



## OPERATIONAL REVIEW FOR THE QUARTER ENDED 31 DECEMBER 2014

ANNOUNCEMENT

29 January 2015

Vmoto Limited (ASX/AIM: VMT), the global scooter manufacturing and distribution group specialising in "green" electric powered two wheel vehicles, is pleased to provide the following update on its activities during the quarter ended 31 December 2014 (4Q14).

### HIGHLIGHTS OF DECEMBER 2014 QUARTER

- **Fourth consecutive (and best to date) quarter of positive operating cash flow, with approximately \$430k generated in 4Q14, up from \$55k in 3Q14**
- **Continued growth in quarterly unaudited normalised net profit after tax, to ~\$1.3 million, up from \$287k in 3Q14**
- **Highest monthly profit to date recorded for October 2014 with normalised net profit (excluding one off expenses and impairments) after tax of approximately A\$537k (unaudited)**
- **19,326 units sold in 4Q14; with approximately 12,483 units sold to OEM customers, over 2,567 sold through Vmoto's retail stores, and the balance sold to international and Chinese distributors and customers**
- **Entered into electric three-wheel and four-wheel vehicle markets via a Joint Venture (JV) company with a number of experienced partners**
- **Signed Co-operation Agreement with the third largest handle bar manufacturer in China for the Company's patented handle bar technology**
- **Following the acquisition of Haiyong Electric Technology Co, Ltd in September 2014, Haiyong has completely moved into Vmoto's manufacturing facility**
- **Approximately A\$972k raised through the exercise of listed 4c options, including A\$541k from directors**
- **China distribution footprint encompasses 16 company owned retail stores, in addition to relationships with 15 external distributors and dealers across China**
- **Received orders from its Mexican customer to target the B2B and fast food delivery groups in Mexico following successful evaluation of samples**
- **Delivered Vmoto's electric two-wheel vehicle products to international distributors and customers in Croatia, Denmark, Malaysia, Japan and Vietnam**
- **Progressing new market entry opportunities, including Mexico, Nepal, Sri Lanka and United Kingdom**

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## FOURTH CONSECUTIVE POSITIVE QUARTERLY NET OPERATING CASH FLOW

Vmoto achieved its fourth consecutive positive operating cash flow result for the December 2014 quarter of \$430k, which represents substantial progress when compared to negative operating cash outflow of \$1.7 million in the December 2013 quarter.

Sales during the December 2014 quarter through the Company's retail stores and distributors, to OEM customers and internationally stood at 19,326 units.

During the quarter, the Company drew down RMB 2 million (approximately A\$393k) to meet orders and provide working capital for Haiyong. As at 31 December 2014, the total operating facility drawn down was RMB 24 million (approximately A\$4.7 million) and the total undrawn operating facility was RMB 10 million (approximately A\$2.0 million).

As at 31 December 2014, the Company had cash of A\$3.8 million (unaudited).

## TRADING UPDATE - REVENUE GROWTH CONTINUING

The Company continues to grow earnings, with normalised net profit after tax generated for the December 2014 quarter of approximately A\$1.3 million (unaudited) reflecting the higher margins attributable to the units sold. The one-off non-cash adjustments to reach the normalised net profit figure include A\$680k of share based expenses in relation to issues to directors, management and consultants; an expected impairment of A\$1.5m to stock used in the Company's petrol and Scartt operations which are no longer core to the business; and an expected impairment of A\$422k in relation to sundry receivables which the Company does not now expect to recover.

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 international positioning in the premium end of the electric scooter market.

The breakdown of unit sales (unaudited) for the December 2014 quarter and full year 2014 is set out below:

Unit sales	September 2014 quarter	December 2014 quarter	2014 Total
OEM	12,511	12,483	48,090
China retail stores	4,076	2,567	13,323
Other Chinese distributors	1,204	1,825	5,674
International and others	2,386	2,451	9,121
	20,177	19,326	76,208

Whilst unit sales were slightly down on the September quarter margins across the various sales channels have increased reflected in increasing cash flow and profits. The utilisation level of Vmoto's Nanjing manufacturing facility remains at less than 30% on an annualised production rate basis, providing the Company with substantial leverage to grow scale for very little capital expenditure or investment in facilities.

## EXISTING AND NEW CUSTOMERS - KEY LONG TERM GROWTH DRIVERS

**PowerEagle:** During the December 2014 quarter, Vmoto sold approximately 12,483 electric two wheel vehicles to PowerEagle.

**Denmark:** During the quarter, Vmoto delivered three containers of its electric two-wheel vehicles to its Danish customer. The Company received further orders for two containers of Vmoto's electric two-wheel vehicles during the quarter and expects to deliver these products by the end of January 2015.

**Croatia:** During the quarter, Vmoto delivered one container of Vmoto's electric two wheel vehicles to its Croatian distributor.

**Mexico:** Further to the successful evaluation of a sample order during the quarter, the Company received orders from its Mexican customer for 45 Vmoto electric two wheel vehicles to target the B2B and fast food delivery groups in Mexico. The products are under preparation with delivery expected in February 2015.

**Malaysia:** Vmoto delivered three containers, with more than the 72 units originally anticipated, 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 500 electric delivery scooters is currently under discussion to meet the increasing demand from Malaysia.

**Vietnam:** Vmoto completed and delivered 500 electric two wheel vehicles to its Vietnamese distributor during the quarter.

**Nepal:** During the quarter, Vmoto delivered one container of Vmoto's electric two wheel vehicles to its distributor in Nepal.

**Japan:** During the quarter, Vmoto delivered 50 units of its electric two-wheel vehicles in CKD form to its Japanese distributor. A further order from the Japanese distributor is expected in the next few weeks.

**Sri Lanka:** During the quarter, Vmoto delivered 5 sample units to its new customer in Sri Lanka. The Company is excited for the new market entry opportunities through its customer in Sri Lanka which represents another potential large market for the Company.

**Iran:** Further to one container delivered in September 2014, the Company received an order for two further containers from its Iranian OEM customer. The products are currently under preparation with delivery expected in February 2015.

**Taiwan:** The Company reached agreement with its Taiwanese customer to supply Vmoto's electric two wheel vehicle products for use in Taiwan. The Taiwanese customer has already established and set up its battery interchange stations at a number of cities in Taiwan and has been welcomed by the governments and users in Taiwan.

**Others:** The Company's electric two wheel vehicle products were shipped to distributors and customers in Africa, Italy, Korea and Thailand.

## **VMOTO'S RETAIL STORE AND DISTRIBUTION CHANNELS IN CHINA**

In addition to its existing 16 retail stores, Vmoto has relationships with 15 distributors and dealers (up from 13 in the September 2014 quarter) that distribute Vmoto's products in China. Combined sales and profits from these two sales channels are in line with market expectations.

## **VMOTO LEVERAGES ELECTRIC VEHICLE CAPABILITIES**

During the quarter, the Company announced it had resolved to enter into a JV with a number of experienced partners in the Chinese electric vehicle market to focus on designing, manufacturing and distributing electric three-wheel and four-wheel vehicles for the Chinese domestic market and the international market.

The joint venture vehicle has now been incorporated and Vmoto owns a 20% equity interest and will be required to invest up to A\$1.5 million in the first 12 months. The JV is preparing to begin operations in February 2015 and the first year of production and distribution is estimated at between 20,000 to 50,000 units of low speed electric three-wheel and four-wheel vehicles.

This JV and market opportunity presents a very attractive growth channel for Vmoto that leverages the company's technological and product capabilities across much higher margin products.

## **COLLABORATIONS, TENDERS AND JOINT VENTURE OPPORTUNITIES**

During the period, the Company signed a co-operation agreement (Agreement) with the third largest handle bar manufacturer in China. The Agreement authorises Dusheng to use the Company's patented technology in future manufacturing, sales and distribution of its handle bars. Pursuant to the terms of the Agreement, the Company will receive a royalty based on the volume of sales of handle bars that use the Company's patented technology.

The Company continues to receive significant interest from other electric vehicle distributors and parties for potential collaboration or joint venture opportunities.

## **EXHIBITION AND EVENT**

During the quarter, Vmoto's Brazilian distributor supplied Vmoto's electric two-wheel vehicle products to Brazil's Porsche GT3 Cup Challenge event held in November 2014. The Company is very pleased to be associated with one of the most prestigious sporting events in South America, providing Vmoto with recognition of its high quality electric two-wheel vehicle products.

## **SITE VISITS BY INTERNATIONAL BROKERS, FUNDS MANAGERS, DISTRIBUTORS & CUSTOMERS, AND SENIOR OFFICIAL FROM AUSTRALDE**

The Company is pleased by the interest shown from Australian and UK brokers and fund managers who over the last few months have visited Vmoto's Nanjing manufacturing facilities at their own cost. Groups have been lead through an inspection of the offices, production lines, warehouse, staff accommodation, staff cafeteria and the new Vmoto Haiyong operations. Vmoto has also organised test rides of the Company's electric two wheel vehicles.

A number of distributors and customers from within China and around the world including Austria, Czech Republic, Vietnam and Thailand have also recently visited Vmoto's Nanjing manufacturing facilities.

A senior official from the Australian Trade Commission also visited Vmoto's Nanjing manufacturing facilities, the new Haiyong operations, and test rode the Company's electric two wheel vehicles.

## **CORPORATE**

During the quarter, the Company raised approximately \$972k via the issue of 24,306,856 shares following the exercise of listed 4c options. The Company issued a further 2,000,000 shares in January 2015 as a result of performance rights conditions being met.

## **OUTLOOK**

The December 2014 quarter was an extremely active period for the Company with key highlights including the JV for three-wheel and four-wheel vehicles, achieving the Company's highest monthly profit in October 2014 and continuing to progress new market opportunities internationally.

The progress achieved over the past three months has built on previous success and positioned the Company for a period of substantial growth.

Utilisation of the Company's manufacturing facility in China (still at less than 30% capacity) is increasing and starting to drive economies of scale.

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.

The Company anticipates it will release its preliminary results for the year ended 31 December 2014 on or before 23 February 2015, ahead of Chinese New Year.

For further information, please contact:

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Tony Quirke/Mia Gardner (corporate broking)	

## **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 supplied its electric two-wheel vehicle products to Honda's premium shop in China



Vmoto's Electric Two-wheel Vehicle Products supplied to Brazil's Porsche GT3 Cup Challenge event held in November 2014



**Site Visit by senior official from Australian Trade Commission**



**Site Visit by UK Brokers and Fund Managers**



# 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

<b>VMOTO LIMITED</b>
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ABN

<b>36 098 455 460</b>
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Quarter ended ("current quarter")

<b>31 December 2014</b>
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### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	17,485	46,458
1.2 Payments for		
(a) staff costs	(545)	(1,501)
(b) advertising and marketing	(6)	(105)
(c) research and development	(90)	(96)
(d) leased assets	-	-
(e) other working capital (including inventories)	(16,352)	(43,888)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	44
1.5 Interest and other costs of finance paid	(74)	(274)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	8	28
<b>Net operating cash flows</b>	<b>430</b>	<b>666</b>

+ 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)	<b>430</b>	<b>666</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	(393)	(393)
(c) intellectual property	-	-
(d) physical non-current assets	(983)	(1,101)
(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)	-	-
<b>Net investing cash flows</b>	<b>(1,376)</b>	<b>(1,494)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(946)</b>	<b>(828)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	932	1,207
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	391	4,296
1.18 Repayment of borrowings	-	(5,401)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	(22)
<b>Net financing cash flows</b>	<b>1,323</b>	<b>80</b>
<b>Net increase (decrease) in cash held</b>	<b>377</b>	<b>(748)</b>
1.21 Cash at beginning of quarter/year to date	3,464	4,427
1.22 Exchange rate adjustments to item 1.21	9	171
<b>1.23 Cash at end of quarter</b>	<b>3,850</b>	<b>3,850</b>

+ 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	121
	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:	<b>\$A'000</b>
Executive Directors' remuneration	89
Non-Executive Directors' remuneration	<u>32</u>
	<u>121</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

<b>Nil</b>
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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

<b>Nil</b>
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+ See chapter 19 for defined terms.

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

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**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	6,685	4,719
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	3,741	3,464
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (bank acceptance drafts)	109	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>3,850</b>	<b>3,464</b>

**Acquisitions and disposals of business entities**

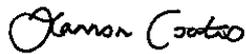
	Acquisitions <i>(Items 1.13 and 2.1)</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

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+ 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: **29 January 2015**  
**(Company Secretary)**

Print name: **Shannon Coates**

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+ See chapter 19 for defined terms.

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

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**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.

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+ See chapter 19 for defined terms.