Sales to external customers	679,679	2,033,287	2,712,966
Intersegment sales	-	-	-
Total segment revenue	679,679	2,033,287	2,712,966
Segment profit / (loss)	(329,432)	(478,440)	(807,872)
Segment assets as at 31 December 2016	567,465	3,703,040	4,270,506
Segment liabilities as at 31 December 2016	(278,767)	(1,808,056)	(2,086,823)

***For the half year ended
31 December 2017***

	Australia	China	Total
	\$	\$	\$
Sales to external customers	627,779	243,117	870,896
Intersegment sales	-	-	-
Total segment revenue	627,779	243,117	870,896
Segment profit/(loss)	(194,785)	(411,318)	(606,103)
Segment assets as at 31 December 2017	455,409	584,577	1,039,986
Segment liabilities as at 31 December 2017	(327,274)	(838,024)	(1,165,299)

**Reconciliation of reportable segment
revenue to consolidated revenue**

	31 December 2017	31 December 2016
	\$	\$
Total segment revenue	870,896	2,712,966
Interest income	85	2,779
Total revenue	870,981	2,715,745

**Reconciliation of reportable segment
profit/(loss) to consolidated loss**

	31 December 2017	31 December 2016
	\$	\$
Total profit/(loss) for reportable segments	(606,103)	(807,872)
Share based payments	-	-
Corporate costs	(2,386,185)	(857,702)
Loss before income tax	(2,992,288)	(1,665,574)

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2017

4. SEGMENT INFORMATION (CONT.)

Reconciliation of reportable segment assets to consolidated assets	31 December 2017	30 June 2017
	\$	\$
Reportable segment assets	1,039,986	1,278,505
Unallocated assets	337,610	2,393,753
Total Assets	<u>1,377,597</u>	<u>3,672,258</u>

Reconciliation of reportable segment liabilities to consolidated liabilities	31 December 2017	30 June 2017
Reportable segment liabilities	1,165,299	1,451,367
Unallocated liabilities	875,193	502,329
Total Liabilities	<u>2,040,492</u>	<u>1,953,696</u>

5. REVENUE FROM OPERATIONS

The revenue figure includes a R&D tax offset of \$235,683 (December 2016 \$302,524) as follows:

	31 December 2017	31 December 2016
	\$	\$
Sales revenue	635,298	2,412,221
R&D grant	235,683	302,524
	<u>870,981</u>	<u>2,715,745</u>

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables is \$575,561 (30 June 2017 \$663,940).

The consolidated entity provided for the impairment of receivables in China of \$2,342,022 inclusive of VAT as at 30 June 2017 and continues to carry this provision at 31 December 2017.

The Company has taken the prudent position of impairing receivables from China Mobile Jiangsu Limited and other local telecommunication providers due to the time period the payments have been outstanding. SmartTrans is in discussion with respect to settling the payments.

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

SMARTTRANS HOLDINGS LIMITED
And Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2017

7. ISSUED CAPITAL

During the six-month period SmartTrans Holdings Limited has received funding of \$1.067 million from two new investors and from the collection of amounts owing under the existing Lanstead agreement.

The Company announced to the ASX on 28 February 2018 the successful completion of a \$4 million share placement which was subscribed to by institutional and current shareholders.

Changes to Lanstead agreement

On 22 December 2017 the Company announced that it had entered into an agreement to cancel the remaining obligations under the Lanstead funding arrangements on the basis that the remaining Tranche A and Tranche B funding obligations owing by Lanstead shall instead be settled in full by the cancellation and by way of selective capital reduction of 85,000,000 Shares in the Company held by Lanstead. The selective capital reduction and cancellation of shares has been approved by shareholders at an extraordinary general meeting held on 15 February 2018.

Funds invested under the sharing agreement were written down to \$317,269 at 31 December 2017, which includes a further impairment of \$290,830 resulting from the uncollectable number of shares after cancellation of the agreement.

	31 December 2017	30 June 2017
	\$	\$
Current – Other receivable	317,269	1,700,426
Non-Current – Other receivable	-	371,968
Total Other receivable	<u>317,269</u>	<u>2,072,394</u>

8. FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

**SMARTTRANS HOLDINGS LIMITED
And Controlled Entities**

DIRECTORS' DECLARATION

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

- a) the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- c) 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 section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



BRENDAN MASON
Managing Director

Melbourne, Victoria

Dated: 28th February 2018

RSM Australia 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 2017, 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 2017 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 consolidated entity's financial position as at 31 December 2017 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$2,992,288 for the half year ended 31 December 2017, and as of that date, the consolidated entity's current liabilities exceeded its current assets by \$840,002. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads 'P A Ransom'.

P A RANSOM

Partner

Dated: 28 February 2018
Melbourne, Victoria