



VMOTO LIMITED
ABN 36 098 455 460

ANNUAL REPORT
for the year ended 31 December 2017



VMOTO LIMITED
ABN 36 098 455 460

CORPORATE DIRECTORY

Directors

Mr Phillip Campbell - Non-Executive Chairman
Mr Charles Chen - Managing Director
Mr Ivan Teo - Finance Director
Mr Kaijian Chen - Non-Executive Director
Ms Shannon Coates - Non-Executive Director

Company Secretary

Ms Shannon Coates

Principal and Registered Office

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Auditor

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Level 3, 216 St Georges Terrace
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Australia

Banker

National Australia Bank
1238 Hay Street
West Perth, Western Australia 6005
Australia

Solicitors

Squire Patton Boggs
Level 21, 300 Murray Street
Perth, Western Australia 6000
Australia

Austin Haworth & Lexon Legal
Level 12, 87-89 Liverpool Street
Sydney, New South Wales 2000
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Securities Exchanges

Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000
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ASX Code: VMT

Vmoto Limited is a public company incorporated in Western Australia and listed on the Australian Securities Exchange.



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CHAIRMAN'S LETTER

Dear Shareholders,

This is the first time I have had the privilege of reporting to you in an Annual Report, as Chairman of Vmoto Limited. As you would be aware, I joined the Board on 31 May 2017, giving me seven months at the helm through to the end of the 2017 financial year. During that time, as requested by many of you, I endeavoured to provide regular updates on progress against our five year strategic plan to transition Vmoto into a world leading provider of electric vehicles (EVs) to business to business (B2B) delivery, business fleet, renting, sharing and B2C markets internationally. Your feedback on these updates has been encouraging and I would now like to give you an overview of the highlights of the 2017 financial year for Vmoto and my insights into the year ahead.

Following my appointment, I initiated a "roots and branch" review of the Company to ensure we had the business fundamentals right and upon which we could build a sustainable future. The review identified several opportunities to fast track the Company's strategic plan. It also identified a number of legacy issues that were distracting our executive management team from executing on our strategy and, as a result, the decision was taken to exit from operations that were not considered value accretive to the Company. Unfortunately, that also resulted in some asset impairments for the 2017 financial year, however I firmly believe the decision to exit these businesses was the right one for shareholders over the longer term.

On a positive note, Vmoto undertook a number of initiatives during the year that I am confident will support the successful execution of our strategic plan. Notably, a business cooperation agreement was reached with emerging industrial design and innovative technology EV company, Super Soco, for Super Soco to relocate to and lease a portion of Vmoto's Nanjing manufacturing facility and for Vmoto to undertake international sales and marketing of Super Soco products via its existing and expanding distribution network.

A new state of the art production line was installed in Vmoto's manufacturing facility and is now fully operational. Both Vmoto and Super Soco models are being produced on the same production line. The new production line will assist Vmoto in meeting the increasing demand for Vmoto delivery models, especially from Europe. Vmoto and Super Soco have also agreed to cooperate on R&D to improve and develop more electric two-wheel vehicle models for international markets. This will allow for technology and experience sharing to produce better market attuned products. The aim is to also provide improved supply chain efficiencies and cost savings in the production of Vmoto and Super Soco models.

During the year, Vmoto and Super Soco participated jointly in the 2017 EICMA international motorcycle exhibition, one of the world's largest exhibitions and events for two-wheel vehicles, held in Milan, Italy in November 2017. I was privileged to be able to attend this exhibition and, as reported previously, interest was incredibly strong in the joint Vmoto, Super Soco product offering. Vmoto continues to work on converting this interest and leads into sales, which we expect to see the benefit from in FY2018.

The strategic review identified that the B2B market in Europe was growing rapidly, with business customers in the last mile delivery market preferring to lease or rent, rather than purchase units outright. To capitalise on this, the Company established a Netherlands subsidiary and warehouse to facilitate ramp up of sales into European markets and sought opportunities to penetrate the B2B delivery, fleet, renting and sharing market. In October we announced an arrangement with Greenmo Rent BV, a European company focused on renting electric scooters to food delivery companies, to supply additional units on commercial terms. Post the end of the financial year, we raised approximately \$2.2 million via a placement and Share Purchase Plan to further expand our European distribution network, expand our warehouse in Europe to accelerate sales into European markets, and to assist in expansion of the international B2B leasing business. We believe we are now well placed to capitalise on this market.

Vmoto has undertaken other initiatives to increase revenue and defray costs during the year including leasing excess capacity at its manufacturing facility to third parties and entering into an agreement to license Vmoto's PowerEagle trademark to a domestic Chinese EV company.



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CHAIRMAN'S LETTER

Looking forward now to FY2018, I am confident we have put in place the foundations to enable us to successfully focus on and implement our strategic plan. We are well funded and strategically well positioned to capitalise on international markets, where the environmental benefits of EV vehicles and the concepts of leased last-mile delivery vehicles and shared fleet access are being embraced. All indications are that our decision to focus on international B2B delivery, business fleet, renting, sharing and B2C markets internationally was the right one and I am optimistic of being able to report positive progress to you this year.

I would like to sincerely thank all Vmoto shareholders for their continued support and I look forward to meeting you at the Annual General Meeting in May 2018.

Yours faithfully

A handwritten signature in black ink, appearing to read "Phillip Campbell".

Phillip Campbell
Non-Executive Chairman



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OPERATIONS REVIEW

OVERVIEW

Vmoto Limited (ASX: VMT), the global electric vehicle manufacturing and distribution group specialising in “green” electric powered two-wheel vehicles, provides the following operations review for the year ended 31 December 2017.

During the year, the Vmoto undertook an extensive strategic review of operations with the intention of simplifying the Company’s structure and allowing management to focus on international sales and marketing of high margin electric two-wheel vehicle products and significant projects. The review identified several opportunities to fast track the Company’s five year strategic plan to transition Vmoto into a world leading provider of EV’s to B2B delivery, business fleet, renting, sharing and B2C markets internationally, and as well as recommending the exit from operations that were not considered value accretive to the Company.

During the year, the Company entered a business cooperation agreement with Super Soco to deepen the business relationship between the companies and which will see cooperation on manufacturing, supply chain management, component sourcing, product development, R&D and international sales and marketing. Super Soco relocated its manufacturing from rented premises in Wuxi to lease a significant part of Vmoto’s Nanjing manufacturing facility which was excess to requirements. As part of the agreement, the international sales and marketing of the Super Soco products will be carried out by Vmoto through its existing and expanding international distribution network. Vmoto and Super Soco have also agreed to cooperate on R&D to improve existing and develop new electric two-wheel vehicle models for international markets.

Working together in the shared manufacturing facility is expected to produce benefits of scale and create significant synergies for both organisations, for example in component sourcing where minimum order quantities from a preferred supplier may be higher than each companies individual requirements. The relationship with Super Soco is also expected to enable the Company to save on R&D costs while at the same time providing access to superior industrial design intelligence and networks, given that most of Super Soco’s existing R&D engineers have many years of working experience with Honda China.

As a result of the Super Soco opportunity and refocus on international markets from Chinese domestic markets, the Company simplified its structure by exiting Chinese domestic business Shanghai Jiye Electric Vehicle Co, Ltd (Shanghai Jiye), which was not value accretive and was seen as a distraction from management’s focus on the international strategy. While this has impacted on the Company’s financial results for FY2017, the Company is of the view that this will enable management to be more focused on international electric two-wheel vehicle markets where Vmoto has a strategic competitive advantage.

The Company also invested significant resources during the year into developing new models to meet international customer requirements, participating in international market exhibitions and developing key relationships in support of its strategic plan.

Over the 12 month period to 31 December 2017, the Consolidated Entity’s net assets decreased 37% to \$13 million (31 December 2016: \$20.8 million). It should be noted that the Company engaged an independent external property valuation company in the year ended 31 December 2017 to value the Company’s Nanjing land and Stage 1 & Stage 2 buildings. These land and buildings are currently carried at cost on the balance sheet as at 31 December 2017 at \$5.9 million. The external property valuation company has valued the Company’s Nanjing land and Stage 1 & Stage 2 buildings at \$11.8 million, which represents a valuation increment of \$5.9 million. With the level of urban development surrounding the Company’s Nanjing manufacturing facility, the Company expects the value of its Nanjing manufacturing facilities (land and buildings) will increase further in the coming years.

As at 31 December 2017, the total operating facility drawn down was RMB10 million (approximately \$2 million) and the total undrawn operating facility available was RMB15 million (approximately \$3 million).



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OPERATIONS REVIEW

As at 31 December 2017 the Company had cash of \$3.2 million and post the end of the financial year, successfully raised \$2.2 million to further expand Company's European distribution network and warehouse and expand the Company's B2B renting business.

EXISTING MARKETS

During the period, the Company achieved total unit sales of 68,368 units of electric two-wheel vehicles across the Group, down 20% from FY2016 (FY2016: 85,106) across its domestic and international sales channel. Of this, the Company sold approximately 56,523 units of electric two-wheel vehicles across China through the Shanghai Jiye operations and its external distributors.

While total unit sales were down on FY2016, the Company's total unit sales for units into international markets, which are higher value and higher margin, increased by 53% from FY2016.

Internationally, the Company continued its strong relationships with its B2B and B2C customers, with many placing orders that will flow through in FY2018.

NEW MARKETS

During the year, Vmoto and Super Soco participated jointly in the 2017 EICMA international motorcycle exhibition, one of the world's largest exhibitions and events for two-wheel vehicles, held in Milan, Italy in November 2017. Strong interest was shown in the joint Vmoto, Super Soco product offering. Vmoto has since received significant interest and sales leads and is focussed on converting these into sales in the coming months.

During the year, the Company finalised an agreement with Greenmo Rent BV to support Greenmo Rent's growth and accelerate the Company's penetration into these European markets.

Greenmo Rent is a European company which predominantly rents electric scooters to food delivery companies. The agreement with Vmoto comes after Greenmo Rent has experienced significant growth of its scooter renting business and to support expansion into the Netherlands and across Europe. The Company initially supplied six containers of electric scooters for 100% upfront payment. Under the terms of the Agreement, the Company agreed to supply an additional four containers with 25% upfront payment and the remaining 75% payable in monthly instalments over a 24 month period.

The Company signed an exclusive distribution agreement with Kuralkan Bilisim Otomotiv San Ve Dis Tic A.S., a successful and well known Turkish company, to warehouse, distribute and market the Company's Soco range of electric motorcycles in Turkey.

An exclusive distribution agreement was also signed with E-Tropolis Srl ("E-Tropolis") for E-Tropolis to warehouse, distribute and market the Company's Vmoto, E-Max and Soco range of electric two-wheel vehicle products in Italy. E-Tropolis (www.e-tropolis.it) is one of Europe's leading specialists in two wheeled electric vehicles and offers a broad portfolio with a high degree of quality and performance ranging from pedelecs and classic e-scooters to high-performance electric motorbikes.

With ongoing technological innovation, increasing inner city transportation issues and the recent success of hi-tech sharing companies such as Uber, Mobike and Zipcar, the sharing economy is booming and consumers are embracing the concept of shared fleets. With consumer and business group preferences shifting from ownership to shared access, we believe it is an ideal time to provide shared fleet solutions that will fast track the Company's international footprint.

The Company also expects to continuously improve the technology behind its existing electric two-wheel vehicle products and develop new electric two-wheel vehicle products to remain competitive in the EV markets and win high quality international business group customers. The Company also expects to increase its global sales by targeting B2B customers, especially in the delivery and fast food sectors, and appointing more international distributors.



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OPERATIONS REVIEW

CORPORATE

During the year the Company appointed Mr Phillip Campbell as Non-Executive Chairman. Mr Campbell's career spans 35 years and includes national and international postings across a range of industries including resources, construction, manufacturing, food, and engineering services. Further details on Mr Campbell's experience can be found on page 7.

Non-Executive Director, Mr Oliver Cairns, was not re-appointed as a Director of the Company at the Annual General Meeting on 31 May 2017.

During the year, 15,236,134 shares were issued, comprising 2,900,000 shares to employees and consultants of the Company in consideration for services provided, 571,428 shares to a Director in lieu of Director fees and 11,764,706 to PowerEagle as tranche two consideration for the Shanghai Jiye JV.

OUTLOOK

Commenting on the Company's outlook for FY2018, Managing Director Mr Charles Chen said:

"Moving into 2018, the Company is ambitiously building a sophisticated international distribution network with Vmoto E-Max B2B products and Super Soco B2C products, with an initial focus on Europe. With this strong network, aggressive sales and marketing campaigns will be launched by Vmoto directly and in cooperation with partners, expanding B2B channels and appointed exclusive agents/distributors.

"The Company's solid business and manufacturing foundation in China now includes stronger supply chain, manufacturing and production and R&D capabilities following the business cooperation agreement between Vmoto and Super Soco. We expect that the benefits and synergies from this relationship will start to flow in FY2018 and support our strategy in the coming years. In addition to the strong foundations in China, as an Australian listed company with a "Western" brand, management is confident Vmoto is now poised to deliver on its strategy to be a world leading provider of electric two-wheel vehicles to B2B delivery, business fleet, renting, sharing and B2C markets internationally."



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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Vmoto Limited ("Vmoto" or the "Company") and its controlled entities (the "Consolidated Entity") for the financial period 1 January 2017 to 31 December 2017.

Directors

The Directors of the Company at any time during or since the end of the financial year are set out below. Directors were in office for the entire year unless otherwise stated:

Name	Experience and responsibilities
Phillip Campbell	Mr Campbell was appointed as Non-Executive Chairman on 31 May 2017.
Independent Non-Executive Chairman	<p>Mr Campbell's career spans 35 years and includes national and international postings across a range of industries including resources, construction, manufacturing, food, and engineering services. Phillip is currently Chairman of ASX listed Fleetwood Corporation (ASX: FWD) and has previously been a director of mining services company Pearl-Street Limited; energy and technical services business, HRL Limited; agricultural company, Fodder King Limited; and Chairman of FMCG business, Farm Pride Foods Limited. He is currently also a director and advisor to a number of unlisted public, private and not-for-profit organisations across Australia including Chairman of the leading manufacturer of modular accommodation for government and industry, Fleetwood Corporation Limited.</p> <p>Mr Campbell will be seeking re-election by shareholders at the Company's 2018 Annual General Meeting.</p>
Charles Chen	Mr Chen was appointed as Executive Director on 5 January 2007 and Managing Director of the Company on 1 September 2011.
Managing Director	<p>Mr Chen founded Freedomotor Corporation Limited in 2004, through a management buyout of key assets, which were subsequently acquired by Vmoto. He holds a Bachelor of Automobile Engineering from Wuhan University of Automobile Technology (China) and a postgraduate Diploma of Business Administration from South Wales University (UK).</p> <p>From 1993 to 2002, Mr Chen held senior executive roles with Hainan Sundiro Motorcycle Co, Ltd, the largest publicly listed industrial company in Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001.</p> <p>Mr Chen is based in Nanjing, China, and oversees all of the Company's operations and activities.</p>
Ivan Teo	Mr Teo was appointed as Finance Director of the Company on 29 January 2013. Prior to this appointment, Mr Teo was employed as the Company's Chief Financial Officer from 17 June 2009.
Finance Director	<p>Mr Teo is a qualified Chartered Accountant and has over 16 years' experience in accounting, audit, corporate finance and international business serving private and public companies in a diverse range of industries including automobile, manufacturing, mining and retail.</p> <p>Mr Teo holds a BCom degree from the University of Adelaide and is based in Nanjing, China.</p>



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DIRECTORS' REPORT (cont'd)

Kaijian Chen	Mr Chen was appointed as Non-Executive Director of the Company on 1 September 2011.
Independent Non-Executive Director	<p>Mr Chen has extensive experience in the motorcycle manufacturing industry in China. He was formerly vice president of Hainan Sundiro Motorcycle Co, Ltd, which was the second largest motorcycle manufacturer in China at the time, and which was subsequently acquired by Honda in 2001.</p> <p>Mr Chen also served as vice president for Jiangsu Xinri E-Vehicle Co, Ltd, which is one of the largest electric vehicle manufacturers in China at present. The annual production of Xinri in 2010 was over 2 million units of electric two-wheel vehicles for the Chinese domestic market. Mr Chen is currently serving as vice president of Changzhou Supaiqi E-Vehicle Co, Ltd.</p> <p>Mr Chen holds a degree from the Beijing Institute of Technology and is based in Changzhou, China.</p>
Shannon Coates	Ms Coates was appointed as Non-Executive Director of the Company on 23 May 2014.
Independent Non-Executive Director	<p>Ms Coates completed a Bachelor of Laws through Murdoch University and has since gained over 20 years' in-house experience in corporate law and compliance for public companies. She is a Chartered Secretary and an Associate Member of both the Institute of Chartered Secretaries & Administrators and Governance Institute Australia.</p> <p>Ms Coates is a director of Evolution Corporate Services Pty Ltd, a company providing corporate advisory services and is also company secretary to a number of listed companies.</p> <p>Ms Coates will be retiring and seeking re-election by shareholders at the Company's 2018 Annual General Meeting.</p>
Oliver Cairns	Mr Cairns was appointed as Non-Executive Director of the Company on 1 September 2011.
Independent Non- Executive Director	<p>Mr Cairns has over 18 years' experience in the small to mid-cap corporate and capital markets space. A corporate financier, he was a Nominated Advisor for AIM companies in London for over eight years before relocating to Perth in 2007 where he established Pursuit Capital, a corporate and strategic advisory firm. His wide experience covers international capital raisings, M&A, IPOs, regulatory advice, investor relations and corporate governance.</p> <p>Mr Cairns graduated with a degree in Classics from the University of Exeter and is a member of the Securities Institute (UK).</p>
Company Secretary	Ms Coates was appointed as Company Secretary on 10 May 2007.
Shannon Coates	A summary of Ms Coates' qualifications and experience appears above.



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DIRECTORS' REPORT (cont'd)

Directorships in other listed entities

Directorships in other listed entities held by Directors of the Company during the last 3 years immediately before 31 December 2017 are as follows:

Director	Company	Period of directorship	
		From	To
Mr Phillip Campbell	Fleetwood Corp Limited	2016	Current
	Farm Pride Foods Limited	2015	2016
Mr Charles Chen	-	-	-
Mr Ivan Teo	-	-	-
Mr Kaijian Chen	-	-	-
Ms Shannon Coates	Lemur Resources Limited	2014	2016
	Kopore Metals Limited (formerly Metallum Limited)	2015	Current

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year ended 31 December 2017 are:

Director	Board Meetings	
	Held while Director	Attended
Mr Phillip Campbell	4	4
Mr Charles Chen	6	5
Mr Ivan Teo	6	6
Mr Kaijian Chen	6	4
Ms Shannon Coates	6	6
Mr Oliver Cairns	2	2

There is presently no separate Audit, Nomination or Remuneration Committee, with all committee functions being addressed by the full Board.

Principal Activity

The principal activity of the Consolidated Entity during the year ended 31 December 2017 was the development and manufacture, marketing and distribution of electric powered two-wheel vehicles.

Operating and Financial Review

Review of Operations

Vmoto Limited is a global scooter manufacturing and distribution group. The Company specialises in high quality "green" electric powered two-wheel vehicles and manufactures a range of "Western" style electric two-wheel vehicles from its own manufacturing facilities in Nanjing, China. Vmoto combines low cost Chinese manufacturing capabilities with European design. The Group operates through three primary brands: Vmoto (aimed at the budget market in Asia), E-Max (targeting international B2B markets, with a premium high-end product) and Super Soco (targeting the international B2C markets). As well as operating under these brands, the Company also sells to a number of customers on an original equipment manufacturer ("OEM") basis.



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DIRECTORS' REPORT (cont'd)

Total consolidated sales of \$15.1 million were recorded for the Consolidated Entity for the year ended 31 December 2017 (FY2016: \$17.3 million). The revenue of the Consolidated Entity has decreased 12.7% compared to the year ended 31 December 2016, largely due to a downturn in domestic Chinese electric two-wheel vehicle market. During the year ended 31 December 2017, the Consolidated Entity recorded a net loss of \$8.1 million after income tax (FY2016: \$14.1 million), which included one-off, non-cash costs of \$141k for share based expenses, \$240k in impairment of the Company's investment in Kaiyang, a \$1.5 million loss on disposal of the 51% interest in Shanghai Jiye operations, a \$1.2 million partial impairment of the PowerEagle trademark and a \$1.8 million impairment of prepayments. The underlying net loss after tax for the year ended 31 December 2017 after adding back these one-off, non-cash expenses was \$3,140,865.

The following table provides a reconciliation between the statutory net loss after tax and underlying net loss after tax for the year ended 31 December 2017:

Statutory net loss after tax for FY2017	(\$8,096,672)
Add back non-cash and one off expenses:	
Share based expenses	\$141,215
Impairment of investment in Kaiyang (3 & 4 wheel operation)	\$239,674
Loss on disposal of interest in Shanghai Jiye operations	\$1,520,578
Impairment of PowerEagle trademark	\$1,218,585
Impairment of prepayments	\$1,835,755
Underlying net loss after tax for FY2017	<u>(\$3,140,865)</u>

Directors believe this information is useful to provide investors with transparency on the underlying performance of the Company.

A more detailed review of operations for the year ended 31 December 2017 is set out in the Operations Review preceding the Directors' Report.

Review of Financial Position

The Consolidated Entity's net assets decreased by approximately \$7.8 million during the year ended 31 December 2017.

Cash balances decreased by approximately \$1.2 million during the year ended 31 December 2017 primarily due to cash used in operational activities during the year, including higher prepayments required to be made to suppliers for inventories for the international markets.

Trade and other receivables have decreased by approximately \$1.5 million largely due to more timely receipts from customers and reduced provision of credit to customers.

Inventories decreased by approximately \$4.2 million largely due to the sale of Vmoto's interest in the Shanghai Jiye business.

Prepayments decreased by approximately \$0.8 million largely due to the impairment of \$1.8 million of aged prepayments for parts considered unlikely to be utilised in the short term following the Company's exit from Shanghai Jiye, cooperation with Super Soco and new strategic focus on international markets, which was offset by higher prepayments to suppliers for Super Soco products for the international markets. The prepayments that have been impaired relate to parts ordered historically as "minimum orders" when the Company first entered into the EV business, at which time suppliers required minimum order quantities to manufacture customised parts for Vmoto's older EV models. The Company has sought to utilise these prepayments by working with the suppliers to modify and upgrade parts to suit the Company's new models, and for after sales service however it is uncertain how long it will take to extinguish these credits with the suppliers. The Company has therefore adopted the conservative approach of impairing the value of these prepayments. Despite the impairment, the applicable credit in relation to the impaired aged prepayments with suppliers still exists and the Company will continue to seek to utilise these prepayments as much as possible.

Intangible assets decreased by approximately \$3.5 million due to the impairment of the Shanghai Jiye customer base intangible as a result of Vmoto's sale of its interest in the Shanghai Jiye business and the partial impairment of the PowerEagle trademark.



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DIRECTORS' REPORT (CONT'D)

Trade and other payables decreased by approximately \$1.8 million during the period primarily due to the sale of the interest in the Shanghai Jiye business and higher level of deposits and orders received from customers in advance, for which the revenue will be recognised in FY2018.

Issued capital increased by \$1 million during the year ended 31 December 2017, primarily due to the issue of Tranche 2 shares to nominees of PowerEagle for the acquisition of their trademark in December 2015 and shares issued to key management during the year ended 31 December 2017.

No dividend has been declared or paid by the Company to the date of this Annual Report in respect of the year ended 31 December 2017.

Reconciliation to Preliminary Results

The following tables reconcile statutory consolidated net profit after tax to preliminary consolidated net profit after tax in Appendix 4E:

Consolidated statement of profit or loss	Appendix 4E	Adjustments	Statutory Financial Report
Statutory net loss after tax ¹	\$6,260,917	\$1,835,755	\$8,096,672

The following table reconciles statutory consolidated statement of financial position to preliminary consolidated statement of financial position in Appendix 4E:

Consolidated statement of financial position	Appendix 4E	Adjustments	Statutory Financial Report
Assets			
Other assets ¹	\$4,955,438	(\$1,835,755)	\$3,119,683
Equity			
Accumulated losses ¹	(\$56,420,963)	(\$1,835,755)	(\$58,256,718)

- The impairment of \$1.8 million of aged prepayments for parts considered unlikely to be utilised in the short term following the Company's exit from Shanghai Jiye, cooperation with Super Soco and new strategic focus on international markets. Refer to "Review of Financial Position" for further details.

Business Strategies and Prospects for Future Financial Years

The Company's business strategies for future financial years include:

- Continue to execute on its five-year strategic plan (FY2017-FY2021) to focus on higher value and higher margin international markets and to become worldwide leading electric vehicle manufacturer and provider to B2B delivery, fleet, rental and sharing markets internationally;
- Continue to improve the Company's electric two-wheel vehicle products to attract high quality international business group customers;
- Expand its European distribution network and warehouse in Europe to accelerate sales into European markets; and
- Expand its international B2B leasing business.



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DIRECTORS' REPORT (CONT'D)

The potential material business risks faced by the Company that are likely to have an effect on the financial prospects of the Company and how the Company manages these risks include:

- Technological obsolescence – given the Company operates in an industry involving green and electric vehicle technology, any technological obsolescence could have an impact on our financial results. We address this risk through investment in research and development, patent appropriate and necessary research and development results, recruit competent technicians and constantly monitor the market. We see this risk as minimal as the Company is constantly developing new technology and functions in its electric two-wheel vehicle products and has the protection of trademarks and patents.

Impact of legislation and other external requirements

The Consolidated Entity's operations are not subject to any significant environmental regulations. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Clean Energy Legislative Package

The Clean Energy Legislative Package, which included the Clean Energy Act 2011, was passed by the Australian Government in November 2011. It sets out the way that the government will introduce a carbon price to reduce Australia's carbon pollution and move to a clean energy future.

The Consolidated Entity's manufacturing activities are primarily carried out in China and the Directors believe that the Group will not be significantly affected by this legislation passed. The Consolidated Entity has not incorporated the effect of any carbon price implementation in its impairment testing at 31 December 2017.

The Directors' view is that there were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the Consolidated Entity.

Events Subsequent to Balance Date

Completion of Placement

On 16 January 2018, the Company issued 22,727,273 fully paid ordinary shares at an issue price of \$0.055 per share pursuant to the placement announced on 12 January 2018, raising \$1.25 million (before costs).

Completion of Share Purchase Plan

On 21 February 2018, the Company issued 17,500,089 fully paid ordinary shares at an issue price of \$0.055 per share pursuant to the Share Purchase Plan announced on 12 January 2018, raising \$962,500 (before costs).

Other than the above and as noted elsewhere in the financial statements, there has not arisen in the interval between the end of the financial period and the date of this Annual Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Likely Developments

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years are discussed in the Operations Review.



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DIRECTORS' REPORT (cont'd)

Directors' Interests

The relevant interests of each Director in the shares, options and Performance Rights issued by the Company at the date of this Annual Report are as follows:

Director	Ordinary shares	Options	Performance Rights
Mr Phillip Campbell ¹	431,819	-	-
Mr Charles Chen ²	10,858,496	-	-
Mr Ivan Teo ³	720,873	-	-
Mr Kaijian Chen ⁴	1,388,642	-	-
Ms Shannon Coates ⁵	347,728	-	-
Mr Oliver Cairns ⁶	2,693,841	400,000	-

- 431,819 shares are held indirectly by Mr Phillip Ashley Campbell & Ms Jeanette Riakos as trustee for the P & J Super Fund trust. Mr Campbell is a beneficiary of the P & J Super Fund Trust.
- 7,095,692 shares are held indirectly by Pershing Australia Nominees Pty Ltd <Argonaut Account> on behalf of Mr Charles Chen. 3,762,804 shares are held indirectly by Mr Chen's spouse, Ms Jierong Zhou.
- 720,873 shares are held directly by Mr Ivan Teo.
- 1,388,642 shares are held directly by Mr Kaijian Chen.
- 347,728 shares are held indirectly by Ms Coates' spouse, Mr Simon Kimberley Coates as trustee for the Kooyong Trust. Ms Coates is a beneficiary of the Kooyong Trust.
- Mr Cairns ceased as a Director on 31 May 2017. At the time of cessation, Mr Cairns held 121,112 shares directly, 2,436,365 shares, 100,000 options exercisable at \$0.50 on or before 21 May 2019, 100,000 options exercisable at \$0.75 on or before 21 May 2019 and 200,000 options exercisable at \$1.00 on or before 21 May 2019 are held indirectly by Silverlight Holdings Pty Ltd as trustee for Cairns Investment trust, and 136,364 shares are held indirectly by Mr OW and CH Cairns as trustee for OCCM Fund. Mr Cairns is a beneficiary of the Cairns Investment trust and OCCM Fund.

Options

At the date of this Annual Report, options over unissued ordinary shares of the Company are:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number
23 May 2013	23 May 2014	23 May 2018	40 cents	500,000
23 May 2013	23 May 2014	23 May 2018	80 cents	500,000
23 May 2014	23 May 2014	21 May 2019	50 cents	100,000
23 May 2014	23 May 2014	21 May 2019	75 cents	100,000
23 May 2014	23 May 2014	21 May 2019	\$1.00	200,000

These options do not confer the right to participate in any share issue or interest issue of the Company or any other entity.

Performance Rights

During the year, 1 million Class K Performance Rights lapsed unvested, 250,000 on 31 May 2017 and 750,000 on 31 December 2017.

At the date of this Annual Report, there are no Performance Rights over unissued ordinary shares of the Company on issue.



VMOTO LIMITED
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DIRECTORS' REPORT (cont'd)

Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company has not agreed to indemnify their current auditors, Bentleys Audit & Corporate (WA) Pty Ltd.

Insurance Premiums

As at the date of this Annual Report, a Directors and Officers insurance policy has been secured. The insurance premium for this policy paid during the year ended 31 December 2017 was A\$33,487.

Contingent Liabilities

The Company is currently a defendant in a proceeding brought against the Company by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claim can be successfully defended, without any losses (including for costs) being incurred by the Company.

Non-audit services

During the year, Bentleys Audit & Corporate (WA) Pty Ltd, the Company's auditor, did not perform any non-audit services in addition to their statutory duties.

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 70 and forms part of the Directors' Report for the year ended 31 December 2017.



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REMUNERATION REPORT

This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Consolidated Entity.

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Directors and executives of the Company and the Consolidated Entity.

Key Management Personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including Directors of the Company and other executives. Key Management Personnel comprise the Directors of the Company, key management and executives for the Company and the Consolidated Entity.

Director and Key Management Personnel details

The following persons acted as Directors of the Company during or since the end of the financial year:

- Mr Phillip Campbell (appointed 31 May 2017)
- Mr Charles Chen
- Mr Ivan Teo
- Mr Kaijian Chen
- Ms Shannon Coates
- Mr Oliver Cairns (ceased 31 May 2017)

The term 'Key Management Personnel' is used in this remuneration report to refer to the Directors and the following persons. Except as noted, the named persons held their position during or since the end of the financial year:

- Mr Shuguang Han (General Manager)
- Mr Leon Wan (Vice General Manager)
- Mr Fei Wu (International Sales Manager)
- Ms Susan Xie (International Sales Manager)
- Mr Yunfei He (Production Manager)

Overview of remuneration policies

Broadly, remuneration levels for Key Management Personnel of the Company and Key Management Personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced Directors and executives and reward the achievement of strategic objectives. The Board may seek independent advice on the appropriateness of remuneration packages of both the Company and the Consolidated Entity given trends in comparative companies both locally and internationally, and the objectives of the Company's remuneration strategy.

Remuneration packages consist of fixed remuneration including base salary, employer contributions to superannuation funds and non-cash benefits.

The Company has established a variable remuneration package for Directors, which is known as the Performance Rights Plan. This plan allows Directors to convert Performance Rights to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicle), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Consolidated Entity. The Board has regard to remuneration levels external to the Consolidated Entity to ensure the Directors' and executives' remuneration is competitive in the market place.

Executive Directors are employed full time and receive fixed remuneration in the form of salary and statutory superannuation or consultancy fees, commensurate with their required level of services.



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REMUNERATION REPORT (cont'd)

Non-Executive Directors receive a fixed monthly fee for their services. Where Non-Executive Directors provide services materially outside their usual Board duties, they are remunerated on an agreed retainer or daily rate basis.

Service agreements

It is the Consolidated Entity's policy that service agreements for Key Management Personnel are unlimited in term but capable of termination on 3 months' notice and that the Consolidated Entity retains the right to terminate the service agreements immediately, by making payment equal to 3 months' pay in lieu of notice.

The service agreement outlines the components of compensation paid to Key Management Personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed annually on a date as close as possible to 31 December of each year to take into account Key Management Personnel's performance.

Certain Key Management Personnel will be entitled to bonuses as the Board may decide in its absolute discretion from time to time, to a maximum of 50% of the Key Management Personnel's annual base salary per annum.

Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed A\$300,000 per annum and has been set at a level to enable the Company to attract and retain suitably qualified Directors. The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

Relationship between the remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based rights subject to performance based vesting conditions, and the second being the issue of options or shares to Key Management Personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy was effective in increasing shareholder wealth.

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the last five reporting years:

<i>In AUD</i>	31 Dec 2017 12 months \$'000	31 Dec 2016 12 months \$'000	31 Dec 2015 12 months \$'000	31 Dec 2014 12 months \$'000	31 Dec 2013 12 months \$'000
Revenue	15,079	17,271	47,613	42,941	25,175
Net profit / (loss) before tax	(8,097)	(14,081)	116	257	404
Net profit / (loss) after tax	(8,097)	(14,093)	(753)	884	404

<i>In AUD</i>	31 Dec 2017 12 months	31 Dec 2016 12 months	31 Dec 2015 12 months	31 Dec 2014 12 months	31 Dec 2015 12 months
Share price at start of period	\$0.092*	\$0.33*	\$0.04	\$0.03	\$0.02
Share price at end of period	\$0.058*	\$0.10*	\$0.33*	\$0.04	\$0.03
Dividend	-	-	-	-	-
Basic and diluted earnings / (loss) per share	(4.68 cents)*	(8.61 cents)*	(0.52 cents)*	0.07 cents*	0.04 cents*

- * The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The share price and EPS post 4 June 2015 are disclosed on a post Share Consolidation basis.



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REMUNERATION REPORT (cont'd)

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the named officers of the Company and the Consolidated Entity for the years ended 31 December 2017 and 31 December 2016 are:

<i>In AUD</i>		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS	Total	Value of shares/rights as proportion of remuneration %	% of remuneration based on performance
		Salary & fees \$	Superannuation benefits \$	Shares /Performance Rights \$			
Executive Directors							
Mr Charles Chen	12 months to Dec 2017	210,000	19,950	-	229,950	-	-
	12 months to Dec 2016	210,000	19,950	-	229,950	-	-
Mr Ivan Teo	12 months to Dec 2017	150,090	-	-	150,090	-	-
	12 months to Dec 2016	151,794	-	-	151,794	-	-
Non-Executive Directors							
Mr Phillip Campbell ¹	12 months to Dec 2017	33,333	-	33,333	66,666	50%	-
	12 months to Dec 2016	-	-	-	-	-	-
Mr Oliver Cairns (ceased 31 May 2017)	12 months to Dec 2017	83,333	-	-	83,333	-	-
	12 months to Dec 2016	97,443	-	-	97,443	-	-
Mr Kaijian Chen ³	12 months to Dec 2017	-	-	40,000	40,000	100%	-
	12 months to Dec 2016	-	-	40,000	40,000	100%	-
Ms Shannon Coates ²	12 months to Dec 2017	40,000	-	-	40,000	-	-
	12 months to Dec 2016	40,000	-	-	40,000	-	-
Total, all Directors	12 months to Dec 2017	516,756	19,950	73,333	610,039	12%	-
	12 months to Dec 2016	499,237	19,950	40,000	559,187	7.1%	-



V MOTO LIMITED
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REMUNERATION REPORT (c o n t ' d)

1. Mr Campbell was appointed as Non-Executive Chairman on 31 May 2017. For the year ended 31 December 2017, Mr Campbell is entitled to \$33,000 of director fees in shares and will seek for shareholders' approval in the 2018 Annual General Meeting for issuing the shares.
2. Ms Coates was appointed as Non-Executive Director on 23 May 2014. Ms Coates was appointed Company Secretary to the Company in 2007 and, via an associated company Evolution Corporate Services Pty Ltd, provides company secretarial, corporate advisory and Australian registered office services to Vmoto for a monthly retainer. For the 2017 financial year, the Company paid Evolution Corporate Services Pty Ltd \$66,000 for these services.
3. Mr Kaijian Chen was appointed as Non-Executive Director on 1 September 2011. Mr Chen has agreed to receive his Director fees in shares and will seek shareholders' approval for this issue at the 2018 Annual General Meeting. Mr Chen's FY2016 Director fees were also paid in shares.

		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS			
<i>In AUD</i>		Salary & fees \$	Superannuation benefits \$	Shares \$	Total \$	Value of shares as proportion of remuneration %	% of remuneration based on performance
Executives							
Mr Shuguang Han (General Manager)	12 months to Dec 2017	58,184	-	21,700	79,884	27.2%	-
	12 months to Dec 2016	60,674	-	15,000	75,674	19.8%	-
Mr Fei Wu (Sales Manager)	12 months to Dec 2017	48,472	-	9,300	57,772	16.1%	-
	12 months to Dec 2016	77,767	-	7,500	85,267	8.8%	-
Ms Susan Xie (Sales Manager)	12 months to Dec 2017	25,222	-	3,720	28,942	12.9%	-
	12 months to Dec 2016	22,013	-	3,750	25,763	14.6%	-
Mr Leon Wan (Vice General Manager)	12 months to Dec 2017	20,692	-	6,200	26,892	23.1%	-
	12 months to Dec 2016	16,135	-	7,500	23,635	31.7%	-
Mr Yunfei He (Production Manager)	12 months to Dec 2017	19,559	-	3,720	23,279	16.0%	-
	12 months to Dec 2016	16,706	-	3,750	20,456	18.3%	-
Total, all Executives	12 months to Dec 2017	172,129	-	44,640	216,769	20.6%	-
	12 months to Dec 2016	193,295	-	37,500	230,795	16.2%	-

REMUNERATION REPORT (cont'd)

Share-based payment arrangements

Shares

During the year ended 31 December 2017, 2.9 million shares were granted to Key Management Personnel as an incentive and to recognise their efforts in the year ended 31 December 2017. The shares granted to Key Management Personnel are subject to a three-year voluntary escrow period.

Options

The Company operates an Employee Share Option Plan ("ESOP") for executives and senior employees of the Consolidated Entity. In accordance with the provisions of the ESOP, executives and senior employees may be granted options to purchase ordinary shares at an exercise price to be determined by the Board with regard to the market value of the shares when it resolves to offer the options. The options may only be granted to eligible persons after the Board considers the person's seniority, position, length of service, record of employment, potential contribution and any other matters which the Board considers relevant.

Each employee share option converts into one ordinary share of Vmoto Limited on exercise. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

To date, options granted under the ESOP expire within thirty six months of their issue, or immediately on the resignation of the executive or senior employee, whichever is the earlier.

During the year ended 31 December 2017, the following share based payment options arrangements were in existence:

Options series	Number	Grant date	Grant date fair value	Expiry date	Exercise Price	Vesting date
Class E	500,000	23/05/2013	A\$0.14	23/05/2018	A\$0.40	23/05/2014
Class F	500,000	23/05/2013	A\$0.13	23/05/2018	A\$0.80	23/05/2014
Class G	100,000	23/05/2014	A\$0.37	21/05/2019	A\$0.50	23/05/2014
Class H	100,000	23/05/2014	A\$0.35	21/05/2019	A\$0.75	23/05/2014
Class I	200,000	23/05/2014	A\$0.33	21/05/2019	A\$1.00	23/05/2014
Total	1,400,000					

There is no further service or performance criteria that need to be met in relation to ESOP options granted before the beneficial interest vests in the recipient.

During the year ended 31 December 2017, no options were granted to Key Management Personnel under the ESOP.

Performance Rights

On 6 August 2012, following shareholder approval at the Company's general meeting held on 31 July 2012, the Company granted a total of 32,000,000 Performance Rights to Directors Charles Chen, Oliver Cairns and former Director, Blair Sergeant.

The Performance Rights comprised:

- 2,000,000 Performance Rights issued to Blair Sergeant pursuant to his Non-Executive Director Appointment Agreement; and
- 30,000,000 Performance Rights issued under the Company's Performance Rights Plan (10,000,000 each to Charles Chen, Blair Sergeant and Oliver Cairns), subject to the following performance conditions:



REMUNERATION REPORT (cont'd)

Number of Performance Rights per Director	Class	Performance Conditions	Time of vesting
1,000,000	A	<ul style="list-style-type: none">- The volume weighted average price of the Shares for 10 consecutive trading days on ASX (VWAP) exceeds 3 cents at any time on or before 31 December 2013; and- the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 3 cents
1,000,000	B	<ul style="list-style-type: none">- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and- the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 3 cents
1,000,000	C	<ul style="list-style-type: none">- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and- the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 3 cents
1,000,000	D	<ul style="list-style-type: none">- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and- the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 4 cents
1,000,000	E	<ul style="list-style-type: none">- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and- the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 4 cents
1,000,000	F	<ul style="list-style-type: none">- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and- the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 4 cents
1,333,333	G	<ul style="list-style-type: none">- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and- the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 5 cents
1,333,333	H	<ul style="list-style-type: none">- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and- the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 5 cents
1,333,334	I	<ul style="list-style-type: none">- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and- the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 5 cents

The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The Performance Rights above are disclosed on a pre Share Consolidation basis.

On 23 May 2014, following shareholder approval at the Company's Annual General Meeting held on 20 May 2014, the Company granted a total of 20,000,000 additional Performance Rights to Directors Charles Chen, Oliver Cairns, Ivan Teo and Kaijian Chen, subject to the following performance conditions:



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REMUNERATION REPORT (cont'd)

Number of Performance Rights per Director	Class	Performance Conditions	Time of vesting
2,500,000	J	<ul style="list-style-type: none"> - The volume weighted average price of the Shares for 10 consecutive trading days on ASX (VWAP) exceeds 6.5 cents at any time on or before 31 December 2016; and - the Participating Director remains a Director at the time of vesting. 	The date the VWAP first exceeds 6.5 cents
2,500,000	K	<ul style="list-style-type: none"> - The VWAP exceeds 8.5 cents at any time on or before 31 December 2017; and - the Participating Director remains a Director at the time of vesting. 	The date the VWAP first exceeds 8.5 cents

The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The Performance Rights above are disclosed on a pre Share Consolidation basis.

During the year ended 31 December 2017, the following Performance Rights arrangements remained in existence, on a post Share Consolidation basis:

Performance Rights series	Number	Grant date	Grant date fair value
Class K	1,000,000	23/05/2014	A\$0.069

All Performance Rights convert to fully paid ordinary shares for nil cash consideration, subject to the above performance based vesting conditions. During the year ended 31 December 2017, no Performance Rights were vested and converted to Shares.

250,000 Class K Performance Rights lapsed unvested on 31 May 2017 and 750,000 the Class K Performance Rights lapsed unvested on 31 December 2017. At the date of this Annual Report, there are no remaining Performance Rights over unissued ordinary shares of the Company on issue.



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REMUNERATION REPORT (cont'd)

Share holdings and transactions of Key Management Personnel

The movement during the year ended 31 December 2017 in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 Jan 2017	Held at date of appointment	Net change ¹	Granted as remuneration	Received on vest of performance rights	Held at date of resignation /cessation	Held at 31 Dec 2017
Directors							
Mr P Campbell	N/A	-	250,000	-	-	N/A	250,000
Mr C Chen	10,213,040	N/A	100,000	-	-	N/A	10,313,040
Mr I Teo	720,873	N/A	-	-	-	N/A	720,873
Mr O Cairns	2,693,841	N/A	-	-	-	2,693,841	N/A
Mr K Chen	817,214	N/A	-	571,428	-	N/A	1,388,642
Ms S Coates	75,000	N/A	-	-	-	N/A	75,000
Executives							
Mr S Han	300,000	N/A	-	350,000	-	N/A	650,000
Mr F Wu	160,000	N/A	(60,000)	150,000	-	N/A	250,000
Ms S Xie	90,000	N/A	-	60,000	-	N/A	150,000
Mr L Wan	160,000	N/A	-	100,000	-	N/A	260,000
Mr Y He	130,000	N/A	-	60,000	-	N/A	190,000

1. Net change represents the acquisition and disposal of shares on market and exercise of options by the Key Management Personnel.

Option holdings of Key Management Personnel

The movement during the year ended 31 December 2017 in the number of options over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 Jan 2017	Held at date of appointment	Additions	Granted as remuneration	Exercised/ Expired	Held at date of resignation /cessation	Held at 31 Dec 2017
Directors							
Mr P Campbell	N/A	-	-	-	-	N/A	-
Mr C Chen	-	N/A	-	-	-	N/A	-
Mr I Teo	-	N/A	-	-	-	N/A	-
Mr O Cairns	400,000	N/A	-	-	-	400,000	N/A
Mr K Chen	-	N/A	-	-	-	N/A	-
Ms S Coates	-	N/A	-	-	-	N/A	-
Executives							
Mr S Han	-	N/A	-	-	-	N/A	-
Mr F Wu	-	N/A	-	-	-	N/A	-
Ms S Xie	-	N/A	-	-	-	N/A	-
Mr L Wan	-	N/A	-	-	-	N/A	-
Mr Y He	-	N/A	-	-	-	N/A	-

All options are vested and exercisable.

REMUNERATION REPORT (cont'd)

Performance Right holdings of Key Management Personnel

The movement during the year ended 31 December 2017 in the number of Performance Rights held, directly, indirectly or beneficially by each Key Management Personnel, including their personally-related entities, is as follows:

	Held at 1 Jan 2017	Held at date of appointment	Granted as remuneration	Vested as Shares	Lapsed	Held at date of resignation	Held at 31 Dec 2017
Directors							
Mr P Campbell	N/A	-	-	-	-	N/A	-
Mr C Chen	250,000	N/A	-	-	(250,000)	N/A	-
Mr I Teo	250,000	N/A	-	-	(250,000)	N/A	-
Mr O Cairns	250,000	N/A	-	-	(250,000)	N/A	-
Mr K Chen	250,000	N/A	-	-	(250,000)	N/A	-
Ms S Coates	-	N/A	-	-	-	N/A	-
Executives							
Mr S Han	-	N/A	-	-	-	N/A	-
Mr F Wu	-	N/A	-	-	-	N/A	-
Ms S Xie	-	N/A	-	-	-	N/A	-
Mr L Wan	-	N/A	-	-	-	N/A	-
Mr Y He	-	N/A	-	-	-	N/A	-

Other Key Management Personnel Transactions

During the year ended 31 December 2017, Evolution Corporate Services Pty Ltd, an entity associated with Ms Shannon Coates, provided company secretarial, administration and registered office services to the Group pursuant to consultancy agreement and received total fees of A\$66,000 for the year ended 31 December 2017.

Other than the above, there have been no related party transactions involving any of the Key Management Personnel identified in the table above during the year or the previous year.

This report is made with a resolution of the Directors pursuant to s298(2) of the Corporations Act 2001:



Charles Chen
Managing Director

Dated at Western Australia, this 29th day of March 2018.



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
Continuing Operations			
Revenue from sale of goods		15,079,424	17,270,745
Cost of sales		(13,520,308)	(15,166,239)
Gross Profit		1,559,116	2,104,506
Other income	2	888,658	385,640
Operational expenses		(3,084,652)	(1,773,763)
Marketing and distribution expenses		(426,088)	(291,516)
Corporate and administrative expenses		(1,728,633)	(1,460,881)
Occupancy expenses		(123,332)	(115,944)
Other expenses	2	(76,428)	(27,694)
Finance costs		(59,689)	(77,333)
Impairment of inventories		-	(181,339)
Impairment of prepayments	8	(1,835,755)	-
Impairment of intangibles	10	(1,218,585)	(7,801,079)
Impairment of other financial assets	11	(239,674)	(1,129,827)
Profit/(Loss) from continuing operations before tax		(6,345,062)	(10,369,230)
Income tax revenue/(expense)	4	-	(11,529)
Profit/(Loss) after tax from continuing operations		(6,345,062)	(10,380,759)
Discontinued Operations			
Profit/(Loss) from discontinued operations		(1,751,610)	(3,712,144)
PROFIT/(LOSS) FOR THE YEAR		(8,096,672)	(14,092,903)



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (c o n t ' d)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
Other comprehensive income			
Foreign currency translation differences		(113,410)	(1,438,823)
Other comprehensive income for the year, net of income tax		(113,410)	(1,438,823)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(8,210,082)	(15,531,726)
Profit/(Loss) for the year attributable to:			
Owners of the Company		(8,056,809)	(13,606,636)
Non-controlling interests		(39,863)	(486,267)
		<u>(8,096,672)</u>	<u>(14,092,903)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(8,170,219)	(15,045,459)
Non-controlling interest		(39,863)	(486,267)
		<u>(8,210,082)</u>	<u>(15,531,726)</u>
Earnings per share	23		
From continuing and discontinued operations:			
Basic earnings/(loss) per share		(4.68 cents)	(8.61 cents)
From continuing operations:			
Basic earnings per share		(3.66 cents)	(6.26 cents)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



VMOTO LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL
POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	31 December 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	5	3,172,792	4,361,855
Trade and other receivables	6	1,385,118	2,877,295
Inventories	7	2,780,782	6,987,827
Other assets	8	3,119,683	3,955,928
Total Current Assets		10,458,375	18,182,905
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,814,943	7,626,947
Intangible Assets	10	595,533	4,092,773
Other financial assets	11	-	222,438
Total Non-Current Assets		8,410,476	11,942,158
TOTAL ASSETS		18,868,851	30,125,063
CURRENT LIABILITIES			
Trade and other payables	12	3,867,726	5,687,070
Loans and borrowings	13	1,966,878	2,107,943
Current tax liabilities	4	-	11,529
Deferred tax liabilities	4	-	489,860
Other liabilities	14	-	1,000,000
Total Current Liabilities		5,834,604	9,296,402
TOTAL LIABILITIES		5,834,604	9,296,402
NET ASSETS		13,034,247	20,828,661
EQUITY			
Issued capital	15	72,431,566	71,446,718
Reserves	15	(1,140,601)	(844,124)
Accumulated losses	18	(58,256,718)	(50,382,976)
Non-controlling interests	16	-	609,043
TOTAL EQUITY		13,034,247	20,828,661

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.



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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
Cash flows from operating activities			
Receipts from customers		36,485,909	48,603,490
Payments to suppliers and employees		(38,913,803)	(48,648,949)
Interest received		126,142	166,963
Interest paid		(59,689)	(77,333)
Other cash receipts		-	2,910
Net cash used in operating activities	29	(2,361,441)	47,081
Cash flows from investing activities			
Payments for property, plant & equipment		(593,183)	(524,405)
Payments for research and developments		-	(2,420,298)
Payments for intangible assets		(2,306)	(8,985)
Payments for equity investments		(19,197)	(60,798)
Net cash inflow on acquisition of subsidiary	26	-	690,471
Net cash inflow on disposal of subsidiary	28	285,655	-
Net cash used in investing activities		(329,031)	(2,324,015)
Cash flows from financing activities			
Proceeds from borrowings		3,230,396	2,949,733
Repayment of borrowings		(1,590,635)	(2,828,512)
Net cash generated by financing activities		1,639,761	121,221
Net (decrease)/increase in cash and cash equivalents		(1,050,711)	(2,155,713)
Cash and cash equivalents at the beginning of the year		4,361,855	6,657,529
Effect of exchange rate fluctuations on cash held		(138,352)	(139,961)
Cash and cash equivalents at the end of the year		3,172,792	4,361,855

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.



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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non-controlling Interests	Total \$
Balance as at 1 January 2016	70,276,494	872,866	(37,052,340)	-	34,097,020
Loss for the year	-	-	(13,606,636)	(486,267)	(14,092,903)
Other comprehensive income for the year	-	(1,438,823)	-	-	(1,438,823)
Total comprehensive income for the year	-	(1,438,823)	(13,606,636)	(486,267)	(15,531,726)
Issue of ordinary shares	1,168,057	-	-	-	1,168,057
Transfer expired options reserve to accumulated losses	-	(276,000)	276,000	-	-
Transfer vested performance rights reserves to capital	2,167	(2,167)	-	-	-
Acquisition of subsidiaries	-	-	-	1,095,310	1,095,310
Balance as at 31 December 2016	71,446,718	(844,124)	(50,382,976)	609,043	20,828,661
Balance as at 1 January 2017	71,446,718	(844,124)	(50,382,976)	609,043	20,828,661
Loss for the year	-	-	(8,056,809)	(39,863)	(8,096,672)
Other comprehensive income for the year	-	(113,410)	-	-	(113,410)
Total comprehensive income for the year	-	(113,410)	(8,056,809)	(39,863)	(8,210,082)
Issue of ordinary shares	984,848	-	-	-	984,848
Transfer expired options reserve to accumulated losses	-	(183,067)	183,067	-	-
Disposal of subsidiaries	-	-	-	(569,180)	(569,180)
Balance as at 31 December 2017	72,431,566	(1,140,601)	(58,256,718)	-	13,034,247

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.



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NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Vmoto Limited ("Vmoto" or "the Company") is a limited company incorporated in Australia. The consolidated financial report of the Company as at and for the year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

(a) Basis of preparation

(i) *Statement of compliance*

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 29th March 2018.

(ii) *Basis of measurement*

The consolidated financial statements of the Consolidated Entity are prepared on an accruals basis and are based on historical costs except where otherwise stated.

(iii) *Functional and presentation currency*

The consolidated financial statements of the Consolidated Entity are presented in Australian dollars, which is different from its functional currency, determined to be Renminbi. A different presentation currency has been adopted as the Board of Directors believe that financial statements presented in Australian dollar (which is the functional currency of parent company) are more useful to the users and shareholders of the Company who are predominantly in Australia.

(iv) *Standards and interpretations affecting amounts reported in current period (and/or prior periods)*

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 31 December 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below:

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group is currently continuing to assess the impact of this changes.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group is currently continuing to assess the impact of this changes.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group is currently continuing to assess the impact of this changes.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(v) *Going concern basis*

The Consolidated Entity has recorded a loss after tax for the year ended 31 December 2017 of \$8,096,672 (loss after tax for the year ended 31 December 2016: \$14,092,903). At 31 December 2017, the Consolidated Entity had a working capital surplus of \$4,623,771 (31 December 2016: \$8,886,503).

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- the Consolidated Entity has a significant working capital surplus;
- the Consolidated Entity has long term supply agreements and demand for its electric powered scooter products is increasing. As the units increase, this will further reduce the cost of goods manufactured due to achieving higher levels of economies of scale, which will further improve the gross profit margins;
- the Consolidated Entity will further reduce corporate and other non-sales resources without materially affecting revenue activities;
- the Consolidated Entity's Stage 1 and 2 of the Nanjing Facility have been completed and have been used as security for its existing operating facility. As at the date of this Annual Report, RMB15 million (approximately \$3 million) of the operating facility is still available for draw down if required;
- the Consolidated Entity has successfully raised capital of \$2.2 million post 31 December 2017 to further expand into European markets as well as expand its B2B leasing business; and
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be cash flow positive for the year ending 31 December 2018 and will enable the Consolidated Entity to pay its debts as and when they fall due.

At the date of this Annual Report and having considered the above factors, the Directors are confident that the Consolidated Entity and the Company will be able to continue operations into the foreseeable future.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities in the Consolidated Entity.

(b) **Principles of consolidation**

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

Non-controlling interests in equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

In Note 24, investments in subsidiaries are carried at cost and recoverable amount. Refer to Note 1(o).

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

(c) **Foreign currency translation**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the profit & loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit & loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Vmoto at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the period where this rate approximates the rate at the date of the transaction.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit & loss.

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchange of goods or services of the same nature without any cash consideration are not recognised as revenue.

Sale of goods

Revenue from the sale of goods is recognised upon delivery of goods to customers as this corresponds to the transfer of significant risks and benefits of ownership of the goods and the cessation of all involvement in those goods.

Interest income

Interest income is recognised using the effective interest method.

(e) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(f) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(g) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(h) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
 - any non-controlling interest; and
 - the acquisition date fair value of any previously held equity interest;
- over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(i) Property, Plant and Equipment

- *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets may include the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

- *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit & loss as incurred.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

- *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. Land is not depreciated. Assets will be depreciated once the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	3 - 10 years
Motor vehicles	4 years
Office furniture & equipment	5 years
Building	20 years
Leasehold improvements	5 years
Moulds	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

- *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Consolidated Entity becomes obliged to make future payments as a result of a purchase of assets or receipt of services.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax office are classified as operating cash flows.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(n) Operating Leases

Operating leases and the leased assets are not recognised on the Consolidated Entity's statement of financial position. Payments made under operating leases are recognised as an expense in the profit and loss.

(o) Recoverable amount of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit & loss when the liabilities are derecognised as well as through the amortisation process.

(q) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company operates an incentive scheme to provide these benefits, known as the Vmoto Employee Share Option Plan (the "ESOP").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black Scholes Option Valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Vmoto Limited ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding weighted average number of options as at the reporting date is considered not material and accordingly the basic loss per share is the same as the diluted loss per share.

(r) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.



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The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(s) Available-for-sale financial assets

The Group has investments in unlisted shares that are not traded on an active market but that are classified as available-for-sale financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 1(aa). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

(t) Employee benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(u) Income tax

Income tax expense recognised in the statement of profit or loss and other comprehensive income relates to current tax and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- i. the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on a different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its subsidiaries have unused tax losses as at the reporting date. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(v) Intangibles

Trademarks, licenses and production rights

Trademarks, licenses and production rights are recognised at cost of acquisition. They have an indefinite life and are carried at cost less any accumulated impairment losses.

Patents

Patents acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, patents acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as patents that are acquired separately.

Customer contracts

Customer contracts acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, customer contracts acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as patents that are acquired separately.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(w) Development Costs

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

(x) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(y) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with maturities of 3 months or less.

(z) Comparative figures

This Annual Report relates to the year ended 31 December 2017. Comparatives are for the year ended 31 December 2016.

(aa) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.



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The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(ab) Critical judgements in applying accounting policies and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Contingent liabilities

The Company is currently a defendant in one proceeding brought against it by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claims can be successfully defended, without any losses (including for costs) being incurred by the Company.

Impairment of goodwill and other indefinite intangible assets

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2017 was nil (31 December 2016: nil).

Useful lives of property, plant and equipment and trademarks

The Group reviews the estimated useful lives of property, plant and equipment and patents at the end of each reporting period. During the current year, the directors determined that the useful lives of property, plant and equipment and trademarks are deemed to be no change.

Fair value measurements and valuation processes in relation to business combination acquisition

As part of business combination, assets and liabilities are measured at fair value for reporting purposes. The Directors have determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of plant and equipments, the Group uses Level 3 inputs to perform the valuation.

In estimating the fair value of customer base, the Group uses Level 3 inputs to perform the valuation.

Fair value measurements and valuation processes in relation to investments available-for-sale

In estimating the fair value of the available-for-sale investments, the Group uses Level 3 fair value hierarchy to perform the valuation.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
2. REVENUES AND EXPENSES		
(a) Other income		
Interest income	41,117	56,457
Contributions from customers	589,468	292,437
Government subsidies	49,928	5,137
Net foreign exchange gain	48,133	23,233
Rent income	156,449	-
Other income	3,563	8,376
	<u>888,658</u>	<u>385,640</u>
(b) Other expenses		
Doubtful debts	76,428	27,694
	<u>76,428</u>	<u>27,694</u>
(c) Employee benefits expense		
Wages and salaries costs	1,565,841	1,347,515
	<u>1,565,841</u>	<u>1,347,515</u>
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	573,816	607,214
Amortisation of intangibles	201,569	228,705
	<u>775,385</u>	<u>835,919</u>
3. AUDITOR'S REMUNERATION		
Audit services:		
- audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd	85,540	77,000
	<u>85,540</u>	<u>77,000</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
4. INCOME TAX		
(a) Income tax credit / (expense)		
Current tax	-	(11,529)
Deferred tax	-	-
	<u>-</u>	<u>(11,529)</u>
(b) Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)		
Profit/(Loss) before income tax benefit	<u>(6,345,062)</u>	<u>(10,369,230)</u>
Income tax credit/(expense) calculated at 30%	1,903,519	3,110,769
Effect on amounts which are not tax deductible:		
Deductible amount from sale of subsidiary	(427,937)	-
Losses of foreign subsidiaries/operations not regarded as deductible	(364,565)	(3,045,303)
Non-deductible items	(7,318)	(3,337)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(36,566)	51,751
Deferred tax not brought to account	<u>(1,067,133)</u>	<u>(125,409)</u>
Income tax credit / (expense)	<u>-</u>	<u>(11,529)</u>
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Potential at 30% (31 December 2016: 30%)	<u>6,893,670</u>	<u>6,652,940</u>
All tax losses relate to Australian based entities.		
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised:		
Provision for doubtful receivables	-	239,367
Provision for loan to other entity	-	248,578
Provision for impairment loss on investments	59,918	33,878
Accrued expenses	15,000	16,500
Unrecognised deferred tax assets relating to the above temporary differences	<u>74,918</u>	<u>538,323</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(e) Current tax liabilities

	31 December 2017 \$	31 December 2016 \$
Income tax payable	-	11,529

(f) Deferred tax balances

Deferred tax balances are presented in the consolidated statement of financial position as follows:

Deferred tax liabilities	-	489,860
	-	489,860

(g) Tax Rates

The potential tax benefit at 31 December 2017 in respect of tax losses not brought into account has been calculated at 30% for Australian entities. This same rate applied for the year ended 31 December 2016. The tax benefit and expense at 31 December 2017 in respect of tax effect brought into account in relation to China operations has been calculated at 25% for China entities.

	31 December 2017 \$	31 December 2016 \$
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,172,792	4,361,855
6. TRADE AND OTHER RECEIVABLES		
<i>Current</i>		
Trade receivables	1,203,309	2,792,427
Less: Provision for impairment loss	-	(666,137)
	1,203,309	2,126,290
Other receivables	473,142	1,042,338
Less: Provision for impairment loss	(291,333)	(291,333)
	1,385,118	2,877,295

Impaired Trade Receivables

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Movements in the provision for impairment of trade and other receivables were as follows:

	31 December 2017	31 December 2016
	\$	\$
At beginning of the period	957,470	291,333
Provision for impairment during the period	76,428	666,137
Disposal of subsidiaries	(666,137)	-
Write off	(76,428)	-
At end of the period	<u>291,333</u>	<u>957,470</u>

At 31 December 2017, the ageing analysis of trade and other receivables is as follows:

0 - 30 Days	513,051	1,227,138
31 - 60 Days	635,721	851,946
61 - 90 Days past due not impaired	30,342	293,732
+90 Days past due not impaired	206,004	504,479
+90 Days considered impaired	291,333	957,470
	<u>1,676,451</u>	<u>3,834,765</u>

As of 31 December 2017, trade and other receivables of \$236,346 (31 December 2016: \$798,211) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due not impaired balance also includes VAT refundable from the China operations, which can be claimed/used to offset against future VAT payables.

7. INVENTORIES

Raw materials	1,434,374	3,481,493
Semi-finished goods	772,248	1,443,280
Finished goods	574,160	2,063,054
	<u>2,780,782</u>	<u>6,987,827</u>

8. OTHER ASSETS

Prepayments	3,119,683	3,955,928
	<u>3,119,683</u>	<u>3,955,928</u>

The prepayments are payments in advance to suppliers for the supply of electric two-wheel vehicle inventories for the Consolidated Entity's electric two-wheel vehicle operations.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment	Motor vehicles	Office furniture & equipment	Land	Building	Leasehold improvement	Total
Year ended 31 December 2016							
At 1 January 2016, net of accumulated depreciation	1,318,969	113,092	-	1,072,312	5,341,822	-	7,846,195
Additions	86,224	19,280	-	-	378,700	-	484,204
Acquisition through business combinations	406,704	100,252	-	-	-	-	506,956
Depreciation for the period	(382,702)	(76,114)	-	-	(260,998)	-	(719,814)
Exchange differences	(64,742)	(13,250)	-	(60,646)	(351,956)	-	(490,594)
At 31 December 2016, net of accumulated depreciation	1,364,453	143,260	-	1,011,666	5,107,568	-	7,626,947
At 31 December 2016							
Cost	3,285,905	317,847	82,886	1,011,666	6,084,848	278,041	11,061,193
Accumulated depreciation	(1,921,452)	(174,587)	(82,886)	-	(977,280)	(278,041)	(3,434,246)
Net carrying amount	1,364,453	143,260	-	1,011,666	5,107,568 ¹	-	7,626,947
Year ended 31 December 2017							
At 1 January 2017, net of accumulated depreciation	1,364,453	143,260	-	1,011,666	5,107,568	-	7,626,947
Additions	1,221,434	142,641	-	-	76,302	-	1,440,377
Depreciation for the period	(277,902)	(36,616)	-	-	(259,298)	-	(573,816)
Discontinued operations (disposals)	(384,230)	(199,317)	-	-	-	-	(583,547)
Exchange differences	(20,940)	(1,495)	-	(11,063)	(61,520)	-	(95,018)
At 31 December 2017, net of accumulated depreciation	1,902,815	48,473	-	1,000,603	4,863,052	-	7,814,943
At 31 December 2017							
Cost	3,813,598	160,248	-	1,000,603	6,094,052	-	11,068,501
Accumulated depreciation	(1,910,783)	(111,775)	-	-	(1,231,000)	-	(3,253,558)
Net carrying amount	1,902,815	48,473	-	1,000,603	4,863,052	-	7,814,943

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PROPERTY, PLANT & EQUIPMENT (cont'd)

1. During the period, an independent external property valuation company has valued the Company's Nanjing land and Stage 1 & Stage 2 buildings at \$11.8 million AUD.

Assets pledged as security

Land and buildings with a carrying amount of approximately \$5.9 million have been pledged to secure borrowings of the Group (see Note 13). The freehold land and buildings have been pledged as security for the bank operating facility under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. INTANGIBLES

	Goodwill	Licences, trademarks and production rights	Development Costs	Customer base	Total
Year ended 31 December 2016					
Balance at 1 January 2016	1,414,951	2,213,559	2,173,031	-	5,801,541
Additions	-	6,784	-	-	6,784
Additions from internal development	-	-	2,420,298	-	2,420,298
Acquisition through business combinations	2,556,477	2,133,333	-	2,177,156	6,866,966
Amortisation for the period	-	(33,963)	(194,742)	(217,716)	(446,421)
Impairment for the period	(3,971,428)	(2,115,681)	(4,270,447)	-	(10,357,556)
Exchange differences	-	(70,699)	(128,140)	-	(198,839)
Balance at 31 December 2016	-	2,133,333	-	1,959,440	4,092,773
At 31 December 2016					
Cost	3,971,428	4,316,940	4,836,105	2,177,156	15,301,629
Accumulated amortisation and impairment	(3,971,428)	(2,183,607)	(4,836,105)	(217,716)	(11,208,856)
Net carrying amount	-	2,133,333	-	1,959,440	4,092,773
Year ended 31 December 2017					
Balance at 1 January 2017	-	2,133,333	-	1,959,440	4,092,773
Adjustments	-	(117,646)	-	-	(117,646)
Amortisation for the period	-	(201,569)	-	-	(201,569)
Impairment for the period	-	(1,218,585)	-	-	(1,218,585)
Discontinued operations (disposals)	-	-	-	(1,959,440)	(1,959,440)
Balance at 31 December 2017	-	595,533	-	-	595,533
At 31 December 2017					
Cost	3,971,428	2,015,687	4,836,105	-	10,823,220
Accumulated amortisation	-	(201,569)	(565,657)	-	(767,226)
Accumulated impairment	(3,971,428)	(1,218,585)	(4,270,448)	-	(9,460,461)
Net carrying amount	-	595,533	-	-	595,533

The calculated recoverable amount for the Powereagle trademark is less than the carrying amount of the trademark and an impairment loss of \$1,218,585 has been recognised and included in the profit and loss statement. The recoverable amount is calculated by applying discount rate of 8.06% to the cash flow projections based on current contractual licensing arrangements in place.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	31 December 2017 \$	31 December 2016 \$
11. OTHER FINANCIAL ASSETS		
<i>Available-for-sale investments carried at fair value</i>		
Unquoted shares (i)	375,188	357,952
Provision for impairment loss	(375,188)	(135,514)
	<u>-</u>	<u>222,438</u>
<i>Loans carried at amortised cost</i>		
Loans to related parties	983,439	994,313
Provision for impairment loss	(983,439)	(994,313)
	<u>-</u>	<u>-</u>
Total other financial assets	<u>-</u>	<u>222,438</u>

- (i) The Consolidated Entity holds 15% of the ordinary share capital of Jiangsu Kaiyang, a company focused on designing, manufacturing and distributing three-wheel and four-wheel electric vehicles. The Directors of the Company do not consider that the Consolidated Entity is able to exercise significant influence over Jiangsu Kaiyang as the other 85% of the ordinary share capital is held by other shareholders, who also manage the day-to-day operations of that company. Jiangsu Kaiyang continued to incur losses in the year ended 31 December 2017 and has ceased its operations. The Company has recognised a provision for impairment loss of \$239,674 on its interest in Jiangsu Kaiyang and included this in the profit and loss statement.

12. TRADE AND OTHER PAYABLES

<i>Current – unsecured</i>		
Trade creditors	1,381,769	2,318,741
Advance and deposits from customers	2,183,392	2,957,371
Other creditors and accruals	302,565	410,958
	<u>3,867,726</u>	<u>5,687,070</u>

13. LOANS AND BORROWINGS

	31 December 2017 \$	31 December 2016 \$
<i>Current</i>		
<i>Unsecured</i>		
Loans from non-related party	<u>-</u>	<u>1,113,630</u>
	<u>-</u>	<u>1,113,630</u>
<i>Secured – Interest bearing</i>		
Bank operating facility	<u>1,966,878</u>	<u>994,313</u>
	<u>1,966,878</u>	<u>994,313</u>
	<u>1,966,878</u>	<u>2,107,943</u>
The carrying amounts of non-current assets pledged as security are:		
Land and buildings	<u>5,863,655</u>	<u>6,119,234</u>
	<u>5,863,655</u>	<u>6,119,234</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. LOANS AND BORROWINGS (cont'd)

	31 December 2017 \$	31 December 2016 \$
Financing arrangements		
The Consolidated Entity has access to the following facilities:		
Total facilities available:		
Bank operating facility	4,917,194	4,971,563
	<u>4,917,194</u>	<u>4,971,563</u>
Facilities utilised at end of the period:		
Bank operating facility	1,966,878	994,313
	<u>1,966,878</u>	<u>994,313</u>
Facilities not utilised at end of the period:		
Bank operating facility	2,950,316	3,977,250
	<u>2,950,316</u>	<u>3,977,250</u>

Loan from non-related party

Loan from non-related party is from non-controlling interest shareholder of Shanghai Jiye. It is unsecured interest free loan advanced to the Company during the period with no fixed repayment terms. As the Company has disposed the interest in Shanghai Jiye, the loan from non-related party is no longer required to be repaid. Refer to Note 28 for details.

Bank operating facility

The bank operating facility is secured by the Company's Nanjing manufacturing facility, including the land, Stage 1 and Stage 2 of the manufacturing facility. This bank operating facility is a revolving line of credit facility and the undrawn facility is available for draw down throughout the period. The loan facility does not have any bank covenant conditions.

The average interest rate for the bank operating facility is 5.08% per annum, payable quarterly.

14. OTHER LIABILITIES

	31 December 2017 \$	31 December 2016 \$
Other (Consideration)	-	1,000,000
	<u>-</u>	<u>1,000,000</u>

The other liabilities of \$1,000,000 represented the Tranche 2 shares consideration recognised as part of the Company's acquisition of trademark of Powereagle. The consideration was paid during the 2017 financial year.



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NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

15. ISSUED CAPITAL AND RESERVES

	31 December 2017 \$	31 December 2016 \$
Issued capital		
176,005,140 (31 December 2016: 160,769,006) fully paid ordinary shares	72,431,566	71,446,718

The following movements in issued capital occurred during the period:

	Number of Shares 31 Dec 2017	Number of Shares 31 Dec 2016	Year ended 31 Dec 2017 \$	Year ended 3 Dec 2016 \$
Balance at beginning of period	160,769,006	154,562,518	71,446,718	70,276,494
Issue of Shares at 34 cents each a)	-	3,333,333	-	1,133,333
Issue of Shares at nil consideration b)	-	200,000	-	-
Issue of Shares at 34 cents each c)	-	20,067	-	6,823
Issue of Shares at 27 cents each d)	-	86,420	-	23,333
Issue of Shares at nil consideration e)	-	2,300,000	-	-
Issue of Shares at nil consideration f)	-	266,668	-	-
Issue of Shares at 7.5 cents each g)	11,764,706	-	882,353	-
Issue of Shares at 7 cents each h)	571,428	-	40,000	-
Issue of Shares at nil consideration i)	2,900,000	-	-	-
Transfer options reserve to issued capital	-	-	-	2,167
Vesting of share based expenses	-	-	62,495	4,568
Balance at end of period	176,005,140	160,769,006	72,431,566	71,446,718

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

- a) 5 February 2016 - Issue 3,333,333 shares at \$0.34 as Tranche 1 shares consideration to acquire trademark of Powereagle.
- b) 5 February 2016 - Issue 200,000 shares at nil consideration on vesting of 200,000 Performance Rights.
- c) 17 May 2016 - Issue 20,067 shares at \$0.34 for corporate finance services provided to the Company.
- d) 24 May 2016 - Issue 86,420 shares to a director in lieu of unpaid director fees.
- e) 2 December 2016 - Issue 2,300,000 shares at a deemed price of \$0.075 each to employees of the Company in recognition of their efforts and contribution to the Company. These share based expenses will be recognised over a three year vesting period.
- f) 2 December 2016 - Issue 266,668 shares at nil consideration on vesting of 266,668 Performance Rights.
- g) 31 January 2017 - Issue 11,764,706 shares at \$0.075 as Tranche 2 shares consideration to acquire trademark of Powereagle.
- h) 1 June 2017 - Issue 571,428 shares to a director in lieu of unpaid director fees.
- i) 1 December 2017 - Issue 2,900,000 shares at a deemed price of \$0.062 each to employees of the Company in recognition of their efforts and contribution to the Company. These share based expenses will be recognised over a three year vesting period.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. ISSUED CAPITAL AND RESERVES (cont'd)

Options

The movements of options over unissued ordinary shares of the Company for the year ended 31 December 2017 were:

	Expiry Date	Exercise Price	Balance at 1 Jan 2017	Granted/ Issued	Exercised/ Forfeited	Expired	Held at 31 Dec 2017
Class E options	23 May 2018	40 cents	500,000	-	-	-	500,000
Class F options	23 May 2018	80 cents	500,000	-	-	-	500,000
Class G options	21 May 2019	50 cents	100,000	-	-	-	100,000
Class H options	21 May 2019	75 cents	100,000	-	-	-	100,000
Class I options	21 May 2019	\$1.00	200,000	-	-	-	200,000
Class J options	31 December 2017	75 cents	719,981	-	-	(719,981)	-
Total			2,119,981	-	-	(719,981)	1,400,000

Performance Rights

All Performance Rights convert to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions.

The movements of Performance Rights over unissued ordinary shares of the Company during the year ended 31 December 2017 were:

Performance Rights series	Balance at 1 Jan 2017	Granted	Vested/Expired	Held at 31 Dec 2017
Class K	1,000,000	-	(1,000,000)	-
Total	1,000,000	-	(1,000,000)	-

The above Performance Rights issued under the Company's Performance Rights Plan were subject to the following performance conditions:

Number of Performance Rights	Class	Performance Conditions	Time of vesting	Status
1,000,000	K	- The VWAP exceeds 85 cents at any time on or before 31 December 2017; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 85 cents	Expired



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. ISSUED CAPITAL AND RESERVES (cont'd)

	31 December 2017	31 December 2016
	\$	\$
Reserves		
Reserves at the beginning of the period	(844,124)	872,866
Transfer expired options reserve to accumulated losses	(183,067)	(276,000)
Transfer exercised options and vested performance rights reserves to issued capital	-	(2,167)
Movements in foreign currency translation reserve	(113,410)	(1,438,823)
Reserves at the end of the period	<u>(1,140,601)</u>	<u>(844,124)</u>
Comprises of:		
Share-based payment reserve	145,139	328,206
Foreign currency translation reserve	(1,285,740)	(1,172,330)
Reserves at the end of the period	<u>(1,140,601)</u>	<u>(844,124)</u>

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations.

16. NON-CONTROLLING INTERESTS

	31 December 2017	31 December 2016
	\$	\$
Balance at the beginning of the period	609,043	-
Share of loss for the year	(39,863)	(486,267)
Non-controlling interests arising on acquisition of Shanghai Jiye	-	1,095,310
Disposal of interests of Shanghai Jiye	(569,180)	-
Balance at the end of the period	<u>-</u>	<u>609,043</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. CAPITAL RISK MANAGEMENT

The Consolidated Entity manages its capital to ensure its ability to continue as a going concern and to achieve returns to the shareholders and benefits for other stakeholders through the optimisation of debt and equity balance. The capital structure of the Consolidated Entity is adjusted to achieve its goals whilst ensuring the lowest cost of the capital.

Management monitors capital on the basis of the gearing ratio (debt/total capital). During the year ended 31 December 2017, the Consolidated Entity's strategy is to utilise lowest cost of the capital from the capital markets and continuously negotiating lower interest cost with provider of its operating facility to achieve its expansion program. The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017 \$	31 December 2016 \$
Total borrowings	1,966,878	2,107,943
Total equity	13,034,247	20,828,661
Total capital	<u>15,001,125</u>	<u>22,936,604</u>
Gearing ratio	13.1%	9.2%

The gearing ratio of the Company has increased from 9.2% to 13.1% during the year ended 31 December 2017.

18. ACCUMULATED LOSSES

	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
Accumulated losses at the beginning of the period	(50,382,976)	(37,052,340)
Profit/(Loss) for the period	(8,056,809)	(13,606,636)
Transfer from share-based payment reserve	183,067	276,000
Accumulated losses at the end of the period	<u>(58,256,718)</u>	<u>(50,382,976)</u>

19. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The continuing operations of the Consolidated Entity are predominantly in the electric two-wheel vehicles manufacture and distribution industry.

Reported segments were based on the geographical segments of the Consolidated Entity, being Australia and China. The management accounts and forecasts submitted to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance are split into these components.

The electric two-wheel vehicles segment is managed on a worldwide basis, but operates in two principal geographical areas: Australia and China. In China, manufacturing facilities are operated in Nanjing. The Shanghai operation was discontinued in the current year. The segment information reported does not include any amounts for the discontinued operations, which are described in more detail in Note 27. The following table presents revenue and profit or loss in relation to geographical segments for the twelve month periods ended 31 December 2017 and 31 December 2016:



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. SEGMENT REPORTING (cont'd)

Continuing Operations	Australia \$A		Nanjing, China \$A		Shanghai, China \$A		Intersegment elimination \$A		Consolidated \$A	
	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016
Revenue										
Segment revenue	44,187	62,518	15,035,237	17,208,227	-	-	-	-	15,079,424	17,270,745
Result										
Segment profit/(loss)	(1,015,640)	(1,130,964)	(5,329,422)	(9,249,795)	-	-	-	-	(6,345,062)	(10,380,759)
Assets										
Segment assets	961,135	1,872,185	39,834,569	43,629,806	-	6,516,069	(21,926,853)	(21,892,997)	18,868,851	30,125,063
Liabilities										
Segment liabilities	(172,971)	(1,129,134)	(27,588,486)	(25,308,271)	-	(4,751,994)	21,926,853	21,892,997	(5,834,604)	(9,296,402)
Depreciation of fixed assets	(4,300)	(6,425)	(569,516)	(600,789)	-	-	-	-	(573,816)	(607,214)
Impairment of intangible assets	(1,218,585)	(78,314)	-	(7,722,765)	-	-	-	-	(1,218,585)	(7,801,079)
Amortisation of intangible assets	(201,569)	-	-	(228,705)	-	-	-	-	(201,569)	(228,705)

The principal activity of the continuing Consolidated Entity is the design, manufacture, marketing and distribution of electric two-wheel vehicles.



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NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise bank and other loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in derivative instruments shall be undertaken.

Fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The following table details the fair value of financial assets and liabilities of the Consolidated Entity:

	31 December 2017		31 December 2016	
	Carrying amount \$	Fair Value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents	3,172,792	3,172,792	4,361,855	4,361,855
Trade and other receivables	1,385,118	1,385,118	2,877,295	2,877,295
Other financial assets	-	-	222,438	222,438
Total financial assets	4,557,910	4,557,910	7,461,588	7,461,588
Financial liabilities				
Trade and other payables	3,867,726	3,867,726	5,687,070	5,687,070
Borrowings	1,966,878	1,966,878	2,107,943	2,107,943
Current tax liabilities	-	-	11,529	11,529
Other liabilities	-	-	1,000,000	1,000,000
Total financial liabilities	5,834,604	5,834,604	8,806,542	8,806,542
Net financial assets / (liabilities)	(1,276,694)	(1,276,694)	(1,344,954)	(1,344,954)

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Sensitivity analysis

In managing interest rate and currency risks, the Company endeavours to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings, although the extent of that impact will depend on the level of cash resources held by the Consolidated Entity. A general increase of one percentage point in interest rates would not be expected to materially impact earnings.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's short term debt obligations.

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 2.1%, depending on account balances.

The following annual interest rates apply to the Consolidated Entity's credit facilities:

Bank operating facility	5.08% variable
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All other financial assets and liabilities are non-interest bearing.

At balance date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	31 December 2017 \$	31 December 2016 \$
Financial assets		
Cash and cash equivalents	3,172,792	4,361,855
Financial liabilities		
Bank operating facility	(1,966,878)	(994,313)
Net exposure	<u>1,205,914</u>	<u>3,367,542</u>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows:

	31 December 2017 \$	31 December 2016 \$
Judgements of reasonable possible movements:		
<u>+1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	12,059	33,675
Equity increase/(decrease)	12,059	33,675
<u>-1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	(12,059)	(33,675)
Equity increase/(decrease)	(12,059)	(33,675)

Foreign currency risk

The Consolidated Entity is exposed to foreign currency on sales, purchases and borrowings that are denominated in a currency other than Australian Dollars. The currency giving rise to this risk is primarily US dollars and Chinese RMB.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

At balance date, the Consolidated Entity had the following exposure to US dollars and Chinese RMB foreign currency that is not designated in cash flow hedges:

	31 December 2017 AUD	31 December 2016 AUD
Financial assets		
Cash and cash equivalents (USD)	638,771	1,434,581
Cash and cash equivalents (RMB)	1,740,557	1,330,232
Cash and cash equivalents (EUR)	7,657	-
	<u>2,386,985</u>	<u>2,764,813</u>
Trade and other receivables (USD)	439,239	280,126
Trade and other receivables (RMB)	927,306	2,553,843
Trade and other receivables (EUR)	6,968	-
	<u>1,373,513</u>	<u>2,833,969</u>
Financial liabilities		
Trade and other payables (USD)	(1,255,517)	(363,065)
Trade and other payables (RMB)	(2,439,238)	(5,206,400)
	<u>(3,694,755)</u>	<u>(5,569,465)</u>
Borrowings (RMB)	<u>(1,966,878)</u>	<u>(2,107,943)</u>
Net exposure	<u>(1,901,135)</u>	<u>(2,078,626)</u>

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 31 December 2017, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

	31 December 2017 \$	31 December 2016 \$
Judgements of reasonable possible movements:		
<u>AUD/USD and AUD/RMB +20%</u> Equity increase/(decrease)	313,569	346,438
<u>AUD/USD and AUD/RMB -20%</u> Equity increase/(decrease)	(376,283)	(415,725)

At this stage, the Consolidated Entity does not seek to hedge this exposure.

Credit risk

The credit risk on financial assets of the Consolidated Entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provision for impairment losses.

The Consolidated Entity continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies. It is the Consolidated Entity's policy that credit verification procedures, including assessment of credit ratings, financial position, past experience and industry reputation, are performed on new customers that request credit terms. Risk limits are set for each customer and regularly monitored. Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The total credit risk exposure of the Consolidated Entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Details with respect to credit risk of trade and other receivables are provided in Note 6.

Liquidity risk

Liquidity risk arises from the possibility that the Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Consolidated Entity manages this risk through the following mechanisms:

1. preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
2. monitoring undrawn credit facilities;
3. obtaining funding from a variety of sources;
4. maintaining a reputable credit profile; and
5. managing credit risk related to financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Consolidated Group	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial liabilities due for payment								
Bank operating facility and loans	1,967	2,108	-	-	-	-	1,967	2,108
Trade and other payables	3,868	5,687	-	-	-	-	3,868	5,687
Current tax liabilities	-	12	-	-	-	-	-	12
Other liabilities	-	-	-	-	-	-	-	-
Total contractual outflows	5,835	7,807	-	-	-	-	5,835	7,807
Total expected outflows	5,835	7,807	-	-	-	-	5,835	7,807
Financial assets – cash flows realisable								
Cash and cash equivalents	3,173	4,362	-	-	-	-	3,173	4,362
Trade and other receivables	1,385	2,877	-	-	-	-	1,385	2,877
Total anticipated inflows	4,558	7,239	-	-	-	-	4,558	7,239
Net (outflow)/ inflow on financial instruments	(1,277)	(568)	-	-	-	-	(1,277)	(568)

Financial assets pledged as collateral

There are no financial assets that have been pledged as security for debt and their realisation into cash is not restricted.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. OPERATING LEASE ARRANGMENTS

Operating leases relate to the land and buildings owned by the Group with lease terms of 5 years. All operating lease contracts contain market review clauses. The lessee does not have an option to purchase the property at the expiry of the lease period.

	31 December 2017 \$	31 December 2016 \$
Non-cancellable operating lease receivables		
Not later than one year	242,083	-
Later than one year but not later than five years	920,740	-
	<u>1,162,823</u>	<u>-</u>

22. COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2017 \$	31 December 2016 \$
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	71,909	244,796
Later than one year but not later than five years	76,060	734,390
	<u>147,969</u>	<u>979,186</u>

Contingent liabilities

The Company is currently a defendant in a proceeding brought against the Company by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claim can be successfully defended, without any losses (including for costs) being incurred by the Company.

23. EARNINGS PER SHARE

	Year ended 31 Dec 2017 Cents per share	Year ended 31 Dec 2016 Cents per share
Basic earnings per share		
From continuing operations	(3.66)	(6.26)
From discontinued operations	(1.02)	(2.35)
Total earnings/(loss) per share	<u>(4.68)</u>	<u>(8.61)</u>

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as the diluted loss per share.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Profit/(Loss) for the year attributable to owners of the Consolidated Entity	(8,056,809)	(13,606,636)
Earnings used in the calculation of basic earnings per share	<u>(8,056,809)</u>	<u>(13,606,636)</u>
Profit/(Loss) for the year from discontinued operations used in the calculation of basic earnings/loss per share from discontinued operations	(1,751,610)	(3,712,144)
Earnings used in the calculation of basic earnings/loss per share from continuing operations	<u>(6,305,199)</u>	<u>(9,894,492)</u>
Weighted average number of ordinary shares for the purposes of basic earnings/loss per share	172,148,080	158,042,830

24. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 31 December 2017	Entity interest 31 December 2016
<i>Parent entity</i>			
Vmoto Limited	Australia		
<i>Controlled entities</i>			
Vmoto Australia Pty Ltd	Australia	100%	100%
Vmoto International Limited	Hong Kong	100%	100%
Nanjing Vmoto Co, Ltd	China	100%	100%
Nanjing Vmoto Manufacturing Co, Ltd	China	100%	100%
Nanjing Vmoto E-Max Electric Vehicles Development Co, Ltd	China	100%	100%
Shanghai Jiye Electric Vehicle Co, Ltd	China	-	51%
Vmoto Europe B.V ¹	Netherlands	100%	-

1. Vmoto Europe B.V is a new subsidiary incorporated in Netherlands during the year.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

(i) Directors

Mr Phillip Campbell	Chairman (Non-Executive) - appointed 31 May 2017
Mr Charles Chen	Managing Director (Executive) - appointed Executive Director 5 January 2007 and Managing Director 1 September 2011
Mr Ivan Teo	Finance Director (Executive) - appointed Chief Financial Officer 17 June 2009 and Finance Director 29 January 2013
Mr Oliver Cairns	Director (Non-Executive) - ceased 31 May 2017
Mr Kaijian Chen	Director (Non-Executive) - appointed 1 September 2011
Ms Shannon Coates	Director (Non-Executive) - appointed 23 May 2014

(ii) Executives

Mr Shuguang Han	General Manager - appointed 1 May 2014
Mr Fei Wu	Sales Manager - appointed 1 May 2014
Ms Susan Xie	Sales Manager - appointed 1 March 2010
Mr Leon Wan	Vice General Manager - appointed 31 July 2016
Mr Yunfei He	Production Manager - appointed 1 February 2010

The total remuneration paid to Key Management Personnel of the Company and the Consolidated Entity during the period ended 31 December 2017 was as follows:

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
	\$	\$
Short-term employee benefits	708,835	712,482
Share-based payments	117,973	77,500
<u>Total KMP compensation</u>	<u>826,808</u>	<u>789,982</u>

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's Key Management Personnel for the year ended 31 December 2017.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. BUSINESS COMBINATIONS (COMPARATIVE YEAR)

Subsidiary acquired

	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of shares acquired</u>	<u>Consideration</u>
2016				
Shanghai Jiye Electric Vehicle Co, Ltd	Manufacture and distribute electric two-wheel vehicles	1 January 2016	51%	\$5,327,987
				<u>\$5,327,987</u>

The controlling interests in Shanghai Jiye Electric Vehicle Co, Ltd (**Shanghai Jiye**) was acquired so as to secure and expand the Group's electric two-wheel vehicle operations in China.

Consideration

	<u>Shanghai Jiye</u>
Cash	\$442,712
Stocks	\$4,467,761
Debt forgiveness (a)	\$417,514
	<u>\$5,327,987</u>

a) Prior to the acquisition of controlling interests in Shanghai Jiye, Shanghai Jiye had a debt of \$417,514 payable to the Group. As part of the acquisition, this debt has been forgiven.

Goodwill arising on acquisition

	<u>Shanghai Jiye</u>
Consideration	\$5,327,987
Less: Fair value of identifiable net assets acquired	(\$3,865,502)
Add: Non-controlling interests	\$1,093,992
Goodwill arising on acquisition	<u>\$2,556,477</u>

Goodwill arose in the acquisition of controlling interest in Shanghai Jiye because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development in EV markets. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow/outflow on acquisition of subsidiary

	<u>Year ended 31 Dec 2016</u>
Consideration paid in cash	\$442,712
Less: Cash and cash equivalents balances acquired	<u>(\$1,133,183)</u>
Net cash (inflow)/outflow on acquisition of subsidiary	<u>(\$690,471)</u>

Impact of acquisitions on the results of the Group

Included in the loss for the year ended 31 December 2016 is \$908,454 attributable to the operation of Shanghai Jiye. Revenue for year ended 31 December 2016 includes \$19 million in respect of Shanghai Jiye.



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NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

27. DISCONTINUED OPERATIONS

On 27 November 2017, the Company entered into a sale agreement to dispose 51% interest of Shanghai Jiye , which focuses on the Chinese electric two-wheel vehicle market. The proceeds of sale was less than the carrying amount of the related net assets and accordingly, impairment losses were recognised on the reclassification of these operations as discontinued operations. The disposal of the interest in Shanghai Jiye operations is in line with the Company's strict investment return criteria. While the strategic rationale for the original acquisition was sound, the Shanghai Jiye operations did not deliver the return expected and is facing increasing business risks and stricter government regulations in the Chinese electric two-wheel vehicle market. The disposal was completed on 30 November 2017, on which date control of the Shanghai Jiye operations passed to acquirer. Details of assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 28.

The combined results of the discontinued operation (that is Shanghai Jiye operations) included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Loss for the year from discontinued operations		
Sales revenue	16,930,467	18,994,178
Cost of goods sold	(14,979,623)	(16,355,912)
Gross profit	1,950,844	2,638,266
Expenses	(2,231,769)	(6,404,839)
Profit/(Loss) before tax	(280,925)	(3,766,573)
Attributable income tax revenue/(expense)	49,893	54,429
Profit/(Loss) after tax	(231,032)	(3,712,144)
Loss on disposal of operation (see Note 28)	(1,520,578)	-
Loss for the year from discontinued operations (attributable to owners of the Company)	(1,751,610)	(3,712,144)
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	(1,540,476)	(1,048,864)
Net cash inflows/(outflows) from investing activities	(114,281)	(45,494)
Net cash inflows/(outflows) from financing activities	668,564	1,131,405
Net cash inflows/(outflows)	(986,193)	37,047



VMOTO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. DISPOSAL OF SUBSIDIARY

On 30 November 2017, the Company disposed its 51% interest in Shanghai Jiye Electric Vehicle Co, Ltd, which focuses on the Chinese electric two-wheel vehicle market.

	Year ended 31 Dec 2017 \$
Consideration received	
Consideration received in cash and cash equivalents	415,487
Total consideration received	<u>415,487</u>
 Analysis of assets and liabilities over which control was lost:	
<u>Current assets</u>	
Cash and cash equivalents	129,832
Trade and other receivables	1,346,819
Inventories	3,442,594
Other assets	225,645
<u>Non-current assets</u>	
Property, plant and equipment	481,224
Intangible assets	1,759,867
<u>Current liabilities</u>	
Trade and other payables	(2,603,238)
Deferred tax liabilities	(439,967)
Loans and borrowings	(1,776,411)
<u>Non-current liabilities</u>	
Loans and borrowings	(61,120)
<u>Equity</u>	
Non-controlling interests	(569,180)
Net assets disposed of	<u>1,936,065</u>
 Loss on disposal of subsidiary	
Consideration received	415,487
Net assets disposed of	(1,936,065)
Loss on disposal	<u>(1,520,578)</u>

The loss on disposal is included in the loss for the year from discontinued operations (see Note 27).

Net cash inflow on disposal of subsidiary

Consideration received in cash and cash equivalents	415,487
Less: Cash and cash equivalent balances disposed of	(129,832)
	<u>285,655</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2017 \$	Year ended 31 December 2016 \$
29. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit/(Loss) for the year	(8,096,672)	(14,092,903)
Adjustments for:		
- Depreciation and amortisation	775,385	1,166,235
- Loss on disposals	1,520,578	-
- Impairments	1,458,259	12,952,060
- Share based payment expenses	141,214	154,082
- Expenses recognised in profit or loss	-	244,892
- Income tax (benefit)/expenses	-	(42,900)
Operating loss before changes in working capital and provisions	(4,201,236)	381,466
(Increase)/ decrease in receivables	1,492,178	5,869,845
(Increase)/ decrease in inventories	4,207,045	(2,439,771)
(Increase)/ decrease in other assets	836,245	(911,821)
(Decrease)/ increase in payables	(4,695,673)	(2,852,638)
Net cash (used in) operating activities	(2,361,441)	47,081

30. NON-DIRECTOR RELATED PARTIES

Non-director related parties are the Company's controlled entities. Details of the Company's interest in controlled entities are set out in Note 24. Details of dealings with these entities are set out below.

Transactions - The loans to controlled entities are unsecured, interest-free and of no fixed term. The loans are provided primarily for capital purchases and working capital purposes.

Receivables - Aggregate amounts receivable from non-director related parties:

	Year ended 31 Dec 2017 \$	Company Year ended 31 Dec 2016 \$
<i>Non-current</i>		
Unsecured loans to controlled entities	22,223,200	22,173,416
Provision for non-recovery	(22,223,200)	(22,173,416)
	-	-

31. SUBSEQUENT EVENTS

Completion of Placement

On 16 January 2018, the Company issued 22,727,273 fully paid ordinary shares at an issue price of \$0.055 per share pursuant to the placement announced on 12 January 2018, raising \$1.25 million (before costs).

Completion of Share Purchase Plan

On 21 February 2018, the Company issued 17,500,089 fully paid ordinary shares at an issue price of \$0.055 per share pursuant to the Share Purchase Plan announced on 12 January 2018, raising \$962,500 (before costs).

Other than the above and as noted elsewhere in the financial statements, there has not arisen in the interval between the end of the financial period and the date of this Annual Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.



VMOTO LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. PARENT ENTITY DISCLOSURES

<i>Financial position</i>	31 Dec 2017	31 Dec 2016
	\$	\$
Assets		
Current assets	799,876	1,623,141
Non-current assets	10,607,360	16,302,109
Total assets	11,407,236	17,925,250
Liabilities		
Current liabilities	164,977	1,125,755
Non-current liabilities	-	-
Total Liabilities	164,977	1,125,755
Net assets	11,242,259	16,799,495
Equity		
Issued capital	72,431,566	71,446,718
Accumulated losses	(61,334,446)	(54,975,429)
Reserves		
Share based payment premium reserve	145,139	328,206
Total equity	11,242,259	16,799,495
Financial performance	Year ended	Year ended
	31 Dec 2017	31 Dec 2016
	\$	\$
Loss for the period	6,359,016	1,081,290
Other comprehensive income	-	-
Total comprehensive income	6,359,016	1,081,290

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries during the year ended 31 December 2017.

Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity has no commitments for any acquisition of property, plant and equipment.

33. Fair Value Measurement

In accordance with AASB 13, Fair Value Measurement, the group is required to disclose for each class of assets and liabilities measured at fair value, the level of the fair value hierarchy within which the fair value method is categorised. The group view that no assets or liabilities are measured at fair value, other than cash, trade and other receivables, trade and other payables and borrowings with carrying amounts assumed to approximate their fair value. Refer Note 11, for details of fair value measurement on investments.



VMOTO LIMITED
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DIRECTORS' DECLARATION

In the opinion of the Directors of Vmoto Limited:

- (a) the financial statements and notes, set out on pages 24 to 68, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2017 and its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the attached financial statements also comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements; 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.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Finance Director for the year ended 31 December 2017.

Signed in accordance with a resolution of the Directors:

Yiting (Charles) Chen
Managing Director

Dated at Western Australia, this 29th day of March 2018.

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Vmoto Limited for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 29th day of March 2018

Independent Auditor's Report

To the Members of Vmoto Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vmoto Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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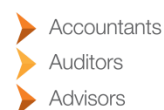
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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of Cash Generating Unit inclusive of intangible assets	
<p>As disclosed in note 10 of the consolidated financial statements, the Group has trademark of \$595,533 after impairment charges of \$1,218,585 were made against the carrying value of the trademarks held, which was previously included within the Shanghai Jiye Cash Generating Unit (CGU)</p> <p>Impairment is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, the Group's current year's performance and due to the judgement involved in determining the key assumptions used in the recoverable amount.</p> <p>An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.</p>	<p>Our procedures amongst others included:</p> <p>Intangible Assets - Trademarks</p> <ul style="list-style-type: none"> ➤ Obtaining an understanding of the value in use model and assumptions used, including expected cash flows based on contractual arrangements in place, expected useful life of the intangibles and discount rate applied. ➤ Critically evaluating management methodologies and their documented basis for key assumptions utilised in the valuation model described in note 10; ➤ We checked the mathematical accuracy of the cash flow models and assessed the historical accuracy of forecasting by the Group; and ➤ We assessed the appropriateness of the disclosures included in Note 10 to the financial report.
Accounting for Discontinued Operations	
<p>During the year Vmoto disposed of its 51% interest in Shanghai Jiye Electric Vehicle Co, Ltd for \$415,487.</p> <p>As disclosed in note 27 to the financial statements, the Company has presented Shanghai Jiye as a discontinued operations in the statement of profit or loss and other comprehensive income. The result of the discontinued operations amounts to \$1,751,610 for 31 December 2017. This included \$1,520,578 on the loss on disposal and \$231,032 loss from operations until the date of disposal.</p> <p>Discontinued operation is considered to be a key audit matter due to the size of the operations disposed of and the judgement involved in determining the financial results of the operations.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> ➤ Evaluation of management's assumptions applied as discontinued operation by reviewing of minutes and other relevant documentation of the discontinued operations; ➤ Review of the sales agreement and calculation of loss on disposal of the entity. ➤ Assessment of the reallocation of costs associated with discontinued operations; and ➤ Assessing the adequacy of the disclosures included in Note 27 to the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Existence and recoverability of Other Assets</p> <p>Included within other assets are prepayments of \$3,119,683. During the period the company provided for \$1,835,755 due to concerns over recoverability and utilization of the prepayments. Prepayments predominately relate to payments made by Vmoto in advance to suppliers for the purchase of raw materials and stock items. Existence and recoverability were considered key audit matters due to:</p> <ul style="list-style-type: none"> ➤ The quantum of prepayments; ➤ The aging of prepayments; ➤ Change in strategic direction of the company; ➤ Risk of suppliers not fulfilling orders made or utilization by Vmoto. 	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> ➤ Reviewing aged prepayments listing and investigating old and/or material balances; ➤ On a sample basis, agreeing the outstanding balances to supplier's confirmation; ➤ Testing of the aging report to confirm the accuracy of the report; and ➤ Assessing the recoverability of the prepayments, including discussions with management; and ➤ Assessing the utilization of prepayments subsequent to the year end.
<p>Existence and recoverability of Inventory</p> <p>The Group's core operations are located in China, (Nanjing). At year end, the Consolidated Entity had \$2,780,782 of inventory on hand. Existence and valuation of inventory were considered key audit matters due to:</p> <ul style="list-style-type: none"> ➤ The quantum of inventory on hand ➤ The location of the inventory ➤ Risk of stock obsolescence from changing technology ➤ The importance of inventory in relation to generating positive operating cashflows. 	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> ➤ Attending stock takes conducted at year end and performing sample counts; ➤ Observing for damaged or obsolete stock on hand whilst on site; ➤ Reviewing gross margins on inventory sales during the year on a monthly basis; ➤ Reviewing unit cost of inventory items and related sales of that item to supporting documentation on a sample basis to assess assumption of inventory being held at the lower of cost or net realisable value; ➤ Review of inventory line items on a sample basis to identify slow moving or obsolete stock items on hand; and ➤ Reviewing margins and inventory turnover via analytical procedures.

Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Auditor's Report

To the Members of Vmoto Limited *(Continued)*



Auditor's Opinion

In our opinion, the Remuneration Report of Vmoto Limited, for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Mark DeLaurentis".

MARK DELAURENTIS CA
Director

Dated at Perth this 29th day of March 2018



V M O T O L I M I T E D
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A D D I T I O N A L S H A R E H O L D E R I N F O R M A T I O N

The following information is current as at 26 March 2018:

Voting Rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and Performance Rights do not carry any voting rights.

Substantial Shareholders

The number of shares and options held by substantial shareholders and their associates who have provided the Company with substantial shareholder notices are set out below:

<i>Name of Substantial Shareholder</i>	<i>Date Notice provided to the Company</i>	<i>Number of Shares</i>
Xiaona Zhao	29 June 2017	10,606,945
Xiaorui Ding	29 June 2017	6,623,629
Mr Yiting (Charles) Chen	20 August 2012	6,049,372

On-Market Buy Back

There is no current on-market buy back.

Distribution Schedules

Distribution schedules for each class of security as at 26 March 2018 are set out below. Where a person holds 20% or more of the securities in an unquoted class, the name of that holder and number of securities is also provided.

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	381	228,907	0.11
1,001 - 5,000	1,149	3,204,278	1.48
5,001 - 10,000	507	4,138,355	1.91
10,001 - 100,000	1,047	36,962,870	17.09
100,001 - Over	261	171,698,092	79.40
Total	3,345	216,232,502	100.00

Class E unlisted options exercisable at \$0.40 each, expiring 23 May 2018

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 ¹	500,000	100.00
Total	1	500,000	100.00

¹ Newcove International Inc holds 500,000 options comprising 100.0% of this class.



VMOTO LIMITED
ABN 36 098 455 460

ADDITIONAL SHAREHOLDER INFORMATION (cont'd)

Class F unlisted options exercisable at \$0.80 each, expiring 23 May 2018

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 ¹	500,000	100.00
Total	1	500,000	100.00

¹ Newcove International Inc holds 500,000 options comprising 100.0% of this class.

Class G unlisted options exercisable at \$0.50 each, expiring 21 May 2019

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 ¹	100,000	100.00
Total	1	100,000	100.00

¹ Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 100,000 options comprising 100.0% of this class.

Class H unlisted options exercisable at \$0.75 each, expiring 21 May 2019

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 ¹	100,000	100.00
Total	1	100,000	100.00

¹ Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 100,000 options comprising 100.0% of this class.

Class I unlisted options exercisable at \$1.00 each, expiring 21 May 2019

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 ¹	200,000	100.00
Total	1	200,000	100.00

¹ Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 200,000 options comprising 100.0% of this class.



VMOTO LIMITED
ABN 36 098 455 460

ADDITIONAL SHAREHOLDER INFORMATION (cont'd)

Unmarketable Parcels

Holdings of less than a marketable parcel of ordinary shares (being 8,929 as at 26 March 2018):

Holders	Units
1,799	5,215,636

Top Holders

The 20 largest registered holders of quoted securities as at 26 March 2018 were:

Fully paid ordinary shares

Name	No. Shares	%
1 PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	10,858,496	5.02
2 MS XIAONA ZHAO	10,606,948	4.91
3 MR RAYMOND EDWARD MUNRO & MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C>	9,005,000	4.16
4 MR ERCHUAN ZHOU	9,002,853	4.16
5 XIAORUI DING	8,823,529	4.08
6 MR ANDREW STEWART CARNEGIE HARRISON & MRS LINDEN MARGARET HARRISON	5,000,001	2.31
7 OUTRIGHT INTERNATIONAL BUSINESS GROUP LIMITED	4,900,000	2.27
8 MR YI CHEN	4,278,075	1.98
9 MR LIANG CHEN	3,917,787	1.81
10 CITICORP NOMINEES PTY LIMITED	3,521,629	1.63
11 TRES DAM PTY LTD	3,483,740	1.61
12 MR BRENDAN DAVID GORE <THE GORE FAMILY A/C>	3,245,000	1.50
13 MR ZHENGJIE WU	2,636,366	1.22
14 MR THOMAS JOSEPH FALVEY	2,437,540	1.13
15 SILVERLIGHT HOLDINGS PTY LTD <CAIRNS INVESTMENT A/C>	2,436,365	1.13
16 MR STEPHEN COLBECK	2,000,000	0.92
17 YANG PTY LTD <YANG FAMILY A/C>	1,920,500	0.89
18 MR HAOMING SHE	1,818,182	0.84
19 LEI LIU	1,782,531	0.82
20 MR JAMES MICHAEL SCOTT	1,720,000	0.80
	93,934,542	43.19

Corporate Governance

The Company's Corporate Governance Statement for the 2017 financial year can be accessed at www.vmoto.com/investors.