



OPERATIONAL REVIEW FOR THE QUARTER ENDED 30 SEPTEMBER 2014

ANNOUNCEMENT

31 October 2014

Vmoto Limited (ASX/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 30 September 2014 (3Q14).

HIGHLIGHTS OF SEPTEMBER 2014 QUARTER

- **Third consecutive quarter of positive operating cash flow, with \$55,244 generated in 3Q14**
- **Continued growth in quarterly unaudited normalised net profit after tax, to ~\$873,000; compares to a profit of ~\$287,000 in 3Q13**
- **Sold 20,177 units in 3Q14; with approximately 12,500 units sold to OEM customers, over 4,000 sold through Vmoto's retail stores, and the balance sold through international and China distributors and customers**
- **Acquisition of business assets of Haiyong Electric Technology Co, Ltd, an advanced electric technology company focused on producing controllers, a crucial part in electric vehicle driving systems**
- **China distribution footprint encompasses 16 company owned retail stores, in addition to relationships with 13 external distributors and dealers across China**
- **Delivered Vmoto's electric two wheel vehicle products to Vietnamese distributor and received further orders for 500 units**
- **Delivered five sample scooters to customer in Mexico to target B2B and fast food delivery groups in the Mexican market**
- **Progressing new market entry opportunities, including Mexico, Nepal and Sri Lanka**

THIRD CONSECUTIVE POSITIVE QUARTERLY NET OPERATING CASH FLOW AND HIGHER MARGINS

Vmoto achieved its third consecutive positive operating cash flow result for the September 2014 quarter of \$55,244, which represents substantial progress when compared to the negative operating cash outflow of \$993,378 in September 2013 quarter.



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Sales during the September 2014 quarter through the Company's retail stores and distributors, to OEM customers and internationally stood at 20,177 units. Whilst total unit sales were slightly down compared to the June 2014 quarter it consolidated the growth of last quarter. In addition, the Company received more orders for higher performance (faster speed and longer range) electric two wheel vehicles, which contributed higher margins as reflected in the Company's increase in net profit as compared to the previous quarter. The shift in demand from lower performance electric two wheel vehicles to higher performance electric two wheel vehicles in China and international markets further highlights Vmoto's competitive advantage as the Company's premium quality unit range is well positioned to meet the growing demand for higher performance electric two wheel vehicles.

During the quarter, the Company drew down RMB3 million (approximately A\$515k) to meet orders and provide working capital for Haiyong. As at 30 September 2014, the total operating facility drawn down was RMB22 million (approximately A\$4.1 million) and the total undrawn operating facility was RMB12 million (approximately A\$2.2 million).

As at 30 September 2014, the Company had cash of A\$3.5 million (unaudited).

TRADING UPDATE - GROWTH CONTINUES

The Company continues to grow earnings, with normalised net profit after tax generated for the September 2014 quarter of approximately A\$872,769 (unaudited) reflecting the higher margins attributable to the units sold.

The Company's growing profits are a clear demonstration of the increasing traction Vmoto brands are achieving in key markets in China and Asia, as well as the Company's positioning in the premium end of the electric scooter market.

Quality and pricing of scooters as opposed to quantity has been a key focus over the past quarter, and this is reflected in the increase in gross margins and net profits even though unit sales for the quarter were marginally down on the June 2014 quarter. The Board is pleased that the Company is becoming increasingly recognised for its premium electric scooter products and continues to grow strongly.

The breakdown of unit sales (unaudited) for the September 2014 quarter is set out below:

| Unit sales | June 2014 Half Year | September 2014 quarter | Total |
|----------------------------|---------------------------|------------------------------|--------|
| OEM | 23,096 | 12,511 | 35,607 |
| China retail stores | 6,680 | 4,076 | 10,756 |
| Other Chinese distributors | 2,645 | 1,204 | 3,849 |
| International and others | 4,284 | 2,386 | 6,670 |
| | 36,705 | 20,177 | 56,882 |

The utilisation level of Vmoto's Nanjing manufacturing facility remains at less than 30% on annualised production rate basis, providing the Company with leverage to grow scale for very little capital expenditure or investment in facilities.

2014 FINANCIAL YEAR GUIDANCE

In line with current orders and customer discussions, and including a contribution from Haiyong, the Company anticipates that it will make a normalised annual profit (excluding one off expenses and impairments) for the financial year ending 31 December 2014 of between A\$2.5 million and A\$3.0 million.

EXISTING AND NEW CUSTOMERS - KEY LONG TERM GROWTH DRIVERS

PowerEagle: During the September 2014 quarter, Vmoto delivered approximately 12,500 units of electric two wheel vehicles to PowerEagle. As PowerEagle placed more orders for higher performance electric two wheel vehicles during the quarter, which generate higher margins, the Company no longer expects to provide 64,800 units to PowerEagle this year as previously anticipated. However, the Company does not expect any impact to the profits receivable from this area of the business as the lower order numbers are offset by higher margins from units delivered. The Company's relationship with PowerEagle remains strong.

Italy: Vmoto delivered one container of Vmoto's electric two wheel vehicle products to its Italian distributor in August 2014. Vmoto's Italian distributor is currently in discussions with a number of fleet customer groups in Italy for opportunities to supply electric two wheel vehicle products to them.

Denmark: Vmoto received orders and deposits from its Denmark customer for two containers of Vmoto's electric two wheel vehicle products. The products are under preparation with delivery expected in November 2014.

Belgium: Vmoto received sample orders from a new customer in Belgium and have delivered 5 units of electric two wheel vehicle sample to its Belgian customer in the quarter under review.

Czech Republic: Vmoto's Czech Republic customer recently visited Vmoto's Nanjing manufacturing facilities to discuss future orders.

Greece: Vmoto's Greek customer exhibited Vmoto's electric two wheel vehicle products in a number of local events in Greece and organised a test ride as part of its evaluation of Vmoto's electric two wheel vehicle products. Feedback from the customers was very positive.

Croatia: During the quarter, Vmoto received an order and deposit for one container of Vmoto's electric two wheel vehicle products. The products are under preparation with delivery expected in November 2014.

Vietnam: During the quarter, Vmoto delivered 52 units of its electric two wheel vehicle products to its Vietnamese distributor. Furthermore, Vmoto received orders and deposits for 500 units of Vmoto's electric two wheel vehicle products from its Vietnamese distributor. The products are under preparation with delivery expected in November and December 2014.

Malaysia: Vmoto delivered 72 units of its electric delivery scooters in completely knocked down ("CKD") form to its Malaysian Original Equipment Manufacturer ("OEM") customer during the quarter. A further order for 72 units of the electric delivery scooters is expected in the next few weeks.

Japan: Vmoto received a deposit from its Japanese distributor for 50 sets of its electric vehicle products in CKD form. The products are under preparation with delivery expected in November 2014.

Sri Lanka: Vmoto received sample orders from a new customer in Sri Lanka during the quarter and the samples are under preparation with delivery expected in November 2014.

Mexico: Vmoto delivered 5 units of sample orders to its customer in Mexico during the quarter. The Company is currently in discussion with the Mexican customer for a further order of 50 units of Vmoto's electric two wheel vehicle products and to target the B2B and fast food delivery groups in Mexico.

Others: The Company's electric two wheel vehicle products were shipped to distributors and customers in Africa, Australia, Chile, Egypt, Japan, South Korea and Spain.

VMOTO'S RETAIL STORE AND DISTRIBUTION CHANNELS IN CHINA

In addition to its existing 16 retail stores, Vmoto has relationships with 13 distributors and dealers (up from 10 in the June quarter) who distribute Vmoto's products in China. Combined profits from these two sales channels remains in line with management expectations.

VMOTO EXPANDS ELECTRIC TECHNOLOGY CAPABILITIES

During the quarter, the Company announced the acquisition of the business assets of Haiyong Electric Technology Co, Ltd ("Haiyong"), a technology company focused on the production on controllers, a vital component of electric vehicle driving systems. Post the end of the quarter, on 13 October 2014, the Company announced Haiyong had successfully relocated its manufacturing to Vmoto's Nanjing manufacturing facility.

The strategic acquisition is expected to:

- give Vmoto access to electric vehicle (EV) technologies central to the electric driving system for Vmoto's own electric vehicle products;
- enable Vmoto to market all of its applications to its own customers;
- enable Vmoto to fast-track the development of its electric driving system;
- give Vmoto access to the three-wheel and four-wheel EV markets and further enhance the cooperation with three-wheel and four-wheel manufacturers in both China and overseas;
- materially increase Vmoto's production base, which will deliver improved economies of scale;
- allow Vmoto to access a more diverse base of EV products and markets;
- further expand and strengthen Vmoto's presence and foothold in the China market; and
- generate additional revenue and profit, with the acquisition expected to be EPS accretive from FY2015.

Vmoto's strategic goal for Vmoto Haiyong is to grow it into a leading global electric driving system manufacturing company.

COLLABORATIONS, TENDERS AND JOINT VENTURE OPPORTUNITIES

The Company continues to receive significant interest from other electric vehicle distributors and parties for potential collaboration or joint venture opportunities. Discussions with these groups are ongoing and any material developments will be announced as and when they occur.

EXHIBITIONS

During the quarter, Vmoto's Taiwanese distributor exhibited Vmoto's electric two wheel vehicle products at the 4th Tainan International Biotechnology and Green Energy Expo held on 12-15 September 2014 and received positive feedback. The Expo was attended by over 25,000 visitors with more than 450 exhibitors.

CORPORATE

During the quarter, the Company issued 1 million shares on conversion of unlisted options, exercisable at \$0.03 each on or before 28 November 2015. A further 2,700,000 unlisted options, exercisable at \$0.25 each, expired unexercised on 1 September 2014.

OUTLOOK

Key highlights of the September 2014 quarter included the acquisition of Haiyong, achieving the Company's third consecutive positive quarterly operating cash flow and progressing new market entry opportunities in a number of new markets for the Company. Current trading remains in line with management's expectations.

Utilisation of the Company's manufacturing facility in China (still at less than 30% capacity) is increasing and becoming more efficient. With the strategic acquisition of Haiyong, it will give Vmoto access to electric vehicle (EV) technologies central to the electric driving system for Vmoto's own electric vehicle products and generate additional revenue and profit for the Company. In addition, the Company is seeking other means of increasing its own branded sales in China with discussions with other electric vehicle distributors or parties for potential collaboration or joint venture opportunities.

Internationally, where higher margins are generated, the Company will continue to focus sales into its existing markets and customers as well as continue discussions with a range of potential new customers across the globe.

For further information, please contact:

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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.

Vmoto’s Taiwanese Distributor Exhibited Vmoto’s Two Wheel Electric Vehicle Products at the 4th Tainan International Biotechnology and Green Energy Expo



Vmoto's Greece Customer Showcased Vmoto's Two Wheel Electric Vehicle Products at local events in Greece



Test Ride Event Organised by Greece Customer



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")

| |
|--------------------------|
| 30 September 2014 |
|--------------------------|

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from customers | 12,624 | 28,973 |
| 1.2 Payments for | | |
| (a) staff costs | (317) | (956) |
| (b) advertising and marketing | (13) | (99) |
| (c) research and development | (3) | (6) |
| (d) leased assets | - | - |
| (e) other working capital (including inventories) | (12,197) | (27,536) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 8 | 40 |
| 1.5 Interest and other costs of finance paid | (67) | (200) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | 20 | 20 |
| Net operating cash flows | 55 | 236 |

+ 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 (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | 55 | 236 |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | (102) | (118) |
| (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 | (102) | (118) |
| 1.14 Total operating and investing cash flows | (47) | 118 |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | 30 | 275 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | 515 | 3,905 |
| 1.18 Repayment of borrowings | - | (5,401) |
| 1.19 Dividends paid | - | - |
| 1.20 Other (provide details if material) | - | (22) |
| Net financing cash flows | 545 | (1,243) |
| Net increase (decrease) in cash held | 498 | (1,125) |
| 1.21 Cash at beginning of quarter/year to date | 2,764 | 4,427 |
| 1.22 Exchange rate adjustments to item 1.21 | 202 | 162 |
| 1.23 Cash at end of quarter | 3,464 | 3,464 |

+ 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 | 115 |
| | 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 | 83 |
| Non-Executive Directors' remuneration | <u>32</u> |
| | <u>115</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 | 6,320 | 4,089 |
| 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 | 3,464 | 2,764 |
| 4.2 Deposits at call | - | - |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.23) | 3,464 | 2,764 |

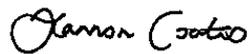
Acquisitions and disposals of business entities

| | 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: **31 October 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.