



## VMOTO TO LEVERAGE ITS ELECTRIC VEHICLE CAPABILITIES INTO ELECTRIC THREE-WHEEL AND FOUR-WHEEL VEHICLE MARKETS

ANNOUNCEMENT

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### HIGHLIGHTS

- **Vmoto resolves to enter electric three-wheel and four-wheel vehicle markets via a Joint Venture company (JV) to be incorporated with a number of experienced partners in China's electric vehicle market**
- **New JV will focus on design, manufacture and distribution of electric three-wheel and four-wheel vehicles for Chinese domestic and international markets**
- **Vmoto will own a 20% equity interest in the new JV at an initial cost of up to \$1.5m**
- **Year 1 production and distribution for the new JV is forecast at between 20,000 and 50,000 units of small model electric three-wheel and four-wheel vehicles**
- **Significant benefits are expected to flow to Vmoto, including exposure to China's growing electric three-wheel and four-wheel vehicle market**

Vmoto Limited (ASX/AIM: VMT) ("Vmoto" or the "Company") is pleased to announce that it has resolved to enter into a Joint Venture with a number of very experienced partners in China's electric vehicle (EV) market to focus on designing, manufacturing and distributing electric three-wheel and four-wheel vehicles for the Chinese domestic and international markets ("JV").

Commenting on the new JV, Vmoto's Managing Director, Charles Chen, said:

"Vmoto is very pleased with its proposed entry into the JV with a number of very experienced partners in the Chinese electric vehicle industry.

"The demand for electric three-wheel and four-wheel vehicles is increasing at a very fast pace in China. The Chinese government's initiatives to encourage the development and use of electric vehicles within the country for environmental reasons have been and will continue to drive the growth of the country's electric vehicle market. Vmoto is in an exciting position at the forefront of the industry, and the new JV will enable Vmoto to leverage market opportunities and capitalise on the booming EV market over the coming years.



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“Vmoto’s partners in the new JV have extensive networks and significant resources to support the success of the new three-wheel and four-wheel vehicle operations. Extensive market research has been undertaken over the past 12 months to support this growth initiative and the new JV will have a strong understanding of the market opportunities, electric three-wheel and four-wheel vehicle products, product trends, and the benefits from bringing the resources of all the JV parties together.”

A new company (“Newco”) will be established to operate the new JV and will base its manufacturing operations at Vmoto’s Nanjing Manufacturing Facility, which has excess space and production capacity to support the new JV without impacting Vmoto’s existing manufacturing operations. All necessary regulatory approvals are being progressed, including the required licenses to develop, manufacture and distribute three-wheel and four-wheel EVs in China. It is expected that the new JV will be fully established with all licencing and approvals received by the end of February 2015 (after Chinese New Year). Vmoto is unable to disclose details of its partners in the JV, all of whom are experienced industry participants, due to confidentiality restrictions. The JV partners bring a wealth of experience and an extensive network in the electric vehicle industry.

### **Key Terms of the new JV**

- Newco will be established to operate the electric three-wheel and four-wheel vehicle businesses.
- Vmoto will be required to invest up to \$1.5m in the first 12 months for a 20% equity interest in Newco. These funds will go primarily towards the electric three-wheel market and are expected to be sufficient to deliver all capex and production requirements to produce up to 50,000 units in Year 1. This \$1.5m investment may be reduced depending on the speed of profit the JV makes in Year 1. Contributions in future will be determined by several factors including new projects in the EV space, general operating conditions, profitability and cash flow of the JV and agreement by the JV board.
- Vmoto will be entitled to appoint 1 of 5 directors to the Board of Newco and 1 supervisor. Daily management of Newco will be undertaken by a general manager to be appointed and agreed by all JV parties.
- Vmoto will be entitled to participate on a pro rata basis in any subsequent required investment, which will be subject to future operating conditions and profitability of the Newco, and new terms to be agreed with all parties.
- Vmoto to have voting rights in relation to significant business decisions of Newco, in line with its equity interest.
- It is estimated that Newco will produce and distribute between 20,000 and 50,000 units of smaller models of electric three-wheel and four-wheel vehicles in the first full year of operation, with growth expected in subsequent years.

### **Chinese three-wheel EV market**

According to the 2014-2015 Electric Three-Wheel Vehicle Market and Outlook Research Report published by China Industry Report Net in August 2014, the production of electric three-wheel vehicles in China has grown from 500,000 units in 2004 to 10 million units in 2013. It is estimated that the production of electric three-wheel vehicles in China will be over 12 million units in 2014.

In comparison with electric two-wheel vehicles, which are mainly used for daily transportation, electric three-wheel vehicles have wider applications across a number of industries and different type of users including freight and delivery of goods, leisure and sightseeing and transport for the aged and disabled population.

Among these, demand from the aged population in China is predicted to increase at a very fast pace, with an estimated 200 million people over 60 years old in 2014, increasing at an annual rate of 8 million.

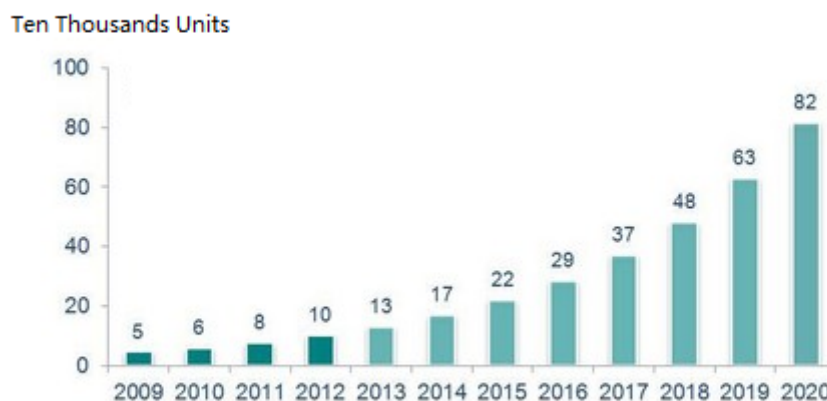
### Chinese four-wheel EV market

China's developments in the electric four-wheel vehicle market have also gathered pace in recent months, as the country continues to focus heavily on environmental measures to reduce pollution and support new-energy and clean technology, as highlighted in the 2014 China Government Work Report from the Chinese People's Political Consultative Conference annual session concluded on 12 March 2014.

2015 is expected to be a key milestone year for the electric four-wheel vehicle market in China, with the sales volume of new-energy vehicles in China expected to grow significantly as a result of government initiatives, including subsidies to purchasers of new-energy vehicles, the acceleration of construction of public electric charging stations and poles, and the strong foundation and maturation of electric four-wheel vehicle technology.

Consumers in China now have higher demands for electric vehicles and higher requirements for their transport needs, as China's urban and rural road conditions improve, as they become more conscious for environmental protection and as disposable income increases. With significant government initiatives and huge market potential for electric four-wheel vehicles in China, many enterprises in China have started investing into the electric four-wheel vehicle industry. Ipsos Business Consulting has predicted that the annual demand for electric four-wheel vehicles will reach 820,000 units in 2020. The annual compound growth rate from 2012-2020 is expected to reach 30%.

Demand for Electric Four-Wheel Vehicles in China Market, Year 2009 - 2020



Source: Ipsos

As with three-wheel vehicles, electric four-wheel vehicles have wider applications than two-wheel vehicles across a number of industries and different type of users including freight

and delivery of goods, leisure and sightseeing, transport for aged and disabled, patrols and security, golf and other special purpose electric four-wheel vehicles.

**Examples of Typical Electric Three-Wheel Vehicle Product in China**



**Examples of Low Speed Electric Four-Wheel Vehicle Product**



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**About Vmoto**

Vmoto Limited (ASX/AIM: VMT) 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 designed electric scooters from its low cost manufacturing facilities in Nanjing, China. Vmoto combines low cost Chinese manufacturing capabilities with European design. The group operates through two primary brands: Vmoto (aimed at the value market in Asia) and E-Max (targeting the Western markets, with a premium end product). As well as operating under its own brands, the Company also sells to a number of customers on an original equipment manufacturer (“OEM”) basis.