



VMOTO LIMITED
ABN 36 098 455 460

ANNUAL REPORT
for the year ended 31 December 2018



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

Suite 5, 62 Ord Street
West Perth, Western Australia 6005
Australia
Telephone: +61 8 9226 3865
Facsimile: +61 8 9322 5230

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Australia
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Website and Email

Website:
www.vmoto.com
www.vmosoco.com

Email: info@vmoto.com

Auditor

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
Perth, Western Australia 6000
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
Australia

Accuro Legal
Suite 2602, Level 26, 56 Pitt Street
Sydney, New South Wales 2000
Australia

Securities Exchanges

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

ASX Code: VMT

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



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ABN 36 098 455 460

CONTENTS

	Page
Corporate Directory	Inside cover
Chairman's Letter	2
Operations Review	3
Directors' Report	7
Remuneration Report	14
Financial Statements	21
Directors' Declaration	61
Auditor's Independence Declaration	62
Independent Auditor's Report	63
Additional Shareholder Information	68



VMOTO LIMITED
ABN 36 098 455 460

CHAIRMAN'S LETTER

Dear Shareholders,

This last year has seen the continued successful implementation of the plans we put in place following the "roots and branch" review of the Company initiated not long after I joined the Board in May 2017.

The executive team has performed well this year in executing our strategy and building our international footprint in both the B2B and B2C market segments. The symbiotic relationship with Super Soco, which commenced in FY2017, was strengthened during FY2018, and it continues to provide a pathway into international B2C markets.

The support we received from Shareholders via the capital raising in early FY2018 was gratifying and went a long way towards underwriting our sales and marketing successes this last year, especially in Europe. The result was a positive, albeit modest, EBITDA result. More importantly, the Company achieved a positive operating cash flow result in FY2018. The markets in which we are operating continue to mature in their acceptance of electric two-wheel vehicles in both the B2B and B2C segments. Supported by continued changes in the regulatory regimes in many countries in favour of all types of electric vehicles, we are increasingly confident of Vmoto's future as a leading and profitable participant in the urban mobility and last mile delivery revolutions.

With increase in sales volume for high value, high performance electric two-wheel vehicles to international markets especially an increase of 310% sales volume to European markets and a positive operating cash flow result in FY2018, the market has started to reawaken to the investment opportunity that Vmoto Limited presents. We will be responding to this renewed interest in the year ahead via a proactive investor engagement program.

I would like to sincerely thank our hardworking management team and all Vmoto Shareholders for their continued support and look forward to meeting you at the Annual General Meeting in May 2019.

Yours faithfully

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

Phillip Campbell
Non-Executive Chairman



VMOTO LIMITED
ABN 36 098 455 460

OPERATIONS REVIEW

OVERVIEW

Vmoto Limited (ASX: VMT) (“Vmoto” or “the Company”), 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 2018 (“FY2018”).

International Growth Strategy Delivers First Positive EBITDA

In FY2018, Vmoto’s strategy to sell high-value, high-margin two-wheel electric vehicles into international markets started to deliver results, leaving the Company well positioned to become a worldwide leading two-wheel electric vehicle supplier and electric vehicle solution provider.

Total revenue in FY2018 increased to \$19.6 million, up 30% on FY2017 (\$15.1 million), largely driven by growth in international sales, with 10,081 units of electric vehicle products sold into international markets during the period. The Company’s ability to capitalise on new European government policy and regulation supporting electric vehicle transport and the growth of vehicle leasing and logistics projects helped deliver this strong result.

The Company achieved positive operating cash flow and delivered earnings before interest, tax, depreciation and amortisation of \$18k for FY2018.

Sales and Marketing Initiatives and New Product Launches Build International Brand Awareness

During the year, Vmoto invested significant resources into building international brand awareness for the E-Max and Super Soco product ranges. Super Soco products are manufactured in Vmoto’s Nanjing manufacturing facility, with the international sales and marketing rights held by Vmoto. The Company was a participant in key market exhibitions internationally, and developed and launched a new product focused website www.vmosoco.com and its Vmoto Soco e-mobility across Facebook (www.facebook.com/vmosoco), Instagram (www.instagram.com/vmosoco) and Youtube (www.youtube.com/c/vmosoco) during the period.

In November 2018, the new CUX electric scooter and the TC-Max electric motorcycle was launched at EICMA in Milan, Italy. Targeting B2C markets, the TC-Max was ranked as one of the coolest electric motorcycles coming in 2019 by Electrek – a reputable US-based news website dedicated to electric transportation and sustainable energy (<https://electrek.co/2018/12/28/electric-motorcycles-coming-2019/>). Dario Marchetti, a legendary Ducati motorcycle racer, and Andrea Pirillo, a YouTube star who has gained more than 55 million views for his YouTube channel, promoted and endorsed the Vmoto and the Super Soco product lines of two-wheel electric vehicles at the exhibition.

To accelerate sales and provide after sales service in European markets, the Company established a wholly owned European subsidiary and a warehouse in the Netherlands, which became operational in FY2018. The Company is now able to provide direct support to its European distributors and provide more confidence to potential customers with a local presence and after sales service offering.

The Company signed an agreement with Mr Graziano Milone, a successful Italian entrepreneur and experienced electric vehicle operator, to equally own and jointly manage Vmoto Soco Italy srl, which is focused on distributing electric two-wheel vehicle products in Italy. This cooperation will enable Vmoto to further penetrate the Italian market, fast track our distribution into Italy, including consumer markets, and bring more high performance electric two-wheel vehicle products to Italy.



VMOTO LIMITED
ABN 36 098 455 460

OPERATIONS REVIEW (cont'd)

Financial Overview

Over the 12-month period to 31 December 2018, the Consolidated Entity's net assets increased 17% to \$15.3 million (31 December 2017: \$13 million). The Company's Nanjing land and Stage 1 & Stage 2 buildings are currently carried at cost on the balance sheet as at 31 December 2018 at \$6.4 million. The Company's Nanjing land and Stage 1 & Stage 2 buildings was independently valued by an external party at \$12.2 million in March 2017, representing a valuation increment of \$5.8 million above cost. 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 2018, the Company's operating facility was drawn down by RMB6 million (approximately \$1.2 million), with a total RMB19 million (approximately \$3.9 million) remaining undrawn. As at 31 December 2018 the Company had cash of \$4.2 million and remains adequately funded to continue to execute on its strategic growth plans.

EXISTING MARKETS

In FY2018, the Company sold 10,875 electric two-wheel vehicles across the Group, of which 10,081 units were sold to international markets. Sales into the European market continued on an upward trend, with 4,280 units sold into European markets, representing a 310% increase on FY2017.

The Company continued to build on its strong relationships with its B2B and B2C customers, with many placing orders that will flow through in FY2019.

NEW MARKETS AND DISTRIBUTORS

During the year, the Company signed a number of exclusive international distribution agreements to warehouse, distribute and market Vmoto and/or Super Soco electric vehicle products worldwide, further expanding Vmoto's distribution network:

Austria and Germany: An exclusive distribution agreement was signed with Hans Leeb GmbH ("Hans Leeb") to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in Austria and Germany. Hans Leeb is a large importer and distributor in Austria and Germany for two-wheel, three wheel and four wheel vehicles, and the successful distributor for renowned brand TGB in Austria and Germany.

Australia and New Zealand: An exclusive distribution agreement was signed with Urban Moto Imports Pty Ltd ("UMI") to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in Australia and New Zealand. UMI is a specialist premium motorcycle importer and distributor in Australia and New Zealand for MV Agusta, Bimota, Benelli, Gas Gas, Royal Enfield and Peugeot Motorcycles and have been very successful in the Australian and American markets.

Belgium and Luxembourg: An exclusive distribution agreement was signed with SOCS Bvba ("SOCS") for SOCS to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in Belgium and Luxembourg. SOCS is an experienced importer and motorcycle company in Belgium that has extensive dealers' network in Belgium and other European countries.

Chile: Vmoto signed an exclusive distribution agreement with Importadora Y Comercializadora Rojabe Motors Tuning Ltda ("Rojabe") for Rojabe to warehouse, distribute and market the TS, TC and CUX electric vehicle products in Chile. Rojabe is a professional importer in Chile and has its own laboratory and a team of experts in the electric vehicle industry. Rojabe has achieved and obtained the highest number of approved electric vehicles models in Chile.

Croatia and Slovenia: Vmoto signed an exclusive distribution agreement with Electric Vehicles Trade d.o.o ("EVT") for EVT to warehouse, distribute and market the TS and TC electric motorcycle products in the Croatia and Slovenia.

Czech Republic: Vmoto signed an exclusive distribution agreement with Eco Gear s.r.o ("Eco Gear") for Eco Gear to warehouse, distribute and market our B2C electric motorcycle products in the Czech Republic.



VMOTO LIMITED
ABN 36 098 455 460

OPERATIONS REVIEW (c o n t ' d)

France: Vmoto signed an exclusive distribution agreement with Mujoo France (“Mujoo”) for Mujoo to warehouse, distribute and market our B2C range of electric two-wheel vehicle products. Mujoo is one of France’s leading motorcycle distributors and offers high-performance electric motorcycles.

France: Vmoto signed an exclusive distribution agreement with U’Mob France to warehouse, distribute and market the Company’s B2B delivery electric scooters in France.

Mauritius: An exclusive distribution agreement was signed with Sun Industries Ltd (“Sun Industries”) for Sun Industries to warehouse, distribute and market the TS, TC and CU-X electric two-wheel vehicle products in Mauritius.

Mexico: Vmoto signed an exclusive distribution agreement with Vpro Sapi de CV (“Vpro”) for Vpro to warehouse, distribute and market the E-Max and Super Soco range of electric two-wheel vehicle products in Mexico. Vpro has a comprehensive dealership network and after sales service network covering seven states in Mexico.

Poland: An exclusive distribution agreement was signed with Karbon 2 Sp. z.o.o (“Karbon 2”) for Karbon 2 to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in Poland. Karbon 2 is a large and successful trade company that has 30 years of experience in Poland and significant interest to expand into the electric vehicle industry.

South Africa: An exclusive distribution agreement was signed with Electric Mobility Solutions (Pty) Ltd (“Electric Mobility Solutions”) for Electric Mobility Solutions to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in South Africa. Electric Mobility Solutions is part of Interhub Group, which is operating in the transportation industry and offers high quality products tailored to the transportation industry. Electric Mobility Solutions has also expressed strong interest in the Company’s E-Max products for its transportation business.

Sweden, Finland and Norway: An exclusive distribution agreement was signed with ATV Sweden AB (“ATV Sweden”) for ATV Sweden to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in Sweden, Finland and Norway. ATV Sweden is a full service company focused primarily in quadricycles, moped and motorcycles. ATV Sweden is part of Silverstone Group which has an 11,000 square metre warehouse for both products and spare parts.

Taiwan: An exclusive distribution agreement was signed with Startrade Component Co, Ltd (“Startrade”) for Startrade to warehouse, distribute and market our B2C range of electric two-wheel vehicle products in Taiwan. Startrade is an innovative company focused on vehicle telematics system, smart urban transportation and automatic driving.

With the continuous boom in the vehicles sharing economy, and consumers and businesses embracing the concept of shared fleets, the Company expects to benefit from growth in the sharing economy in the coming months and is already in discussions with a number of existing and potential customers by supplying electric vehicle products in their sharing operations.

CORPORATE

On 12 January 2018, the Company announced an equity capital raising of up to \$2 million (before costs) comprising of a placement and share purchase plan (SPP) to be used towards expansion of the Company’s European distribution network, expansion of its European warehouse to accelerate sales into European markets, expansion of its international B2B leasing business and to meet the costs of the SPP. The Company successfully raised \$2.2 million through the Placement and the SPP, which closed oversubscribed and raised \$962,500, exceeding the original target of \$750,000.

During the year, 45,010,880 shares were issued, comprising 40,227,362 shares for the placement and SPP, 3,400,000 shares to employees and consultants of the Company in consideration for services provided and 1,383,518 shares to Directors Mr Phillip Campbell and Mr Kaijian Chen in lieu of director fees, as approved by Shareholders.



VMOTO LIMITED
ABN 36 098 455 460

OPERATIONS REVIEW (cont'd)

OUTLOOK

Vmoto continues to execute its strategy of selling high value, high performance electric two-wheel vehicles to the international markets, targeting B2B delivery, sharing and rental customers and B2C customers. The Company is focused on the B2C market via its international sales and marketing of Super Soco two wheel electric vehicles and the B2B market via the E-Max electric delivery scooters.

With its wholly-owned European subsidiary and warehouse now established and an Italian company established and Italian distribution partner secured, the Company is in a strong position to accelerate sales into European markets whilst provide direct support and presence for its European distributors and customers.

Vmoto continues to receive significant interest and has a strong pipeline of sales leads directly driven by the increase in its sales and marketing activities during the period. With a number of additional distributors signed up in 4Q18 and increasing firm orders, Vmoto's management remains confident that the Company will continue to increase international sales and further consolidate its position as a leading electric two-wheel vehicle supplier and provider to the international markets. The Company also sees great potential in the B2B businesses for its high performance electric two-wheel vehicle products and is in discussions with a number of business groups to secure orders and to achieve closer cooperation.



VMOTO LIMITED
ABN 36 098 455 460

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 2018 to 31 December 2018.

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	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.
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 17 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> <p>Mr Teo will be seeking re-election by shareholders at the Company's 2019 Annual General Meeting.</p>



VMOTO LIMITED
ABN 36 098 455 460

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**

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.

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.

Mr Chen holds a degree from the Beijing Institute of Technology and is based in Changzhou, China.

Shannon Coates

Ms Coates was appointed as Non-Executive Director of the Company on 23 May 2014.

**Independent
Non-Executive Director**

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. She is also a graduate of the Australian Institute of Company Directors.

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.

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.



VMOTO LIMITED
ABN 36 098 455 460

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 2018 are as follows:

Director	Company	Period of directorship	
		From	To
Mr Phillip Campbell	Fleetwood Corp Limited	2016	Current
Mr Charles Chen	-	-	-
Mr Ivan Teo	-	-	-
Mr Kaijian Chen	-	-	-
Ms Shannon Coates	Flinders Mines Limited	2018	Current
	Kopore Metals 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 2018 are:

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

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 2018 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).



VMOTO LIMITED
ABN 36 098 455 460

DIRECTORS' REPORT (cont'd)

Total consolidated sales of \$19.6 million were recorded for the Consolidated Entity for the year ended 31 December 2018 (FY2017: \$15.1 million). The revenue of the Consolidated Entity has increased 30% compared to the year ended 31 December 2017, largely due to increased international sales into the electric two-wheel vehicle market as the Company capitalised on new government policies and regulation in Europe supporting electric vehicle transport and the growth of vehicle leasing and logistics projects. During the year ended 31 December 2018, the Consolidated Entity recorded a net loss of \$917,563 after income tax (FY2017: \$8.1 million). The earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 31 December 2018 was \$18,437 (FY2017: loss before interest, tax, depreciation and amortisation \$7.3 million).

The following table provides a reconciliation between the EBITDA and statutory net loss after tax for the year ended 31 December 2018:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	\$18,437
Depreciation and amortisation	(\$967,128)
Loss before interest and tax	(\$948,691)
Interest income	\$95,990
Interest expense	(\$64,862)
Income tax revenue/(expense)	-
Net loss after tax	(\$917,563)

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 2018 is set out in the Operations Review preceding the Directors' Report.

Review of Financial Position

The Consolidated Entity's net assets increased by approximately \$2.3 million during the year ended 31 December 2018.

Cash balances increased by approximately \$1.0 million during the year ended 31 December 2018 due to placement and share purchase plan to facilitate the expansion of the Consolidated Entity's European distribution network and European warehouse to accelerate sales into European markets. During the year, the Consolidated Entity has continued to receive significant deposits from customers for growing orders and to invest further into stock for the Consolidated Entity's expanding European distribution operations, with an aim to reduce the lead time to deliver the products to the European customers and provide greater efficiency in after sales services.

Trade and other receivables have increased by approximately \$713k largely due to increased sales, which has resulted in higher export and import VAT to be refunded.

Inventories increased by approximately \$2.9 million largely due to preparation of stocks for increased orders from international customers and purchased the stock for its European distribution operations to reduce the lead time to deliver the products to the European customers.

Prepayments decreased by approximately \$1.4 million largely due to continued utilisation of prepayments to minimise business risks.

Intangible assets decreased by approximately \$149k due to amortisation of the PowerEagle trademark.

Trade and other payables increased by approximately \$2.3 million during the period primarily due to higher level of deposits and orders received from customers in advance, for which the revenue will be recognised in FY2019, and higher trade payables due to the purchase of stock to meet increased orders from international customers.

Issued capital increased by \$2.4 million during the year ended 31 December 2018, primarily due to the \$2.2 million placement and share purchase plan completed in first quarter of 2018 and vesting of shares issued to employees during the year.



VMOTO LIMITED
ABN 36 098 455 460

DIRECTORS' REPORT (cont'd)

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 2018.

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 B2C and B2B customers and 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 B2C markets; and
- Expand its international B2B business.

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.
- Business relationship with Super Soco - Vmoto is currently distributing Super Soco range of products to the international B2C markets. Any changes in business cooperation and circumstances of Super Soco could have an impact on our financial results. We address this risk through regular communications and seeking deeper business cooperations with Super Soco while also developing and growing Vmoto's B2B businesses. We see this risk as minimal as Super Soco works closely with Vmoto and utilising Vmoto's manufacturing license and the sales of Super Soco range of products in international markets distributed by Vmoto are growing rapidly and expect to grow further in future.

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 2018.

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

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
ABN 36 098 455 460

DIRECTORS' REPORT (cont'd)

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.

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	1,113,583	-	-
Mr Charles Chen ²	15,646,726	-	-
Mr Ivan Teo ³	720,873	-	-
Mr Kaijian Chen ⁴	2,090,396	-	-
Ms Shannon Coates ⁵	347,728	-	-

- 431,819 shares are held indirectly by Mr Phillip Ashley Campbell & Ms Jeanette Riakos as trustee for the P & J Super Fund. Mr Campbell is a beneficiary of the P & J Super Fund. 681,764 shares are held indirectly by Transform Management Pty Ltd. Mr Campbell is a sole director and shareholder of the company.
- 15,646,726 shares are held directly by Mr Charles Chen.
- 720,873 shares are held directly by Mr Ivan Teo.
- 2,090,396 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.

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 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
22 May 2018	22 May 2018	22 May 2021	65 cents	2,272,727
22 May 2018	22 May 2018	22 May 2021	85 cents	2,272,727

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

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



VMOTO LIMITED
ABN 36 098 455 460

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 2018 was A\$35,108.

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 62 and forms part of the Directors' Report for the year ended 31 December 2018.



VMOTO LIMITED
ABN 36 098 455 460

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
- Mr Charles Chen
- Mr Ivan Teo
- Mr Kaijian Chen
- Ms Shannon Coates

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 Jeffrey Wu (International Sales Manager)
- Ms Susan Xie (International Sales Manager)
- Ms May Wang (International Sales Manager)
- Mr Chaohui Li (Technical 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 offer Performance Rights which will convert 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.



VMOTO LIMITED
ABN 36 098 455 460

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

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	12 months	12 months	12 months	12 months	12 months
<i>In AUD</i>	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	19,578	15,079	17,271	47,613	42,941
Net profit / (loss) before tax	(918)	(8,097)	(14,081)	116	257
Net profit / (loss) after tax	(918)	(8,097)	(14,093)	(753)	884

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	12 months	12 months	12 months	12 months	12 months
Share price at start of period	\$0.058*	\$0.099*	\$0.33*	\$0.04	\$0.03
Share price at end of period	\$0.056*	\$0.058*	\$0.099*	\$0.33*	\$0.04
Dividend	-	-	-	-	-
Basic and diluted earnings / (loss) per share	(0.43 cents)*	(4.68 cents)*	(8.61 cents)*	(0.52 cents)*	0.07 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.



VMOTO LIMITED
ABN 36 098 455 460

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 2018 and 31 December 2017 are:

		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS			
<i>In AUD</i>		Salary & fees \$	Superannuation benefits \$	Shares \$	Total \$	Value of shares/rights as proportion of remuneration %	% of remuneration based on performance
Executive Directors							
Mr Charles Chen	12 months to Dec 2018	350,000	-	-	350,000	-	-
	12 months to Dec 2017	210,000	19,950	-	229,950	-	-
Mr Ivan Teo	12 months to Dec 2018	152,446	-	-	152,446	-	-
	12 months to Dec 2017	150,090	-	-	150,090	-	-
Non-Executive Directors							
Mr Phillip Campbell ¹	12 months to Dec 2018	55,000	-	50,000	105,000	48%	-
	12 months to Dec 2017	33,333	-	33,333	66,666	50%	-
Mr Oliver Cairns (ceased 31 May 2017)	12 months to Dec 2018	-	-	-	-	-	-
	12 months to Dec 2017	83,333	-	-	83,333	-	-
Mr Kaijian Chen ²	12 months to Dec 2018	-	-	40,000	40,000	100%	-
	12 months to Dec 2017	-	-	40,000	40,000	100%	-
Ms Shannon Coates ³	12 months to Dec 2018	50,000	-	-	50,000	-	-
	12 months to Dec 2017	40,000	-	-	40,000	-	-
Total, all Directors	12 months to Dec 2018	607,446	-	90,000	697,446	13%	-
	12 months to Dec 2017	516,756	19,950	73,333	610,039	12%	-



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 2018, Mr Campbell is entitled to \$50,000 of director fees in shares and will seek for shareholders' approval in the 2019 Annual General Meeting for issuing the shares.
2. 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 2019 Annual General Meeting. Mr Chen's FY2017 Director fees were also paid in shares.
3. 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 2018 financial year, the Company paid Evolution Corporate Services Pty Ltd \$66,000 for these services, which is not included in the amount above.

<i>In AUD</i>		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS	Total	Value of shares as proportion of remuneration %	% of remuneration based on performance
		Salary & fees \$	Superannuation benefits \$	Shares \$			
Executives							
Mr Shuguang Han (General Manager)	12 months to Dec 2018	60,950	-	12,127	73,077	17%	-
	12 months to Dec 2017	58,184	-	6,200	64,384	10%	-
Mr Jeffrey Wu (Sales Manager)	12 months to Dec 2018	52,466	-	6,271	58,737	11%	-
	12 months to Dec 2017	48,472	-	3,100	51,572	6%	-
Ms Susan Xie (Sales Manager)	12 months to Dec 2018	28,260	-	2,855	31,115	9%	-
	12 months to Dec 2017	25,222	-	1,240	26,462	5%	-
Ms May Wang (Sales Manager)	12 months to Dec 2018	30,395	-	908	31,303	3%	-
	12 months to Dec 2017	14,124	-	620	14,744	4%	-
Mr Chaohui Li (Technical Manager)	12 months to Dec 2018	28,961	-	2,678	31,639	9%	-
	12 months to Dec 2017	18,156	-	1,240	19,396	6%	-
Total, all Executives	12 months to Dec 2018	201,032	-	24,839	225,871	11%	-
	12 months to Dec 2017	164,158	-	12,400	176,558	7%	-

REMUNERATION REPORT (c o n t ' d)

Share-based payment arrangements

Shares

During the year ended 31 December 2018, 3.4 million shares were granted to Key Management Personnel as an incentive and to recognise their efforts in the year ended 31 December 2018. 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 2018, 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 ¹	500,000	23/05/2013	A\$0.14	23/05/2018	A\$0.40	23/05/2014
Class F ¹	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
Tranche A	2,272,727	22/05/2018	Nil	22/05/2021	A\$0.065	22/05/2018
Tranche B	2,272,727	22/05/2018	Nil	22/05/2021	A\$0.085	22/05/2018
Total	5,945,454					

1. Expired.

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 2018, no options were granted to Key Management Personnel under the ESOP.



VMOTO LIMITED
ABN 36 098 455 460

REMUNERATION REPORT (cont'd)

Share holdings and transactions of Key Management Personnel

The movement during the year ended 31 December 2018 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 2018	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 2018
Directors							
Mr P Campbell	250,000	N/A	181,819	681,764	-	N/A	1,113,583
Mr C Chen	10,313,040	N/A	5,333,686	-	-	N/A	15,646,726
Mr I Teo	720,873	N/A	-	-	-	N/A	720,873
Mr K Chen	1,388,642	N/A	-	701,754	-	N/A	2,090,396
Ms S Coates	75,000	N/A	272,728	-	-	N/A	347,728
Executives							
Mr S Han	650,000	N/A	-	300,000	-	N/A	950,000
Mr J Wu	250,000	N/A	-	500,000	-	N/A	750,000
Ms S Xie	150,000	N/A	-	300,000	-	N/A	450,000
Ms M Wang	40,000	N/A	-	-	-	N/A	40,000
Mr C Li	160,000	N/A	-	-	-	N/A	160,000

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 2018 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 2018	Held at date of appointment	Additions	Granted as remuneration	Exercised/ Expired	Held at date of resignation /cessation	Held at 31 Dec 2018
Directors							
Mr P Campbell	-	N/A	-	-	-	N/A	-
Mr C Chen	-	N/A	-	-	-	N/A	-
Mr I Teo	-	N/A	-	-	-	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 J Wu	-	N/A	-	-	-	N/A	-
Ms S Xie	-	N/A	-	-	-	N/A	-
Ms M Wang	-	N/A	-	-	-	N/A	-
Mr C Li	-	N/A	-	-	-	N/A	-

All options are vested and exercisable.



VMOTO LIMITED
ABN 36 098 455 460

REMUNERATION REPORT (cont'd)

Other Key Management Personnel Transactions

During the year ended 31 December 2018, 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 2018.

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:

A handwritten signature in black ink, appearing to read "Charles Chen".

Charles Chen
Managing Director

Dated at Western Australia, this 28th day of March 2019.



VMOTO LIMITED
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Continuing Operations			
Revenue from sale of goods		19,578,395	15,079,424
Cost of sales		(16,129,230)	(13,520,308)
Gross Profit		3,449,165	1,559,116
Other income	2	995,858	888,658
Operational expenses		(2,846,217)	(3,084,652)
Marketing and distribution expenses		(617,746)	(426,088)
Corporate and administrative expenses		(1,700,496)	(1,728,633)
Occupancy expenses		(92,509)	(123,332)
Other expenses	2	(40,756)	(76,428)
Finance costs		(64,862)	(59,689)
Impairment of prepayments	8	-	(1,835,755)
Impairment of intangibles	10	-	(1,218,585)
Impairment of other financial assets		-	(239,674)
Profit/(Loss) from continuing operations before tax		(917,563)	(6,345,062)
Income tax revenue/(expense)	4	-	-
Profit/(Loss) after tax from continuing operations		(917,563)	(6,345,062)
Discontinued Operations			
Profit/(Loss) from discontinued operations		-	(1,751,610)
PROFIT/(LOSS) FOR THE YEAR		(917,563)	(8,096,672)



VMOTO LIMITED
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (c o n t ' d)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Other comprehensive income			
Foreign currency translation differences		676,177	(113,410)
Other comprehensive income for the year, net of income tax		676,177	(113,410)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(241,386)	(8,210,082)
Profit/(Loss) for the year attributable to:			
Owners of the Company		(917,563)	(8,056,809)
Non-controlling interests		-	(39,863)
		<u>(917,563)</u>	<u>(8,096,672)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(241,386)	(8,170,219)
Non-controlling interest		-	(39,863)
		<u>(241,386)</u>	<u>(8,210,082)</u>
Earnings per share	21		
From continuing and discontinued operations:			
Basic earnings/(loss) per share		(0.43 cents)	(4.68 cents)
From continuing operations:			
Basic earnings per share		(0.43 cents)	(3.66 cents)

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



VMOTO LIMITED
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF FINANCIAL
POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 \$	31 December 2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5	4,193,790	3,172,792
Trade and other receivables	6	2,098,447	1,385,118
Inventories	7	5,638,169	2,780,782
Other assets	8	1,749,024	3,119,683
Total Current Assets		13,679,430	10,458,375
NON-CURRENT ASSETS			
Property, plant and equipment	9	8,556,335	7,814,943
Intangible Assets	10	446,650	595,533
Total Non-Current Assets		9,002,985	8,410,476
TOTAL ASSETS		22,682,415	18,868,851
CURRENT LIABILITIES			
Trade and other payables	11	6,149,449	3,867,726
Loans and borrowings	12	1,235,890	1,966,878
Total Current Liabilities		7,385,339	5,834,604
TOTAL LIABILITIES		7,385,339	5,834,604
NET ASSETS		15,297,076	13,034,247
EQUITY			
Issued capital	13	74,814,382	72,431,566
Reserves	13	(513,144)	(1,140,601)
Accumulated losses	16	(59,125,561)	(58,256,718)
Non-controlling interests	14	121,399	-
TOTAL EQUITY		15,297,076	13,034,247

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



VMOTO LIMITED
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Cash flows from operating activities			
Receipts from customers		21,414,094	36,485,909
Payments to suppliers and employees		(21,580,606)	(38,913,803)
Interest received		95,990	126,142
Interest paid		(64,862)	(59,689)
Other cash receipts		402,267	-
Net cash used in operating activities	26	<u>266,883</u>	<u>(2,361,441)</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(734,167)	(593,183)
Payments for intangible assets		-	(2,306)
Payments for equity investments		-	(19,197)
Net cash inflow on disposal of subsidiary	25	<u>-</u>	<u>285,655</u>
Net cash used in investing activities		<u>(734,167)</u>	<u>(329,031)</u>
Cash flows from financing activities			
Proceeds from issue of equity shares		2,212,500	-
Payments for share issue costs		(33,874)	-
Proceeds from borrowings		1,208,531	3,230,396
Repayment of borrowings		(2,056,023)	(1,590,635)
Net cash generated by financing activities		<u>1,331,134</u>	<u>1,639,761</u>
Net (decrease)/increase in cash and cash equivalents		863,850	(1,050,711)
Cash and cash equivalents at the beginning of the year		3,172,792	4,361,855
Effect of exchange rate fluctuations on cash held		157,148	(138,352)
Cash and cash equivalents at the end of the year		<u>4,193,790</u>	<u>3,172,792</u>

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



VMOTO LIMITED
ABN 36 098 455 460

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non-controlling Interests	Total \$
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
Balance as at 1 January 2018	72,431,566	(1,140,601)	(58,256,718)	-	13,034,247
Loss for the year	-	-	(917,563)	-	(917,563)
Other comprehensive income for the year	-	676,177	-	-	676,177
Total comprehensive income for the year	-	676,177	(917,563)	-	(241,386)
Issue of ordinary shares	2,413,611	-	-	-	2,413,611
Share issue costs	(30,795)	-	-	-	(30,795)
Transfer expired options reserve to accumulated losses	-	(48,720)	48,720	-	-
Non-controlling interests arising on incorporation of subsidiary	-	-	-	121,399	121,399
Balance as at 31 December 2018	74,814,382	(513,144)	(59,125,561)	121,399	15,297,076

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



VMOTO LIMITED
ABN 36 098 455 460

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 2018 comprises the Company and its subsidiaries (together referred to as the “Consolidated Entity”).

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.

(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 28th March 2019.

(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)*

Accounting Standards that are mandatorily effective for the current reporting year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 Financial Instruments and related amending Standards
- AASB 15 Revenue from Contracts with Customers and related amending Standards
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018.

This standard provides a single standard for revenue recognition. The core principle of the standard is that an entity must 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 requires: 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 must 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.

The entity has assessed the requirements of AASB 15, and analysed the effect this has on revenue recognition including an analysis of the performance obligations within the Company's contracts with Customers. Given the nature of the Company's operations and contracts with customers, revenue is recognised at a point in time when the customer obtains control of the goods. As permitted by the standard the Company has continued to utilise the terms trade and other receivables, and advances and deposits from customers rather than contract assets and contract liabilities respectively.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.



VMOTO LIMITED
ABN 36 098 455 460

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 2018 of \$917,563 (loss after tax for the year ended 31 December 2017: \$8,096,672). At 31 December 2018, the Consolidated Entity had a working capital surplus of \$6,294,091 (31 December 2017: \$4,623,771).

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 and the Super Soco range (which are manufactured in Vmoto's Nanjing manufacturing facility and for which Vmoto holds international sales and marking rights outside of China) is increasing;
- the Consolidated Entity has the ability to 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, RMB19 million (approximately \$3.9 million) of the operating facility is still available for draw down if required;
- the Consolidated Entity achieved positive operating cash flows of \$266,883 for the year ended 31 December 2018; and
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be cash flow positive for the year ending 31 December 2019 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.

(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 29, investments in subsidiaries are carried at cost and recoverable amount. Refer to Note 1(n).

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.

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 or equivalent) payable to the taxation authority.

Sale of goods

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise (and in most instances), revenue is recognised at a point in time when the customer obtains control of the goods and services. Contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price which are generally based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

If a customer pays consideration before the Company transfers the goods to the customer, the Company presents the contract liability (referred to as advance and deposits from customers) when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration.

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(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.

(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 acquire 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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.

(h) 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.

- *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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

- *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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(m) 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.

(n) 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.

(o) 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.

(p) 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 (c o n t ' 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.

(q) 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.

(r) 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.

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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.

(s) Intangibles

Trademarks, licenses and production rights

Trademarks, licenses and production rights are recognised at cost of acquisition. Licenses and production rights have an indefinite life and are carried at cost less any accumulated impairment losses. Trademark is estimated to have a useful life of five years and is amortised over a five year periods. The carrying values of trademark are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

(t) 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.

(u) 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.

(v) 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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(w) Comparative figures

This Annual Report relates to the year ended 31 December 2018. Comparatives are for the year ended 31 December 2017.

(x) 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.

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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.

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.

(y) 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.

The carrying amount of goodwill at 31 December 2018 was nil (31 December 2017: nil).



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 equipment, 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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
2. REVENUES AND EXPENSES		
(a) Other income		
Interest income	95,990	41,117
Contributions from customers	439,332	589,468
Government subsidies	170,908	49,928
Net foreign exchange gain	56,385	48,133
Rent income	215,655	156,449
Other income	17,588	3,563
	<u>995,858</u>	<u>888,658</u>
(b) Other expenses		
Doubtful debts	19,491	76,428
Loss on sale of obsolete stocks	21,265	-
	<u>40,756</u>	<u>76,428</u>
(c) Employee benefits expense		
Wages and salaries costs	1,495,894	1,565,841
	<u>1,495,894</u>	<u>1,565,841</u>
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	818,245	573,816
Amortisation of intangibles	148,883	201,569
	<u>967,128</u>	<u>775,385</u>
3. AUDITOR'S REMUNERATION		
Audit services:		
- Audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd	87,451	85,540
	<u>87,451</u>	<u>85,540</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
4. INCOME TAX		
(a) Income tax credit / (expense)		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
(b) Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)		
Profit/(Loss) before income tax benefit	<u>(917,563)</u>	<u>(6,345,062)</u>
Income tax credit/(expense) calculated at 27.5%	252,330	1,903,519
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)
Non-deductible items	(4,226)	(7,318)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(15,757)	(36,566)
Deferred tax not brought to account	<u>(232,347)</u>	<u>(1,067,133)</u>
Income tax credit / (expense)	<u>-</u>	<u>-</u>
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Potential at 27.5% (31 December 2017: 30%)	<u>6,462,253</u>	<u>6,893,670</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	-	-
Provision for loan to other entity	-	-
Provision for impairment loss on investments	-	59,918
Accrued expenses	15,125	15,000
Unrecognised deferred tax assets relating to the above temporary differences	<u>15,125</u>	<u>74,918</u>



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(e) Current tax liabilities

	31 December 2018 \$	31 December 2017 \$
Income tax payable	-	-

(f) Deferred tax balances

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

Deferred tax liabilities	-	-
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(g) Tax Rates

The potential tax benefit at 31 December 2018 in respect of tax losses not brought into account has been calculated at 27.5% for Australian entities. The tax rate applied for the year ended 31 December 2017 was 30%. The tax benefit and expense at 31 December 2018 in respect of tax effect brought into account in relation to China operations has been calculated at 25% for China entities. The tax benefit and expense at 31 December 2018 in respect of tax effect brought into account in relation to Europe operations has been calculated at 20% for the Netherlands entities.

	31 December 2018 \$	31 December 2017 \$
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,193,790	3,172,792
6. TRADE AND OTHER RECEIVABLES		
<i>Current</i>		
Trade receivables	914,964	1,203,309
Less: Provision for impairment loss	-	-
	914,964	1,203,309
Other receivables	1,474,816	473,142
Less: Provision for impairment loss	(291,333)	(291,333)
	2,098,447	1,385,118

Impaired trade receivables – Expected credit losses

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for expected credit losses is by reference to past default experience and an analysis of the ageing and known financial position of the debtor. The Company writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	31 December 2018	31 December 2017
	\$	\$
At beginning of the period	291,333	957,470
Provision for impairment during the period	19,491	76,428
Disposal of subsidiaries	-	(666,137)
Write off	(19,491)	(76,428)
At end of the period	291,333	291,333

At 31 December 2018, the ageing analysis of trade and other receivables is as follows:

0 - 30 Days	1,519,979	513,051
31 - 60 Days	53,098	635,721
61 - 90 Days past due not impaired	26,419	30,342
+90 Days past due not impaired	498,951	206,004
+90 Days considered impaired	291,333	291,333
	2,389,780	1,676,451

As of 31 December 2018, trade and other receivables of \$525,370 (31 December 2017: \$236,346) were past due but not impaired. \$381,709 of the \$525,370 past due relates to deferred payment arrangement with a B2B customer. The customer has been making payments on time in full. The remaining trade and other receivables relate to a number of independent customers for whom there is no recent history of default.

7. INVENTORIES

Raw materials	1,692,779	1,434,374
Semi-finished goods	295,843	772,248
Finished goods	3,649,547	574,160
	5,638,169	2,780,782

8. OTHER ASSETS

Prepayments	1,749,024	3,119,683
	1,749,024	3,119,683

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment	Motor vehicles	Land	Building	Total
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
Year ended 31 December 2018					
At 1 January 2018, net of accumulated depreciation	1,902,815	48,473	1,000,603	4,863,052	7,814,943
Additions	653,622	-	-	548,407	1,202,029
Depreciation for the period	(484,386)	(37,869)	-	(295,990)	(818,245)
Exchange differences	83,483	1,522	47,280	225,323	357,608
At 31 December 2018, net of accumulated depreciation	2,155,534	12,126	1,047,883	5,340,792	8,556,335
At 31 December 2018					
Cost	4,036,766	166,804	1,047,883	6,931,028	12,182,481
Accumulated depreciation	(1,881,232)	(154,678)	-	(1,590,236)	(3,626,146)
Net carrying amount	2,155,534	12,126	1,047,883	5,340,792	8,556,335

1. During 2017, an independent external property valuation company valued the Company's Nanjing land and Stage 1 & Stage 2 buildings at \$12.2 million AUD.

Assets pledged as security

Land and buildings with a carrying amount of approximately \$6.4 million have been pledged to secure borrowings of the Group (see Note 12). 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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. INTANGIBLES

	Goodwill	Licences, trademarks and production rights	Development Costs	Customer base	Total
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
Year ended 31 December 2018					
Balance at 1 January 2018	-	595,533	-	-	595,533
Amortisation for the period	-	(148,883)	-	-	(148,883)
Balance at 31 December 2018	-	446,650	-	-	446,650
At 31 December 2018					
Cost	3,971,428	2,015,687	4,836,105	-	10,823,220
Accumulated amortisation	-	(350,452)	(565,657)	-	(916,109)
Accumulated impairment	(3,971,428)	(1,218,585)	(4,270,448)	-	(9,460,461)
Net carrying amount	-	446,650	-	-	446,650



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. TRADE AND OTHER PAYABLES

	31 December 2018	31 December 2017
	\$	\$
<i>Current – unsecured</i>		
Trade creditors	2,233,423	1,381,769
Advance and deposits from customers	3,592,630	2,183,392
Other creditors and accruals	323,396	302,565
	<u>6,149,449</u>	<u>3,867,726</u>

12. LOANS AND BORROWINGS

Current

Secured – Interest bearing

Bank operating facility	1,235,890	1,966,878
	<u>1,235,890</u>	<u>1,966,878</u>
	<u>1,235,890</u>	<u>1,966,878</u>

The carrying amounts of non-current assets pledged as security are:

Land and buildings	6,388,675	5,863,655
	<u>6,388,675</u>	<u>5,863,655</u>

Financing arrangements

The Consolidated Entity has access to the following facilities:

Total facilities available:

Bank operating facility	5,149,543	4,917,194
	<u>5,149,543</u>	<u>4,917,194</u>

Facilities utilised at end of the period:

Bank operating facility	1,235,890	1,966,878
	<u>1,235,890</u>	<u>1,966,878</u>

Facilities not utilised at end of the period:

Bank operating facility	3,913,653	2,950,316
	<u>3,913,653</u>	<u>2,950,316</u>

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. LOANS AND BORROWINGS (cont'd)

Reconciliation of liabilities arising from financing activities

	31 Dec 2017	Cash flows	Non-cash changes Foreign exchange movement	31 Dec 2018
Short term bank operating facility	1,966,878	(847,492)	116,504	1,235,890
Total liabilities from financing activities	1,966,878	(847,492)	116,504	1,235,890

13. ISSUED CAPITAL AND RESERVES

	31 December 2018 \$	31 December 2017 \$
Issued capital		
221,016,020 (31 December 2017: 176,005,140) fully paid ordinary shares	74,814,382	72,431,566

The following movements in issued capital occurred during the period:

	Number of Shares 31 Dec 2018	Number of Shares 31 Dec 2017	Year ended 31 Dec 2018 \$	Year ended 31 Dec 2017 \$
Balance at beginning of period	176,005,140	160,769,006	72,431,566	71,446,718
Issue of Shares at 7.5 cents each a)	-	11,764,706	-	882,353
Issue of Shares at 7 cents each b)	-	571,428	-	40,000
Issue of Shares at nil consideration c)	-	2,900,000	-	-
Issue of Shares at 5.5 cents each d)	22,727,273	-	1,250,000	-
Issue of Shares at 5.5 cents each e)	17,500,089	-	962,500	-
Issue of Shares at 5.7 cents each f)	701,754	-	40,000	-
Issue of Shares at 5.6 - 7.1 cents each g)	681,764	-	41,667	-
Issue of Shares at nil consideration h)	3,400,000	-	-	-
Vesting of share based expenses	-	-	119,444	62,495
Share issue costs	-	-	(30,795)	-
Balance at end of period	221,016,020	176,005,140	74,814,382	72,431,566

- a) 31 January 2017 – Issue 11,764,706 shares at 7.5 cents as Tranche 2 shares consideration to acquire trademark of Powereagle.
- b) 1 June 2017 – Issue 571,428 shares at 7 cents each to a Director in lieu of unpaid Director fees.
- c) 1 December 2017 – Issue 2,900,000 shares at nil consideration 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.
- d) 16 Jan 2018 – Issue 22,727,273 shares at 5.5 cents each for \$1.25 million placement.
- e) 21 Feb 2018 – Issue 17,500,089 shares at 5.5 cents each for \$962,500 share purchase plan.
- f) 22 May 2018 – Issue 701,754 shares at 5.7 cents each to a director in lieu of unpaid director fees.
- g) 22 May 2018 – Issue 681,764 shares between 5.6 and 7.1 cents each to a Director in lieu of unpaid Director fees.
- h) 19 December 2018 – Issue 3,400,000 shares at nil consideration 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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Options

The movements of options over unissued ordinary shares of the Company for the year ended 31 December 2018 were:

	Expiry Date	Exercise Price	Balance at 1 Jan 2018	Granted/ Issued	Exercised/ Forfeited	Expired	Held at 31 Dec 2018
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
Tranche A options	22 May 2021	6.5 cents	-	2,272,727	-	-	2,272,727
Tranche B options	22 May 2021	8.5 cents	-	2,272,727	-	-	2,272,727
Total			1,400,000	4,545,454	-	(1,000,000)	4,945,454

	31 December 2018 \$	31 December 2017 \$
Reserves		
Reserves at the beginning of the period	(1,140,601)	(844,124)
Transfer expired options reserve to accumulated losses	(48,720)	(183,067)
Movements in foreign currency translation reserve	676,177	(113,410)
Reserves at the end of the period	<u>(513,144)</u>	<u>(1,140,601)</u>
Comprises of:		
Share-based payment reserve	96,419	145,139
Foreign currency translation reserve	(609,563)	(1,285,740)
Reserves at the end of the period	<u>(513,144)</u>	<u>(1,140,601)</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.

14. NON-CONTROLLING INTERESTS

	31 December 2018 \$	31 December 2017 \$
Balance at the beginning of the period	-	609,043
Share of loss for the year	-	(39,863)
Disposal of interests of Shanghai Jiye	-	(569,180)
Non-controlling interests arising on incorporation of subsidiary	121,399	-
Balance at the end of the period	<u>121,399</u>	<u>-</u>



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

15. 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 2018, 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 2018 and 31 December 2017 were as follows:

	31 December 2018 \$	31 December 2017 \$
Total borrowings	1,235,890	1,966,878
Total equity	15,297,076	13,034,247
Total capital	<u>16,532,966</u>	<u>15,001,125</u>
Gearing ratio	7.5%	13.1%

The gearing ratio of the Company has decreased from 13.1% to 7.5% during the year ended 31 December 2018.

16. ACCUMULATED LOSSES

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Accumulated losses at the beginning of the period	(58,256,718)	(50,382,976)
Profit/(Loss) for the period	(917,563)	(8,056,809)
Transfer from share-based payment reserve	48,720	183,067
Accumulated losses at the end of the period	<u>(59,125,561)</u>	<u>(58,256,718)</u>

17. 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, China and Europe. 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 three principal geographical areas: Australia, China and Europe. In China, manufacturing facilities are operated in Nanjing. In Europe, the warehouse and distribution centre are operated in Netherlands. The segment information reported does not include any amounts for the discontinued operations, which are described in more detail in Note 24. The following table presents revenue and profit or loss in relation to geographical segments for the twelve month periods ended 31 December 2018 and 31 December 2017:



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. SEGMENT REPORTING (cont'd)

Continuing Operations	Australia \$A		Nanjing, China \$A		Netherlands, Europe \$A		Intersegment elimination \$A		Consolidated \$A	
	Year ended 31/12/18	Year ended 31/12/17	Year ended 31/12/18	Year ended 31/12/17	Year ended 31/12/18	Year ended 31/12/17	Year ended 31/12/18	Year ended 31/12/17	Year ended 31/12/18	Year ended 31/12/17
Revenue										
Segment revenue	72,758	44,187	18,752,716	15,035,237	752,921	-	-	-	19,578,395	15,079,424
Result										
Segment profit/(loss)	(842,406)	(1,015,640)	83,474	(5,329,422)	(158,631)	-	-	-	(917,563)	(6,345,062)
Assets										
Segment assets	1,634,657	961,135	42,011,775	39,834,569	1,310,356	-	(22,274,373)	(21,926,853)	22,682,415	18,868,851
Liabilities										
Segment liabilities	(141,252)	(172,971)	(29,429,284)	(27,588,486)	(89,176)	-	22,274,373	21,926,853	(7,385,339)	(5,834,604)
Depreciation of fixed assets	(3,942)	(4,300)	(814,211)	(569,516)	(92)	-	-	-	(818,245)	(573,816)
Impairment of intangible assets	-	(1,218,585)	-	-	-	-	-	-	-	(1,218,585)
Amortisation of intangible assets	(148,883)	(201,569)	-	-	-	-	-	-	(148,883)	(201,569)

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

Information about major customers:

The Consolidated Entity has generated revenue from sales to its largest customer at approximately \$2.3 million (2017: 2 customers \$6.4 million). No other single customers contributed 10% or more of the Group's revenue for the year.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. 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 2018		31 December 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,193,790	4,193,790	3,172,792	3,172,792
Trade and other receivables	2,098,447	2,098,447	1,385,118	1,385,118
Total financial assets	6,292,237	6,292,237	4,557,910	4,557,910
Financial liabilities				
Trade and other payables	6,149,449	6,149,449	3,867,726	3,867,726
Borrowings	1,235,890	1,235,890	1,966,878	1,966,878
Total financial liabilities	7,385,339	7,385,339	5,834,604	5,834,604
Net financial assets / (liabilities)	(1,093,102)	(1,093,102)	(1,276,694)	(1,276,694)

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 (c o n t ' d)

18. 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 2.15%, 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 2018 \$	31 December 2017 \$
Financial assets		
Cash and cash equivalents	4,193,790	3,172,792
Financial liabilities		
Bank operating facility	(1,235,890)	(1,966,878)
Net exposure	<u>2,957,900</u>	<u>1,205,914</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 2018 \$	31 December 2017 \$
Judgements of reasonable possible movements:		
<u>+1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	29,579	12,059
Equity increase/(decrease)	29,579	12,059
<u>-1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	(29,579)	(12,059)
Equity increase/(decrease)	(29,579)	(12,059)

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, Chinese RMB and Europe Euro.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. 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 2018 AUD	31 December 2017 AUD
Financial assets		
Cash and cash equivalents (USD)	2,491,009	638,771
Cash and cash equivalents (RMB)	398,119	1,740,557
Cash and cash equivalents (EUR)	304,743	7,657
	3,193,871	2,386,985
Trade and other receivables (USD)	253,106	439,239
Trade and other receivables (RMB)	1,525,124	927,306
Trade and other receivables (EUR)	74,110	6,968
	1,852,340	1,373,513
Financial liabilities		
Trade and other payables (USD)	(2,652,693)	(1,255,517)
Trade and other payables (RMB)	(3,266,327)	(2,439,238)
Trade and other payables (EUR)	(89,176)	-
	(6,008,196)	(3,694,755)
Borrowings (RMB)	(1,235,890)	(1,966,878)
Net exposure	(1,235,890)	(1,901,135)

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

At 31 December 2018, 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 2018 \$	31 December 2017 \$
Judgements of reasonable possible movements:		
<u>AUD/USD and AUD/RMB +20%</u>		
Equity increase/(decrease)	366,313	313,569
<u>AUD/USD and AUD/RMB -20%</u>		
Equity increase/(decrease)	(439,575)	(376,283)

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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. 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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Consolidated Group	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial liabilities due for payment								
Bank operating facility and loans	1,236	1,967	-	-	-	-	1,236	1,967
Trade and other payables	6,149	3,868	-	-	-	-	6,149	3,868
Current tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total contractual outflows	7,385	5,835	-	-	-	-	7,385	5,835
Total expected outflows	7,385	5,835	-	-	-	-	7,385	5,835
Financial assets – cash flows realisable								
Cash and cash equivalents	4,194	3,173	-	-	-	-	4,194	3,173
Trade and other receivables	2,098	1,385	-	-	-	-	2,098	1,385
Total anticipated inflows	6,292	4,558	-	-	-	-	6,292	4,558
Net (outflow)/ inflow on financial instruments	(1,093)	(1,277)	-	-	-	-	(1,093)	(1,277)

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.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. OPERATING LEASE ARRANGMENTS

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 2018 \$	31 December 2017 \$
Non-cancellable operating lease receivables		
Not later than one year	257,265	242,083
Later than one year but not later than five years	721,800	920,740
	<u>979,065</u>	<u>1,162,823</u>

20. COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2018 \$	31 December 2017 \$
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	59,508	71,909
Later than one year but not later than five years	6,866	76,060
	<u>66,374</u>	<u>147,969</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.

21. EARNINGS PER SHARE

	Year ended 31 Dec 2018 Cents per share	Year ended 31 Dec 2017 Cents per share
Basic earnings per share		
From continuing operations	(0.43)	(3.66)
From discontinued operations	-	(1.02)
Total earnings/(loss) per share	<u>(0.43)</u>	<u>(4.68)</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.



VMOTO LIMITED
ABN 36 098 455 460

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 2018 \$	Year ended 31 Dec 2017 \$
Profit/(Loss) for the year attributable to owners of the Consolidated Entity	(917,563)	(8,056,809)
Earnings used in the calculation of basic earnings per share	<u>(917,563)</u>	<u>(8,056,809)</u>
Profit/(Loss) for the year from discontinued operations used in the calculation of basic earnings/loss per share from discontinued operations	<u>-</u>	<u>(1,751,610)</u>
Earnings used in the calculation of basic earnings/loss per share from continuing operations	<u>(917,563)</u>	<u>(6,305,199)</u>
Weighted average number of ordinary shares for the purposes of basic earnings/loss per share	213,823,446	172,148,080

22. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 31 December 2018	Entity interest 31 December 2017
<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%
Vmoto Europe B.V	Netherlands	100%	100%
Vmoto Soco Italy srl ¹	Italy	50%	-

1. Vmoto Soco Italy srl is a new subsidiary incorporated in Italy during the year.



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. 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 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 Jeffrey Wu	Sales Manager - appointed 1 May 2014
Ms Susan Xie	Sales Manager - appointed 1 March 2010
Ms May Wang	Sales Manager - appointed 1 January 2016
Mr Chaohui Li	Technical Manager - appointed 1 September 2017

The total remuneration paid to Key Management Personnel of the Company and the Consolidated Entity during the period ended 31 December 2018 was as follows:

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	\$	\$
Short-term employee benefits	808,478	708,835
Share-based payments	114,839	117,973
Total KMP compensation	923,317	826,808

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 2018.



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

24. 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 25.

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 \$
Loss for the year from discontinued operations	
Sales revenue	16,930,467
Cost of goods sold	<u>(14,979,623)</u>
Gross profit	1,950,844
Expenses	<u>(2,231,769)</u>
Profit/(Loss) before tax	(280,925)
Attributable income tax revenue/(expense)	<u>49,893</u>
Profit/(Loss) after tax	(231,032)
Loss on disposal of operation (see Note 25)	<u>(1,520,578)</u>
Loss for the year from discontinued operations (attributable to owners of the Company)	<u><u>(1,751,610)</u></u>
Cash flows from discontinued operations	
Net cash inflows/(outflows) from operating activities	(1,540,476)
Net cash inflows/(outflows) from investing activities	(114,281)
Net cash inflows/(outflows) from financing activities	<u>668,564</u>
Net cash inflows/(outflows)	<u><u>(986,193)</u></u>



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. 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 24).

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>



VMOTO LIMITED
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
26. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit/(Loss) for the year	(917,563)	(8,096,672)
Adjustments for:		
- Depreciation and amortisation	967,128	775,385
- Loss on disposals	-	1,520,578
- Impairments	-	1,458,259
- Share based payment expenses	209,444	141,214
Operating loss before changes in working capital and provisions	259,009	(4,201,236)
(Increase)/decrease in receivables	(733,205)	1,492,178
(Increase)/decrease in inventories	(2,857,387)	4,207,045
(Increase)/decrease in other assets	1,370,659	836,245
(Decrease)/ increase in payables	2,227,807	(4,695,673)
Net cash (used in) operating activities	266,883	(2,361,441)

27. 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 22. 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 2018 \$	Company Year ended 31 Dec 2017 \$
<i>Non-current</i>		
Unsecured loans to controlled entities	23,656,597	22,223,200
Provision for non-recovery	(23,656,597)	(22,223,200)
	-	-

28. SUBSEQUENT EVENTS

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
ABN 36 098 455 460

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. PARENT ENTITY DISCLOSURES

<i>Financial position</i>	31 Dec 2018	31 Dec 2017
	\$	\$
Assets		
Current assets	954,928	799,876
Non-current assets	11,957,864	10,607,360
Total assets	12,912,792	11,407,236
Liabilities		
Current liabilities	140,427	164,977
Non-current liabilities	-	-
Total Liabilities	140,427	164,977
Net assets	12,772,365	11,242,259
Equity		
Issued capital	74,814,382	72,431,566
Accumulated losses	(62,138,436)	(61,334,446)
Reserves		
Share based payment premium reserve	96,419	145,139
Total equity	12,772,365	11,242,259
Financial performance	Year ended	Year ended
	31 Dec 2018	31 Dec 2017
	\$	\$
Loss for the period	804,290	6,359,016
Other comprehensive income	-	-
Total comprehensive income	804,290	6,359,016

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 2018.

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.

31. 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.



VMOTO LIMITED
ABN 36 098 455 460

DIRECTORS' DECLARATION

In the opinion of the Directors of Vmoto Limited:

- (a) the financial statements and notes, set out on pages 21 to 60, 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 2018 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 2018.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read "Yiting (Charles) Chen".

Yiting (Charles) Chen
Managing Director

Dated at Western Australia, this 28th day of March 2019.

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

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

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

As lead audit partner for the audit of the financial statements of Vmoto Limited for the financial year ended 31 December 2018, 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



DOUG BELL CA
Partner

Dated at Perth this 28th day of March 2019

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 Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2018, 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 Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 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(a)(i).

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 Consolidated Entity 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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(WA) Pty Ltd

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Level 3,

216 St Georges Terrace
Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



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
<p>Existence and valuation of inventory (refer note 7)</p> <p>The Consolidated Entity had an inventory balance of \$5,638,169 at year end, an increase of \$2,857,387 from 2017.</p> <p>Existence and valuation of inventory were considered key audit matters due to:</p> <ul style="list-style-type: none">– The quantum and increase 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 cash flows.	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none">– Attending stock takes conducted at year end and performing sample counts;– During site visits we observed to consider damaged or obsolete stock on hand;– Reviewing gross margins on sales during the year on a monthly basis;– For a sample of items we tested unit costs of inventory items and related sales to supporting documentation to assess whether the inventory is held at the lower of cost and net realisable value;– Reviewing margins and inventory turnover via analytical procedures.
<p>Existence and recoverability of other assets (refer note 8)</p> <p>Other assets consist of prepayments to suppliers of \$1,749,024 (2017: \$3,119,683).</p> <p>Prepayments predominately relate to payments made by the Consolidated Entity in advance to suppliers for the purchase of raw materials and stock items.</p> <p>Existence and recoverability of prepayments were considered key audit matters due to the:</p> <ul style="list-style-type: none">– Quantum of prepayments;– Ageing of prepayments;– Risk of suppliers not fulfilling orders or the prepayments not being utilised by the Consolidated Entity.	<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 suppliers' confirmations;– Testing of the ageing report to confirm the accuracy of the report; and– Assessing the recoverability of the prepayments.

Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
<p>During the year ended 31 December 2018, the Consolidated Entity generated sales revenue of \$19,578,395 (2017: \$15,079,424).</p> <p>In 2018, the Consolidated Entity adopted <i>AASB 15 Revenue from Contracts with Customers</i> for the first time. The core principal of the standard is that an entity must recognise revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. <i>AASB 15</i> introduced a 5-step approach to revenue recognition with prescriptive guidance with respect to the identification of contracts with a customer, the performance obligations in the contract, the transaction price, the allocation of the transaction price to the performance obligations and the recognition of revenue when (or as) the entity satisfies the performance obligation.</p>	<p>We reviewed the Consolidated Entity's revenue accounting policy and their contracts with customers and considered how management:</p> <ul style="list-style-type: none">– Identified the contract– Identified the performance obligations within the contracts;– Determined the transaction price;– Allocated the transaction price to the performance obligations– Recognised revenue when the performance obligation was satisfied <p>In addition to the above our procedures amongst others included:</p> <ul style="list-style-type: none">– Understanding the policies and procedures applied to the sales process and their application to revenue recognition;– Performing substantive audit procedures on a sample basis by verifying revenue to relevant supporting documentation including approved price lists, delivery/shipping documentation, verification of cash receipts and ensuring the revenue was recognised at the appropriate time and classified correctly; and– Performing a range of substantive analytical and cutoff procedures.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2018, 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

Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



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 (a)(i), 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 Consolidated Entity'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 Consolidated Entity 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.
- 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity to cease to continue as a going concern.

Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



- 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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 2018. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 28th day of March 2019



VMOTO LIMITED
ABN 36 098 455 460

ADDITIONAL SHAREHOLDER INFORMATION

The following information is current as at 21 March 2019:

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>Number of Shares</i>
Raymond and Susan Munro ATF Munro Family Super Fund	14,145,400
Xiaona Zhao	11,753,095
Xiaorui Ding	8,823,529
Yiting (Charles) Chen	15,646,726

On-Market Buy Back

There is no current on-market buy back.

Distribution Schedules

Distribution schedules for each class of security as at 21 March 2019 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	379	221,428	0.10
1,001 - 5,000	1,042	2,888,855	1.31
5,001 - 10,000	443	3,615,927	1.64
10,001 - 100,000	915	32,837,760	14.86
100,001 - Over	228	181,452,050	82.10
Total	3,007	221,016,020	100.00

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% of this class.



VMOTO LIMITED
ABN 36 098 455 460

ADDITIONAL SHAREHOLDER INFORMATION (cont'd)

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% 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% of this class.

Unlisted options exercisable at \$0.065 each, expiring 22 May 2021

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	2	124,777	5.49
100,001 - Over	7 ¹	2,147,950	94.51
Total	9	2,272,727	100.00

¹ Mr Erchuan Zhou holds 713,013 options comprising 31.37% of this class.

Unlisted options exercisable at \$0.085 each, expiring 22 May 2021

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	2	124,777	5.49
100,001 - Over	7 ¹	2,147,950	94.51
Total	9	2,272,727	100.00

¹ Mr Erchuan Zhou holds 713,012 options comprising 31.37% of this class.



VMOTO LIMITED
ABN 36 098 455 460

ADDITIONAL SHAREHOLDER INFORMATION (c o n t ' d)

Unmarketable Parcels

Holdings of less than a marketable parcel of ordinary shares (being 7,693 as at 21 March 2019):

Holders	Units
1,614	4,324,679

Top Holders

The 20 largest registered holders of quoted securities as at 21 March 2019 were:

Fully paid ordinary shares

	Name	No. Shares	%
1	MR YITING CHEN	15,646,726	7.08
2	MR RAYMOND EDWARD MUNRO + MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C>	14,145,400	6.40
3	MS XIAONA ZHAO	11,753,095	5.32
4	MR ERCHUAN ZHOU	9,002,853	4.07
5	MS XIAORUI DING	8,823,529	3.99
6	OUTRIGHT INTERNATIONAL BUSINESS GROUP LIMITED	8,300,000	3.76
7	MR YI CHEN	4,800,803	2.17
8	MR LIANG CHEN	3,917,787	1.77
9	TRESDAM PTY LTD	3,483,740	1.58
10	SPELIZA INVESTMENTS PTY LTD <GREYSMED P/L SUPER FUND A/C>	3,482,148	1.58
11	MR BRENDAN DAVID GORE <GORE FAMILY NO 2 A/C>	3,245,000	1.47
12	MR ANDREW STUART CARNEGIE HARRISON + MRS LINDEN MARGARET HARRISON	3,076,661	1.39
13	CITICORP NOMINEES PTY LIMITED	2,947,791	1.33
14	MR ZHENGJIE WU	2,636,366	1.19
15	MR THOMAS JOSEPH FALVEY	2,437,540	1.10
16	SILVERLIGHT HOLDINGS PTY LTD <CAIRNS INVESTMENT A/C>	2,436,365	1.10
17	EDLINS PROSPERITY PLUS PTY LTD <EDLINS PROSPERITY PLUS A/C>	2,225,901	1.01
18	MR KAIJIAN CHEN	2,090,396	0.95
19	MR STEPHEN COLBECK	2,000,000	0.90
20	YANG PTY LTD <YANG FAMILY A/C>	1,920,500	0.87
		108,372,601	49.03

Corporate Governance

The Company's Corporate Governance Statement for the 2018 financial year can be accessed at www.vmoto.com/Corporate/Investors