



OPERATIONAL REVIEW FOR THE QUARTER ENDED 31 DECEMBER 2013

ANNOUNCEMENT

30 January 2014

Vmoto Limited ("Vmoto" or "the Company") (ASX:VMT, AIM:VMT), the global scooter manufacturing and distribution group specialising in "green" electric powered two wheel vehicles, provides the following update on its activities during the quarter ended 31 December 2013.

HIGHLIGHTS - DECEMBER 2013 QUARTER

- Approximately 10,365 units sold to Shanghai PowerEagle International Co Ltd ("PowerEagle") during December 2013 quarter. With a total of 44,235 units produced and 42,051 units sold to the end of December 2013, the Company fulfilled PowerEagle's forecast production of 42,000 units for year ended 31 December 2013.
- A further six retail stores opened in China, for a total of ten stores during the second half of 2013. The Company expects to open more retail stores in China in 2014.
- Over 1,900 Vmoto units sold in the final quarter of 2013 from Vmoto's ten Chinese stores.
- Participation in one of the largest and most important electric two wheel vehicle exhibitions in China, the 31st China Jiangsu Electric Two Wheel Vehicle Exhibition, with encouraging leads generated.
- Site visit by Australian and United Kingdom brokers and fund managers.
- A\$5.3 million raised (before costs) with institutional and sophisticated investors to assist the Company to meet the electric two wheel vehicle market demand and continue expansion into China.
- Exclusive distribution agreement signed with Indonesian company, PT Garansindo Technologies.
- 72 units of electric scooters sold to Malaysian customer and further orders received from other international customers.
- Profitable month for December 2013 of ~A\$197,000 (unaudited) and profitable quarter of ~A\$590,000 (unaudited) for December 2013 quarter.

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CASH FLOW

Operating cash flow for the December 2013 quarter decreased in comparison with the previous quarter due to payments in respect of other working capital (including inventories) increasing in comparison to the previous quarter.

As was expected by the Company, Vmoto's receipts from customers during the quarter increased in comparison with the previous quarter as the Company continued ramping up in production and delivery of electric scooters to PowerEagle and other international customers. The Company expects the receipts from customers to be lower in March 2014 quarter due to seasonal slowdown as most of China closes for business for the Chinese New Year holidays from the end of January to mid of February 2014. Traditionally sales start picking up in March for the spring and summer months.

Payments for staff costs during the quarter were consistent with the previous quarter.

Payments in respect of advertising and marketing during the quarter increased in comparison to the previous quarter due to the Company's participation in one of the largest and most important electric two wheel vehicle exhibitions in China, the 31st China Jiangsu Electric Two Wheel Vehicle Exhibition (the "Exhibition"), held on 19 and 20 October 2013 in Nanjing, China.

Payments in respect of other working capital (including inventories) increasing in comparison to the previous quarter. The Company expects to continue building up stocks (i) to increase production of Vmoto's electric two wheel vehicles for the Chinese market, (ii) for distribution in the retail stores in China in order to meet the increased market demand; and (iii) to continue ramp up in production of PowerEagle electric scooters.

As at 31 December 2013, the total operating facility drawn down was RMB29.9million (approximately A\$5.5million) and the total undrawn operating facility was RMB4.1million (approximately A\$757,000).

As at 31 December 2013, the Company had cash of A\$4.4 million (unaudited).

EXISTING AND NEW CUSTOMERS

PowerEagle: During the December 2013 quarter, the Company sold approximately 10,365 units of PowerEagle electric scooters to the customer. The Company fulfilled PowerEagle's forecast production of 42,000 units for the year ended 31 December 2013. Relationships with PowerEagle remain strong and production continues with a current target of 64,800 units for 2014 under the Strategic Cooperation Agreement.

E-Tropolis: Orders remain slow from E-Tropolis due to Europe's economic conditions and the Company is actively discussing with E-Tropolis plans to increase orders in the coming months.

Malaysia: The Company sold 72 units of its delivery electric scooters in completely knocked down ("CKD") form to its Malaysian Original Equipment Manufacturer ("OEM") customer during the quarter. Further orders of 72 units of the delivery electric scooters have been received and the Company expects to deliver these electric scooters to the Malaysian customer in February 2014. Vmoto's Malaysian customer has also recently

showcased the electric scooter products to the Ministry of Science and Technology in Malaysia.

Indonesia: As announced on 19 November 2013, the Company signed an exclusive distribution agreement with the Indonesian company PT. Garansindo Technologies to distribute, stock and market the Company's Vmoto and E-Max range of electric scooter products in Indonesia. The Company is in discussions with the Indonesian distributor to determine specific requirements for electric scooter products specifically for the Indonesian market. Further developments in Indonesia will be reported as and when they occur.

Others: The Company's electric scooters were shipped to distributors in Slovenia, Canada, South Africa, Cyprus and Columbia, whilst European orders remain slow due to the poor economic climate.

COLLABORATIONS, TENDERS AND JOINT VENTURE OPPORTUNITIES

Vmoto continues to progress toward execution of the necessary Chinese regulation agreements required to implement the proposed joint venture with a private Chinese electronic technology company, as announced on 2 October 2013. While formal operations have been delayed as a result of the collation of these agreements, Vmoto's joint venture partner is currently in situ at Vmoto's Nanjing facility and both parties remain committed to formalising the joint venture. Further developments in this regard will be reported as and when they occur.

Also, as announced on 13 August 2013 the Company delivered two trial electric four-wheel vehicles for the district government in Jianye District, Nanjing for trial. Trials and discussions with the Nanjing Government are ongoing and further developments in relation to these electric four-wheel cleaning vehicles will be reported as and when they occur.

During the quarter, the Company received many leads from domestic China and internationally from parties who have expressed interest in cooperating with Vmoto. The Company is continuously evaluating these collaborations and joint venture opportunities.

VMOTO'S RETAIL STORES IN CHINA

During the December 2013 quarter, the Company opened a further six retail stores in China taking its total to ten retail stores. Sales from Vmoto's ten Chinese stores in the quarter were over 1,900 units.

The Company expects to open more retail stores in 2014.

TRADING UPDATE

The Company delivered a profitable quarter to the end of December 2013, with a net profit after tax figure (unaudited) of approximately A\$590,000. The month of December 2013 produced a net profit after tax (unaudited) of approximately A\$197,000.

2013 trading was in line with the Board's expectations and the Board is pleased that the Company expects to achieve its first maiden annual profit for the financial year ended 31 December 2013 of between A\$300,000 and A\$600,000. The final audited annual financial report will be released in March 2014.

CORPORATE

In the December 2013 quarter, the Company raised A\$5.3 million (before costs) with Australian and UK institutional and sophisticated investors at an issue price of A\$0.022 per share.

In November 2013, a group of brokers and fund managers from Australia and the UK visited Vmoto's Nanjing manufacturing facilities. The group was lead through an inspection of the offices, manufacturing plants, production lines, warehouse, staff accommodation and Vmoto's first flagship retail store in Lishui District, Nanjing. Vmoto also organised test rides of the Company's electric two wheel vehicles.

OUTLOOK

The Company continues to deliver on its existing OEM agreement with PowerEagle and is planning to open additional stores in China to increase the retail distribution opportunities. The Company is continuing discussions with parties already operating in the electric vehicle market for potential collaboration or joint venture opportunities.

The Company is also in discussions with a range of potential new customers across the globe, particularly India, Vietnam, Brazil and Thailand.

2014 will be another exciting year for Vmoto and the Board looks forward to updating shareholders on developments as and when they occur.

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About Vmoto

Vmoto is a global two wheel vehicle manufacturing and distribution group and is listed on the Australian Securities Exchange (ASX) and on the AIM market of the London Stock Exchange. The Company specialises in high quality “green” two wheel electric powered vehicles and manufactures a range of western designed electric (and some petrol) two wheel vehicles from its low cost manufacturing facilities in Nanjing, China, marketed in Europe through its operation in Bremen, Germany and marketed outside Europe through its operations in Australia. 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.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

VMOTO LIMITED

ABN

36 098 455 460

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	9,367	27,835
1.2 Payments for		
(a) staff costs	(336)	(1,207)
(b) advertising and marketing	(27)	(107)
(c) research and development	(12)	(23)
(d) leased assets	-	(1)
(e) other working capital (including inventories)	(10,586)	(29,988)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	9
1.5 Interest and other costs of finance paid	(104)	(375)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	31
Net operating cash flows	(1,690)	(3,826)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,690)	(3,826)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(4)	(6)
(d) physical non-current assets	(180)	(402)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (net cash acquired on acquisition of subsidiary)	-	-
Net investing cash flows	(184)	(408)
1.14 Total operating and investing cash flows	(1,874)	(4,234)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	5,057	6,541
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	6,528
1.18 Repayment of borrowings	-	(6,043)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	(101)	(438)
Net financing cash flows	4,956	6,588
Net increase (decrease) in cash held	3,082	2,354
1.21 Cash at beginning of quarter/year to date	1,259	1,835
1.22 Exchange rate adjustments to item 1.21	86	238
1.23 Cash at end of quarter	4,427	4,427

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	169
	Aggregate amount of payments to the parties included in item 1.18	-
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments include:	\$A'000
Executive Directors' remuneration	120
Non-Executive Directors' remuneration	49
	<u>169</u>

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	6,279	5,522
3.2 Credit standby arrangements*	-	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	4,427	1,259
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	4,427	1,259

Acquisitions and disposals of business entities

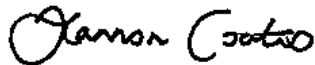
	Acquisitions <i>(Items 1.13 and 2.1)</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: **30 January 2014**
(Company Secretary)

Print name: **Shannon Coates**

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.