



VMOTO ENTERS INTO JOINT VENTURE WITH POWEREAGLE

ANNOUNCEMENT

23 DECEMBER 2015

HIGHLIGHTS

- **New joint venture entered into with Vmoto's longstanding OEM customer PowerEagle (51% Vmoto, 49% PowerEagle) (JV)**
- **Permanent business relationship established between Vmoto and PowerEagle, securing long term production and providing significant potential benefits to both parties**
- **All PowerEagle production, supplies and aftermarket support to move to new leased facilities in Shanghai, reducing logistics costs and improving timing to market**
- **New Shanghai facility and current Nanjing facility will take Vmoto's total annual production capacity to over 450,000 two wheel units per annum, with the current Nanjing facility to be dedicated to Vmoto domestic and international production and sales growth**
- **JV production targeted to reach 100,000 units in 2016**
- **Vmoto to acquire 100% of the PowerEagle trademark and brand for A\$2m in 2 tranches of shares**
- **Vmoto set to capitalise on additional existing sales channels of over 200 distributors for Vmoto's own branded electric scooters**

Vmoto Limited (ASX:VMT), the global scooter manufacturing and distribution group specialising in "green" electric powered two-wheel vehicles, is pleased to announce it has entered into a joint venture agreement to secure the business of its long standing Original Equipment Manufacture (OEM) customer, PowerEagle ("JV"). Vmoto will own a 51% interest in the JV once completed.

Since July 2012, Vmoto has been producing units for PowerEagle on an OEM basis under a Strategic Cooperation Agreement. In total, 140,218 units have been produced to date.

The JV cements an already strong relationship with PowerEagle, as has been demonstrated over the course of the previous OEM agreement. Many months have been spent discussing and strategising the best ongoing arrangement for both groups. The Vmoto Board believes



ASX/ AIM CODE: VMT

A B N 3 6 0 9 8 4 5 5 4 6 0

Suite 5
62 Ord Street
WEST PERTH WA 6005

Telephone: (61-8) 9226 3865
Facsimile: (61-8) 9322 5230

www.vmoto.com

that the JV is in the best interests of both companies as it establishes a permanent business relationship between Vmoto and PowerEagle, securing long term production and providing significant potential benefits to both parties. The growth in PowerEagle production year on year from 2012 and the ability to capitalise on the extensive PowerEagle distribution channel for Vmoto's own products makes a compelling case for the JV.

The JV not only secures significant future production of PowerEagle models but also opens up a vast network of over 200 distributorships to Vmoto for the Company to sell its own branded and higher margin electric scooters.

The acquisition of the PowerEagle trademark and brand is a strategic step that recognises the past, present and potential future value of the PowerEagle brand. PowerEagle is one of the oldest and most recognised 2 wheel electric vehicle names in and around the Shanghai region. Their production quantity, dealership network and brand recognition has been growing year on year and the Board believe the value of this will only increase in years to come as the JV looks to expand its footprint into other cities and regions of China.

The key terms of the JV are as follows:

- Vmoto and PowerEagle will acquire a 100% interest in an existing company nominated by PowerEagle. Vmoto will own 51% and PowerEagle will own 49% in the JV company;
- All PowerEagle's existing electric vehicle businesses and operations will be merged and transferred into the JV company;
- Vmoto will contribute the costs associated with commencing the JV and moving associated infrastructure to the new Shanghai facility, estimated to be approximately A\$650,000. PowerEagle will contribute all patents and certificates for all of its products and models to the JV;
- Vmoto to acquire 100% of the PowerEagle trademark for a consideration of A\$2 million as agreed by both parties by issuing Vmoto ordinary shares in two tranches. 50% of the shares ("Tranche 1") will be issued in January 2016, at an issue price of 30 cents per share and the remaining 50% ("Tranche 2") will be issued in January 2017 at an issue price equal to the volume weighted average price of Vmoto shares for the 14 trading days prior the date of the issue of the Tranche 2 shares; and
- Vmoto and PowerEagle are responsible for any subsequent required investment in the JV in line with their respective interests, expected to be provided out of existing JV cash reserves and cash flows, and stocks and working capital for existing PowerEagle operations.

The costs of the JV and ramp up in PowerEagle production will not affect Vmoto's working capital for its core domestic and international sales growth.

Vmoto's Managing Director, Mr Charles Chen commented: "We are delighted to have entered into this JV with PowerEagle, which cements an already strong relationship. With the proven track record, we look forward to working with PowerEagle for the long term. The decision to have all PowerEagle production going forward closer to the distributorships in and around Shanghai is very important, saving logistic costs and giving distributors far more efficiency for products and aftermarket support as well as other OEM opportunities in Shanghai. We have spent considerable time talking to the distributors in understanding their expected unit sales for 2016 and believe 100,000 units is achievable. As 2016 will be the JV's first year of operations, higher level of marketing, promotional, sales and staff costs are expected to be incurred and therefore a more accurate forecast can only be provided in

second quarter of 2016. We look forward for the new JV to operate and increasing its market share of electric scooters in Shanghai and the rest of China over the coming years.”

Vmoto and PowerEagle are currently progressing with formalising the JV and upon completion, a further announcement will be released. It is anticipated that the JV structure will be completed and operational by 1 January 2016.

For further information, please contact:

Vmoto

Charles Chen, Managing Director

+86 13913388886
charles@vmoto.com.cn

Olly Cairns, Non-Executive Director

+61 8 9226 3865

About Vmoto

Vmoto Limited (ASX: 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.