



**VMOTO LIMITED**  
ABN 36 098 455 460

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**ANNUAL REPORT**  
for the year ended 31 December 2014



V MOTO LIMITED  
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## C O R P O R A T E D I R E C T O R Y

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### Directors

Mr Charles Chen – Managing Director  
Mr Ivan Teo – Finance Director  
Mr Oliver Cairns – Non-Executive Director  
Mr Kaijian Chen – Non-Executive Director  
Ms Shannon Coates – Non-Executive Director

### Company Secretary

Ms Shannon Coates

### Principal and Registered Office

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Australia

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London EC2M 1JJ  
United Kingdom

### Joint Broker

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London SW1X 7HY  
United Kingdom

### Share Registry

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### Auditor

Bentleys Audit & Corporate (WA) Pty Ltd  
Level 1, 12 Kings Park Road  
West Perth, Western Australia 6005  
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### Banker

National Australia Bank  
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Australia

### Solicitors

Allion Legal  
50 Kings Park Road  
West Perth, Western Australia 6005  
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Austin Haworth & Lexon Legal  
Level 12, 87-89 Liverpool Street  
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Australia

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United Kingdom

### Securities Exchanges

Australian Securities Exchange  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth, Western Australia 6000  
Australia

AIM – London Stock Exchange  
10 Paternoster Square  
London EC4M 7LS  
United Kingdom

ASX Code: VMT, AIM Code: VMT

Vmoto Limited is a public company incorporated in Western Australia and listed on the Australian Securities Exchange and AIM market of the London Stock Exchange.



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## M A N A G I N G D I R E C T O R ' S L E T T E R

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Dear Shareholders,

It is with great pleasure I present to you Vmoto Limited's 2014 Annual Report.

2014 was another successful year of growth for Vmoto, which saw the Company generate record revenue, underlying profit and operating cash flows. The success of 2014 followed on from 2013's maiden profit as the Company made substantial progress in further establishing itself in the international electric vehicle market.

Over the 12 months to 31 December 2014, Vmoto generated positive operating cash flows for four consecutive quarters for the first time, and set new records for revenue (up 79% to \$45.1 million), with and statutory net profit of \$883,987 and underlying net profit after tax of \$3.2 million.

Operationally, we distributed over 76,000 units, an increase of 27% from 2013. Importantly, we significantly expanded our international brand awareness and distribution footprint with higher margin units sold outside of China with international sales up 104% from 2013. In China our distribution footprint continues to expand and at the end of 2014 we had 16 of our own retail stores in China, as well as 15 distributors.

In addition to our own scooter sales, we undertook three strategic transactions in 2014. In September 2014 we agreed to acquire Haiyong Electric Technology Co. Ltd ("Haiyong"), an advanced electronic technology company focused on producing controllers, a key component in electric vehicle driving systems. This was an important technological addition to the business whilst also contributing turnover and profit in the year under review. In November 2014, we signed a co-operation agreement with Changzhou Dusheng Electrical Equipment Co. ("Dusheng"), the third largest handle bar manufacturer in China. Both of these transactions complemented part of our longer term growth strategy to develop and maintain a position at the technological forefront of the electric vehicle industry.

In December 2014 we agreed to form a joint venture with a number of experienced partners in the Chinese electric vehicle market, to produce three-wheel and four-wheel electric vehicles, capitalising on the fast growing global demand for environmentally friendly small vehicles, a market we see as having huge growth potential. The demand for three-wheel electric vehicles in China has increased from 500,000 units per annum in 2004 to 10 million units in 2013, and it is only expected to increase as the world shifts towards more sustainable modes of transport. Likewise, the annual demand for four-wheel electric vehicles is expected to reach 820,000 units in China alone in 2020.

Vmoto is at an exciting stage in its development and is well positioned to handle the increasing demand for electric vehicles in China and abroad. Given our green credentials, environmental initiatives being undertaken by the government in China and in other countries around the world provide a significant growth opportunity for Vmoto. With the current infrastructure in Nanjing, China still running at less than 30% capacity, based on current production, we have significant room for growth in 2015 and 2016 as demand for our electric two-wheel vehicles sales increase and we allocate space for the production of three and four-wheel vehicles through the new joint venture.

We can now proudly say that Vmoto has successfully completed its first 5 year stage of development since the Company transformed into a global two-wheel vehicle manufacturing and distribution group specialising in high quality "green" electric powered two-wheel vehicles. Vmoto has now built a strong foundation with advanced electric technology and at the same time achieved a profitable result in 2014. The team is now structuring the next five year planning phase to further expand and enhance Vmoto as the world's leading brand in the electric vehicle industry.

In conclusion, I would like to thank my fellow Directors, the management team and our staff for their contributions during the 2014 financial year as well as the continuous support from all our shareholders. Having delivered an excellent result for 2014, Vmoto is now working towards an even more prosperous year in 2015.

Yours faithfully

**Charles Chen**  
Managing Director



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## OPERATIONS REVIEW

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### OVERVIEW

Vmoto Limited (ASX/AIM: VMT), the global electric vehicle manufacturing and distribution group specialising in “green” electric powered two-wheel vehicles, provides the following operations review for the year ended 31 December 2014.

The 2014 financial year was a profitable one for Vmoto and saw the Company deliver four consecutive quarters of positive operating cash flows and generate record revenue, up 79% to A\$45.1 million (2013: A\$25.2 million). Vmoto continued with its strategy of designing, manufacturing and distributing high quality two-wheel vehicles from its manufacturing facility in Nanjing, China, whilst also strategically positioning itself to capitalise on the fast growing three and four-wheel electric vehicle market.

Due to the significant increase in production and demand, Vmoto expanded its distribution footprint to a total of 16 retail stores and 15 distributors throughout China. During the period, the Company also capitalised on the fast growing global demand for environmentally friendly small vehicles through the acquisition of Haiyong, an advanced technology company focused on the production of controllers, a key component of electric vehicle driving systems; signing a co-operation agreement with Dusheng, the third largest handle bar manufacturer in China; and entering into a joint venture with a number of experienced Chinese electric vehicle partners to produce three-wheel and four-wheel electric vehicles.

### Cash, Operating Facility and Inventory

As at 31 December 2014, the Company had cash of A\$3.85 million.

The Company’s total operating facility drawn down was RMB24 million (approximately A\$4.7 million) and the total undrawn operating facility was RMB10 million (approximately A\$2.0 million). As at 31 December 2014, the inventory at the factory stood at A\$5.9 million.

### EXISTING MARKETS AND SALES

Sales and distribution efforts were predominantly in China, however the 2014 financial year also saw further traction overseas. In total, over 76,000 units were sold, a 27% increase over the previous 12 month period.

#### ASIA

**China:** During the year ended 31 December 2014, the Company sold approximately 19,000 two-wheel vehicles across China through the 16 Company owned retail stores and 15 external distribution centres.

During the year, the Company delivered approximately 48,000 units of electric two-wheel vehicles to PowerEagle, pursuant to a Strategic Cooperation Agreement.

**Vietnam:** The Company delivered 552 units of electric two-wheel vehicles to its Vietnamese customer during the financial year. The Company is excited about its progress into Vietnam as the demand for electric two-wheel vehicles is expected to increase significantly.

**Malaysia:** The Company delivered 10 containers of electric two-wheel vehicle products to its Malaysian customer to meet the demand for electric scooters. A further order for 6 containers of electric two-wheel vehicle products has been confirmed and is expected to be delivered in April 2015.

**Hong Kong:** During the period, the Company provided two trial electric scooters to DHL Hong Kong. The Company is awaiting feedback from DHL Hong Kong.

#### EUROPE

**Denmark:** During the period, the Company delivered five containers of electric two-wheel scooters to its Danish customer. A further order of three containers of electric two-wheel vehicle products are under discussion and expected to be delivered in first half of 2015.

**Belgium:** The Company delivered five sample electric scooters to its Belgium customer during the year. The Company is awaiting feedback on their sample scooters.



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## O P E R A T I O N S R E V I E W ( c o n t ' d )

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### MIDDLE EAST

**Iran:** During the year ended 31 December 2014, the Company delivered one container of electric two-wheel vehicle products to its Iranian customer, and received orders for a further two which will be delivered early 2015.

In addition, the Company provided containers and supplied units of electric two-wheel vehicle products to the following countries: Croatia, Czech Republic, Greece, Italy, Japan, Korea, Mexico, Nepal and Sri Lanka.

### LAUNCH OF NEW MODELS/VERSIONS IN CHINA

In early 2014, the Company launched the Vmoto 1, a foldable scooter with a light aluminium alloy frame weighing a total of 45kg. The Vmoto 1 scooter can be folded in 30 seconds, allowing it to be easily stored at home or at the workplace. The fashionable foldable model was designed to target both the Chinese and international market.

### COLLABORATIONS, TENDERS AND JOINT VENTURE OPPORTUNITIES

#### **Haiyong Acquisition**

During the year, the Company acquired Haiyong, a technology company focused on the production of controllers, a key component of electric vehicle driving systems. Pursuant to the terms of the acquisition, Haiyong relocated to the Company's Nanjing manufacturing facility in October 2014.

The strategic acquisition enables the Company access to the technologies central to the electric driving system for Vmoto's own products and to fast track the development of its electric vehicle driving systems, expected to generate additional revenue and profit.

#### **Co-operation Agreement with Handle Bar Manufacturer**

The Company signed a co-operation agreement with Dusheng, the third largest handle bar manufacturer in China during the period. Pursuant to the terms of the agreement, Dusheng has the right to use Vmoto's patented technology in further manufacturing, sales and distribution of its handle bars. The Company will receive a royalty based on the volume of sales of handle bars that use the Company's patented technology.

#### **Joint Venture**

During the financial year, the Company agreed to enter into a joint venture with a number of experienced partners in the Chinese electric vehicle market with a focus on designing, manufacturing and distributing electric three-wheel and four-wheel vehicles for the Chinese and international markets.

Vmoto owns a 20% equity interest in the joint venture and will be required to invest up to A\$1.5 million in the first 12 months. Production is planned for early 2015 and it is estimated between 20,000 and 50,000 units of low speed electric three-wheel and four-wheel vehicles will be produced in the preliminary year of production.

The demand for electric three-wheel electric vehicles has increased significantly with 500,000 units reported as having sold in 2004, to approximately 10 million units in 2013 (Source: 2014-2015 Electric Three-Wheel Vehicle Market and Outlook Research Report published by China Industry Report Net, August 2014). The demand for four-wheel models is expected to reach 820,000 units in China alone in 2020 as the world moves towards more sustainable modes of transport (Source: Ipsos Business Consulting).



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## OPERATIONS REVIEW (cont'd)

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### CORPORATE

During the year, the Company raised A\$979,290 through the issue of 24,482,256 fully paid ordinary shares following conversion of listed options exercisable at 4 cents. The remaining 122,743,307 listed options lapsed unexercised on 31 December 2014 and have been cancelled.

A further A\$268,000 was raised through the issue of 9,900,000 fully paid ordinary shares on the exercise of 4,100,000 3 cent employee options and 5,800,000 2.5 cent employee options.

12,900,000 fully paid ordinary shares were issued during the period, to employees and consultants of the Company for nil consideration and a further 45,894,329 fully paid ordinary shares were issued at a deemed issue price of 4 cents as consideration for the Haiyong acquisition.

At the Company's Annual General Meeting on 20 May 2014, shareholders approved the issue of 20,000,000 incentive Performance Rights to Directors (Class J and Class K) and 4,000,000 options to Non-Executive Director Olly Cairns in accordance with the terms of his appointment. These Performance Rights and options were subsequently issued in the period.

During the financial year, 2,000,000 Class B Performance Rights, 2,000,000 Class D Performance Rights and 2,666,666 Class G Performance Rights vested and 6,666,666 fully paid ordinary shares were issued to certain Directors pursuant to the terms of the Performance Rights.

### OUTLOOK

It is expected that 2015 will be a prosperous year for the Company, as it seeks to capitalise on the increasing demand for electric vehicles in China and abroad. The acquisition and joint venture undertaken in 2014 will enable the Company to continue to grow and expand its electric vehicle capabilities.



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## DIRECTORS' REPORT

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The Directors present their report together with the consolidated financial statements of Vmoto Limited ("Vmoto" or the "Company") and its controlled entities (the "Consolidated Entity") for the financial period 1 January 2014 to 31 December 2014.

### Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name	Experience and responsibilities
<b>Charles Chen</b> <b>Managing Director</b>	<p>Mr Chen was appointed as Executive Director on 5 January 2007 and Managing Director of the Company on 1 September 2011.</p> <p>Mr Chen founded Freedomotor Corporation Limited in 2004, through a management buyout of key assets, which were subsequently acquired by Vmoto. He holds a Bachelor of Automobile Engineering from Wuhan University of Automobile Technology (China) and a postgraduate Diploma of Business Administration from South Wales University (UK).</p> <p>From 1993 to 2002, Mr Chen held senior executive roles with Hainan Sundiro Motorcycle Company Limited, the largest publicly listed industrial company in Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001.</p> <p>Mr Chen is based in Nanjing, China, and oversees all of the Company's operations and activities.</p>
<b>Ivan Teo</b> <b>Finance Director</b>	<p>Mr Teo was appointed as Finance Director of the Company on 29 January 2013. Prior to this appointment, Mr Teo was employed as the Company's Chief Financial Officer from 17 June 2009.</p> <p>Mr Teo is a qualified Chartered Accountant and has over 10 years' experience in accounting, audit, corporate finance and international business serving private and public companies in a diverse range of industries including automobile, manufacturing, mining and retail.</p> <p>Mr Teo holds a BCom degree from the University of Adelaide and is based in Nanjing, China.</p> <p>Mr Teo will be retiring and seeking re-election by shareholders at the Company's 2015 Annual General Meeting.</p>
<b>Oliver Cairns</b> <b>Independent Non-Executive Director</b>	<p>Mr Cairns was appointed as Non-Executive Director of the Company on 1 September 2011.</p> <p>Mr Cairns has over 16 years' experience in the small-mid cap corporate and capital markets space. Previously he was a corporate financier and Nominated Adviser for AIM companies in London for over 8 years. During this time he was responsible for floating and advising several resources and industrial companies before relocating to Perth in June 2007.</p> <p>In May 2009, Mr Cairns set up Pursuit Capital, a corporate advisory and investment house based in Perth, which is focussed on long term corporate, capital and strategic involvement with junior international companies. He is also a Director of Viridian Capital Pty, Ltd and a Non-Executive Director of ASX listed Zeta Petroleum Plc.</p> <p>Mr Cairns is a Member of the Chartered Institute for Securities and Investment (UK).</p>



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## DIRECTORS' REPORT (cont'd)

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**Kaijian Chen** Mr Chen was appointed as Non-Executive Director of the Company on 1 September 2011.

**Independent  
Non-Executive Director**

Mr Chen has extensive experience in the motorcycle manufacturing industry in China. He was formerly vice president of Hainan Sundiro Motorcycle Co, which was the second largest motorcycle manufacturer in China at the time, and which was subsequently acquired by Honda in 2001.

Mr Chen also served as vice president for Changzhou Supaiqi E-Vehicle Co, Ltd for 5 years. Currently Mr Chen is vice president of Xinri E-Vehicle Co, Ltd, which is one of the largest E-vehicle manufacturers in China at present. The annual production of Xinri in 2010 was over 2 million units of electric bicycles and scooters for the Chinese domestic market.

Mr Chen holds a degree from the Beijing Institute of Technology and is based in Wuxi, China.

**Shannon Coates**

Ms Coates was appointed as Non-Executive Director of the Company on 23 May 2014.

**Non-Executive Director**

Ms Coates completed a Bachelor of Laws through Murdoch University in 1993 and has since gained over 18 years' in-house experience in corporate law and compliance for public companies. She is a Chartered Secretary and an Associate Member of both the Institute of Chartered Secretaries & Administrators and Chartered Secretaries Australia.

Ms Coates is currently employed as General Manager - Corporate with Evolution Corporate Services Pty Ltd, a company providing corporate advisory services and is also company secretary to a number of ASX and AIM listed companies.

Ms Coates will seek election by shareholders at the Company's 2015 Annual General Meeting.

**Company Secretary**

**Shannon Coates**

Ms Coates was appointed as Company Secretary on 10 May 2007.

A summary of Ms Coates' qualifications and experience appears above.

**Director Resignations**

**Simon Farrell**

Mr Farrell was appointed as Non-Executive Chairman of the Company on 29 January 2013 and resigned on 20 May 2014.

**Non-Executive Chairman,  
resigned on 20 May 2014**

Mr Farrell has over 30 year experience in private and public corporate business especially in the mining industry at senior management and board level, principally in the areas of finance, marketing and general management. He was previously managing director of ASX, JSE and AIM listed Coal of Africa Limited, for which he was responsible for growing to a market capitalisation of more than £1 billion.

Mr Farrell holds a BCom degree from the University of Western Australia and an MBA from the Wharton School at the University of Pennsylvania. He is a Fellow of both the Australian Society of Accountants and the Australian Institute of Company Directors.



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## DIRECTORS' REPORT (cont'd)

### Directorships in other listed entities

Directorships in other listed entities held by Directors of the Company during the last 3 years immediately before the date of this report are as follows:

Director	Company	Period of directorship	
		From	To
Mr Charles Chen	-	-	-
Mr Ivan Teo	-	-	-
Mr Oliver Cairns	Zeta Petroleum Plc	2013	Current
Mr Kaijian Chen	-	-	-
Ms Shannon Coates	Artemis Resources Limited	2011	2014
	Lemur Resources Limited	2014	Current
	Metallum Limited	2011	2012

### Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the period ended 31 December 2014 are:

Director	Board Meetings	
	Held while Director	Attended
Mr Simon Farrell	2	2
Mr Charles Chen	7	7
Mr Ivan Teo	7	7
Mr Oliver Cairns	7	7
Mr Kaijian Chen	7	2
Ms Shannon Coates	5	5

There is presently no separate Audit, Nomination or Remuneration Committee, with all committee functions being addressed by the full Board.

### Principal Activity

The principal activity of the Consolidated Entity during the year ended 31 December 2014 was the development and manufacture, and international marketing and distribution of electric powered two-wheel vehicles, petrol two-wheel vehicles and allterrain vehicles.

### Operating and Financial Review

#### Review of Operations

Vmoto Limited 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 two-wheel vehicles 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 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.

Total consolidated sales of A\$45.1 million were recorded for the Consolidated Entity for the year ended 31 December 2014. The revenue of the Consolidated Entity has increased by 79% as compared to the year ended 31 December 2013, largely as a result of the Company's expansion into the Chinese electric two-wheel vehicle market. During the year ended 31 December 2014, the Consolidated Entity achieved a profit of A\$883,987 after income tax, which included one-off non-cash costs of A\$2.0 million impairments in relation to petrol stock and sundry receivables, A\$0.9 million of share based payments and A\$0.6 million of income tax credit in relation to recognition of tax losses of China operations. The profit after tax for the year ended 31 December 2014 excluding these impairments and share based payments is A\$3,190,756.



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## DIRECTORS' REPORT (cont'd)

A more detailed review of operations for the year ended 31 December 2014 is set out in the Operations Review preceding the Directors' Report.

### *Review of Financial Position*

The Consolidated Entity's net assets have increased by approximately A\$7.1 million during the year ended 31 December 2014.

Cash balances decreased by A\$0.6 million during the year ended 31 December 2014 primarily as a result of the increase in working capital requirements and repayment of the Company's operating facilities.

Trade and other receivables have increased by A\$1.5 million mainly due to higher accrued sales during the financial year.

Inventories have increased by A\$0.8 million and prepayments have increased by A\$1.1 million mainly due to increased production level and requirements for higher stock level to mass produce electric two-wheel vehicle products and the new controller products to meet customers demand.

Property, plant and equipment increased by A\$2.1 million mainly due to additions of fixed assets for the newly acquired controller operation and the effect of drop in AUD exchange rate in translating property, plant and equipment denominated in RMB to reporting currency, AUD.

Trade and other payables increased by A\$2.3 million during the period mainly due to higher level of deposits received from customers and higher level of stocks to meet the increased sales order.

Other liabilities increased by A\$1.8 million due to recognition of contingent consideration payable in relation to acquisition of Haiyong to comply with requirements of the accounting standards.

Loans and borrowings have decreased by A\$0.8 million mainly due to the additional repayment of operating facilities during the year.

Issued capital has increased by A\$3.6 million during the year ended 31 December 2014 primarily due to shares issued to acquire controller operation, shares issued to key management and conversion of ESOP and listed options to shares during the year ended 31 December 2014.

No dividend has been declared or paid by the Company to the date of this Report in respect of the year ended 31 December 2014.

### *Reconciliation to Preliminary Results*

The following tables reconcile statutory consolidated net profit after tax to preliminary consolidated net profit after tax in Appendix 4E:

Consolidated statement of profit or loss	Appendix 4E	Adjustments	Statutory Financial Report
Statutory net profit after tax <sup>1</sup>	\$476,285	\$407,702	\$883,987

1. Fully paid ordinary shares were issued during the period to employees of the Company for nil consideration. These fully paid ordinary shares are subject to an escrow period of two years and were amortised over a two years period in the Appendix 4E. The remaining value of the shares issued to employees of A\$219,140 has been reclassified from prepayments to share based expenses in the statutory financial report.
2. Chinese operations have carried forward tax losses and the income tax credits in relation to these tax losses have not been recognised in the Appendix 4E. These income tax credits has been recognised in the statutory financial report to comply with the requirements of the accounting standards.



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## DIRECTORS' REPORT (c o n t ' d)

The following table reconciles the statutory consolidated statement of financial position to the preliminary consolidated statement of financial position in the Appendix 4E:

Consolidated statement of financial position	Appendix 4E	Adjustments	Statutory Financial Report
<b>Assets</b>			
Trade and other receivables <sup>1</sup>	\$5,287,493	(\$196,622)	\$5,090,871
Other assets <sup>2</sup>	\$3,738,172	(\$219,140)	\$3,519,032
Property, plant and equipment <sup>3</sup>	\$6,350,283	\$1,255,905	\$7,606,188
Intangible assets <sup>1,3,6</sup>	\$6,207,031	\$2,329,750	\$8,536,781
Deferred tax assets <sup>5,6</sup>	-	\$299,152	\$299,152
<b>Liabilities</b>			
Other payables <sup>4</sup>	\$4,771,131	(\$912,705)	\$3,858,426
Other liabilities <sup>1</sup>	-	\$1,835,773	\$1,835,773
<b>Equity</b>			
Issued capital <sup>4</sup>	\$60,381,262	\$912,705	\$61,293,967
Reserves <sup>3</sup>	(\$1,366,089)	\$1,225,570	(\$140,519)
Accumulated losses <sup>2,5</sup>	(\$36,733,680)	\$407,702	(\$36,325,978)

1. Prior to the acquisition of Haiyong, it has a debt of A\$196,622 payable to the Group. As part of the acquisition, this debt has been forgiven and recorded as consideration transferred in determining the goodwill of the acquisition of Haiyong in the statutory financial report.

Under the contingent consideration arrangement, the Group is required to pay the vendors an additional amount by shares if Vmoto Haiyong's profit after tax for the 12 months period after the acquisition date exceed Haiyong's 2013 profit after tax. If Vmoto Haiyong's profit after tax exceeds Haiyong's 2013 profit after tax, the Group is required to pay the vendors an additional amount in shares (Tranche 2) calculated at five times of the Vmoto Haiyong profit after tax for the 12 months period after the acquisition less the shares consideration issued under Tranche 1. The Directors consider that this is probable and have provisionally recognised the contingent consideration payable of A\$1,835,773 in the statutory financial report.

2. Fully paid ordinary shares were issued during the period to employees of the Company for nil consideration. These fully paid ordinary shares are subject to an escrow period of two years and were amortised over a two years period in the Appendix 4E. The remaining value of the shares issued to employees of A\$219,140 has been reclassified from prepayments to share based expenses in the statutory financial report.
3. The carrying amount of the property, plant and equipment and intangible assets denominated in functional currency has been converted to presentation currency using historical exchange rate at the transaction date in the preliminary results in the Appendix 4E. The carrying amount of the property, plant and equipment and intangible assets denominated in functional currency has been converted to presentation currency using balance date exchange rate in the statutory financial report to comply with the requirements of the accounting standards.
4. As at 31 December 2014, a number of holders of the 4c listed options including Directors, had lodged applications to exercise 22,812,621 listed options with exercise funds of A\$912,705. All exercise funds were received as at 31 December 2014 and recorded as liability in the Appendix 4E. This has been reclassified as equity to more accurately disclose the nature of the item.
5. Chinese operations have carried forward tax losses and the income tax credits in relation to these tax losses have not been recognised in the Appendix 4E. The income tax credits of A\$626,842 have been recognised in the statutory financial report to comply with the requirements of the accounting standards.
6. The trademark and patents acquired under the acquisition of Haiyong have been determined to have a fair value of A\$1,310,760. The deferred tax liability of A\$327,690 in relation to this have been recognised in the statutory financial report to comply with the requirements of the accounting standards.



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## DIRECTORS' REPORT (cont'd)

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### *Business Strategies and Prospects for Future Financial Years*

The Chinese market is the world's largest electric two-wheel vehicle market, with 30 million units produced in 2012 and expected to increase to 40 million units in 2015<sup>1</sup>. The Company has begun to focus on the huge domestic Chinese market and expects to continue its expansion into China and to increase its presence in China. We have a number of strategies to achieve this, including:

- Developing more retail stores, distributors and OEM customers in China; and
- Collaborations and co-operations with parties operating in the electric vehicles sector.

The Company also expects to increase its global sales by targeting business to business ("B2B") customers especially in the delivery and fast food sectors, and appointing more international distributors. The Company is in discussions and progressing with a number of interested parties in countries including Turkey, Singapore, United Kingdom, Europe and the US.

We are also continually considering ways of reducing the Company's cost of manufacturing and operating costs by improving efficiency.

The Chinese government has become increasingly focused on environmental protection to reduce pollution through new-energy and clean technology. This was highlighted in the 2015 Chinese Government Work Report from the Chinese People's Political Consultative Conference annual session concluded on 15 March 2015.

Chinese Government policies providing subsidies to purchasers of new-energy vehicles, accelerating the construction of public electric charging stations and poles, and encouraging greater investment in electric vehicle technology are reflective of the Government's greater focus in this sector. While a number of the new policies are centred on China's electric car market, Vmoto is monitoring developments closely as the Company expects to benefit from new Government policies and initiatives that encourage the use of new-energy 4 wheel and 2 wheel electric vehicles.

The material business risks faced by the Company are likely to have an effect on the financial prospects of the Company. The potential material business risks and how the Company manages these risks includes:

- technological obsolescence – given the Company operates in an industry involving green and electric vehicles technology, any technological obsolescence could have impact on our financial results. We address this risk through investment in research and development, patenting appropriate and necessary research and development results, recruiting competent technicians and constantly monitoring the market. We see this risk as minimal as the Company is constantly developing new technology and functions in its electric scooter products and has the protection of trademarks and patents.
- reduction in demand from China - given our reliance on the Chinese economy, reduction in demand from Chinese market for our electric scooter products could impact on our financial results. Based on the views of prominent economic commentators, we do not anticipate any significant slowdown in the Chinese economy for the next few years. The Company also distributes its products in Europe and is expanding sales in Asian regions. In addition, the Company is investigating the option of expanding sales into other emerging economies such as India and Vietnam to diversify its sales channel and balance its reliance on the Chinese market.

### *Impact of legislation and other external requirements*

The Consolidated Entity's operations are not subject to any significant environmental regulations. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

### Clean Energy Legislative Package

The Clean Energy Legislative Package, which included the Clean Energy Act 2011, was passed by the Australian Government in November 2011. It sets out the way that the government will introduce a carbon price to reduce Australia's carbon pollution and move to a clean energy future.

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<sup>1</sup> Source: China Electric Two Wheel Vehicle Industry Research Report, 13 November 2012



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## DIRECTORS' REPORT (cont'd)

The Consolidated Entity's manufacturing activities are primarily carried out in China and the Directors believe that the Group will not be significantly affected by this legislation passed. The Consolidated Entity has not incorporated the effect of any carbon price implementation in its impairment testing at 31 December 2014.

The Directors' view is that there were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the Consolidated Entity.

### Events Subsequent to Balance Date

#### Repayment and Drawn Down of Operating Facility

On 26 January 2015, the Company repaid RMB12 million (approximately A\$2.4 million) of its bank operating facility and subsequently drew down RMB4 million (approximately A\$0.8 million) on 28 January 2015 and RMB8 million (approximately A\$1.6 million) on 2 February 2015.

#### Issue of Shares to Advisor

On 26 February 2015, the Company appointed Mirabaud Securities LLP as joint broker and issued 86,114 shares to Mirabaud Securities LLP under the terms of the appointment.

Other than the above and as noted elsewhere in the financial statements, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

### Likely Developments

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years are discussed in the Operations Review.

### Directors' Interests

The relevant interests of each Director in the shares, options and Performance Rights issued by the Company at the date of this report are as follows:

Director	Ordinary shares	Options	Performance Rights
Mr Charles Chen <sup>1</sup>	52,881,402	-	10,666,667
Mr Ivan Teo <sup>2</sup>	6,208,728	1,000,000	5,000,000
Mr Oliver William Cairns <sup>3</sup>	21,549,495	4,000,000	10,666,667
Mr Kaijian Chen <sup>4</sup>	6,505,050	-	5,000,000
Ms Shannon Coates <sup>5</sup>	750,000	-	-

1 16,980,639 shares are held indirectly by Pershing Australia Nominees Pty Ltd <Argonaut Account> on behalf of Mr Charles Chen. 1,000,000 shares and 10,666,667 Performance Rights are held directly by Mr Charles Chen. 34,900,763 shares are held indirectly by Mr Chen's spouse, Ms Jierong Zhou.

2 6,208,728 shares, 1,000,000 options exercisable at \$0.03 each on or before 23 November 2015 and 5,000,000 Performance Rights are held directly by Mr Ivan Teo.

3 1,488,888 shares are held directly by Mr Oliver Cairns. 18,696,970 shares, 1,000,000 options exercisable at \$0.05 on or before 21 May 2019, 1,000,000 options exercisable at \$0.075 on or before 21 May 2019, 2,000,000 options exercisable at \$0.10 on or before 21 May 2019 and 10,666,667 Performance Rights are held indirectly by Silverlight Holdings Pty Ltd as trustee for Cairns Investment Trust. Mr Cairns is a beneficiary of the Cairns Investment Trust. 1,363,637 shares are held indirectly by Mr OW and CH Cairns as trustee for OCCM Fund. Mr Cairns is a beneficiary of the OCCM Fund.

4 6,505,050 shares and 5,000,000 Performance Rights are held directly by Mr Kaijian Chen.

5 750,000 shares are held indirectly by Ms Coates' spouse, Mr Simon Kimberley Coates as trustee for the Kooyong Trust. Ms Coates is a beneficiary of the Kooyong Trust.



## DIRECTORS' REPORT (cont'd)

### Options

On 23 May 2014, 1,000,000 unlisted options (exercisable at \$0.05 on or before 21 May 2019), 1,000,000 unlisted options (exercisable at \$0.075 on or before 21 May 2019), 2,000,000 unlisted options (exercisable at \$0.10 on or before 21 May 2019) were issued to Mr Oliver Cairns pursuant to shareholder approval at the Company's 2014 Annual General Meeting.

On 2 September 2014, 2,700,000 ESOP options (exercisable at \$0.025 on or before 1 September 2014) remained unexercised on their expiry date and lapsed pursuant to the terms and conditions of the options.

On 31 December 2014, 122,743,307 listed options (exercisable at \$0.04 on or before 31 December 2014) remained unexercised on their expiry date and lapsed pursuant to the terms and conditions of the options.

At the date of this report, options over unissued ordinary shares of the Company are:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number
23 November 2012	23 November 2013	23 November 2015	3 cents <sup>1</sup>	7,400,000
23 May 2013	23 May 2014	23 May 2018	4 cents	5,000,000
23 May 2013	23 May 2014	23 May 2018	8 cents	5,000,000
23 May 2014	23 May 2014	21 May 2019	5 cents	1,000,000
23 May 2014	23 May 2014	21 May 2019	7.5 cents	1,000,000
23 May 2014	23 May 2014	21 May 2019	10 cents	2,000,000

1. These options do not confer the right to participate in any share issue or interest issue of the Company or any other entity.

### Performance Rights

On 21 January 2014, the Company issued 1,000,000 shares to Mr Charles Chen and 1,000,000 shares to Mr Oliver Cairns as a result of vesting of 2,000,000 Class D incentive Performance Rights as approved by shareholders on 31 July 2012.

On 23 May 2014, the Company issued 1,333,333 shares to Mr Charles Chen and 1,333,333 shares to Mr Oliver Cairns as a result of vesting of 2,666,666 Class G incentive Performance Rights as approved by shareholders on 31 July 2012.

On 31 December 2014, the Company issued 1,000,000 shares to Mr Charles Chen and 1,000,000 shares to Mr Oliver Cairns as a result of vesting of 2,000,000 Class B incentive Performance Rights as approved by shareholders on 31 July 2012.

All performance rights convert to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions. At the date of this report, Performance Rights over unissued ordinary shares of the Company are:

Class	Number
Class C	2,000,000
Class E	2,000,000
Class F	2,000,000
Class H	2,666,666
Class I	2,666,668
Class J	10,000,000
Class K	10,000,000
Total	<u>31,333,334</u>



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## DIRECTORS' REPORT (cont'd)

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### **Indemnification and Insurance of Officers and Auditors**

#### *Indemnification*

The Company has agreed to indemnify the current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company has not agreed to indemnify their current auditors, Bentleys Audit & Corporate (WA) Pty Ltd.

#### *Insurance Premiums*

As at the date of this report, a Directors and Officers insurance policy has been secured. The insurance premium for this policy during the year ended 31 December 2014 was A\$20,000.

### **Contingent Liabilities**

The Company is currently a defendant in a proceeding brought against the Company by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claim can be successfully defended, without any losses (including for costs) being incurred by the Company.

### **Non-audit Services**

During the year, Bentleys Audit & Corporate (WA) Pty Ltd, the Company's auditor, did not perform any non-audit services in addition to their statutory duties.

### **Auditor's Independence Declaration**

The Auditor's Independence Declaration is set out on page 76 and forms part of the Directors' Report for the year ended 31 December 2014.



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## REMUNERATION REPORT

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This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Consolidated Entity.

### *Director and Key Management Personnel details*

The following persons acted as Directors of the Company during or since the end of the financial year:

- Mr Simon Farrell (appointed 29 January 2013, resigned 20 May 2014)
- Mr Charles Chen
- Mr Ivan Teo
- Mr Oliver Cairns
- Mr Kaijian Chen
- Ms Shannon Coates (appointed 23 May 2014)

The term 'key management personnel' is used in this remuneration report to refer to the Directors and the following persons. Except as noted, the named persons held their position during or since the end of the financial year:

- Mr Patrick Davin (President of Strategic Business Development)
- Mr George Hou (General Manager, resigned 30 April 2014)
- Mr Shuguang Han (General Manager)
- Mr Zhengjie Wu (Vice General Manager)

### *Overview of remuneration policies*

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Directors and executives of the Company and the Consolidated Entity.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company, and executives for the Company and the Consolidated Entity including the key management personnel.

Broadly, remuneration levels for key management personnel of the Company and key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced Directors and executives and reward the achievement of strategic objectives. The Board obtains independent advice on the appropriateness of remuneration packages of both the Company and the Consolidated Entity given trends in comparative companies both locally and internationally, and the objectives of the Company's remuneration strategy.

Remuneration packages consist of fixed remuneration including base salary, employer contributions to superannuation funds and non-cash benefits.

The Company has a variable remuneration package for Directors, which is known as the Performance Rights Plan. This plan allows Directors to convert Performance Rights to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions.

### *Fixed remuneration*

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicle), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Consolidated Entity. The Board has regard to remuneration levels external to the Consolidated Entity to ensure the Directors' and executives' remuneration is competitive in the market place.



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## R E M U N E R A T I O N R E P O R T ( c o n t ' d )

Executive Directors are employed full time and receive fixed remuneration in the form of salary and statutory superannuation or consultancy fees, commensurate with their required level of services.

Non-Executive Directors receive a fixed monthly fee for their services. Where Non-Executive Directors provide services materially outside their usual Board duties, they are remunerated on an agreed retainer or daily rate basis.

### *Service agreements*

It is the Consolidated Entity's policy that service agreements for key management personnel are unlimited in term but capable of termination on 3 months' notice and that the Consolidated Entity retains the right to terminate the service agreements immediately, by making payment equal to 3 months' pay in lieu of notice.

The service agreement outlines the components of compensation paid to key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed annually on a date as close as possible to 31 December of each year to take into account key management personnel's performance.

Certain key management personnel will be entitled to bonuses as the Board may decide in its absolute discretion from time to time, to a maximum of 50% of the key management personnel's annual base salary per annum.

### *Non-Executive Directors*

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed A\$300,000 per annum and has been set at a level to enable the Company to attract and retain suitably qualified Directors. The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

### *Relationship between the remuneration policy and Company performance*

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based rights subject to performance based vesting conditions, and the second being the issue of options or shares to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy was effective in increasing shareholder wealth.

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the last five reporting periods:

<i>In AUD</i>	31 Dec 2014 12 months \$'000	31 Dec 2013 12 months \$'000	31 Dec 2012 6 months \$'000	30 June 2012 12 months \$'000	30 June 2011 12 months \$'000
Revenue	45,098	25,175	4,603	8,242	7,112
Net profit / (loss) before tax	290	404	(1,276)	(7,162)	(4,425)
Net profit / (loss) after tax	884	404	(1,276)	(7,162)	(4,425)

  

<i>In AUD</i>	31 Dec 2014 12 months	31 Dec 2013 12 months	31 Dec 2012 6 months	30 June 2012 12 months	30 June 2011 12 months
Share price at start of period	\$0.03	\$0.02	\$0.01	\$0.02	\$0.14
Share price at end of period	\$0.04	\$0.03	\$0.02	\$0.01	\$0.02
Dividend	-	-	-	-	-
Basic and diluted earnings / (loss) per share	0.07 cents	0.04 cents	(0.16) cents	(1.14) cents	(0.79) cents



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REMUNERATION REPORT (cont'd)

*Directors' and executive officers' remuneration*

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the named officers of the Company and the Consolidated Entity for the year ended 31 December 2014 are:

<i>In AUD</i>		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS	Total	Value of options/ rights as proportion of remuneration %	% of remuneration based on performance
		Salary & fees \$	Superannuation benefits \$	Options / Performance Rights \$			
<b>Executive Directors</b>							
Mr Charles Chen	12 months to Dec 2014	221,251	-	86,250	307,501	28.0%	28.0%
	12 months to Dec 2013	207,861	-	-	207,861	-	-
Mr Ivan Teo	12 months to Dec 2014	122,112	-	86,250	208,362	41.4%	41.4%
	12 months to Dec 2013	122,440	-	6,898	129,338	5.3%	-
<b>Non-Executive Directors</b>							
Mr Simon Farrell (resigned 20 May 2014)	12 months to Dec 2014	9,944	-	20,300	30,244	67.1%	-
	12 months to Dec 2013	22,317	-	28,420	50,737	56.0%	-
Mr Oliver Cairns	12 months to Dec 2014	80,000	-	182,669	262,669	69.5%	32.8%
	12 months to Dec 2013	80,000	-	-	80,000	-	-
Mr Kaijian Chen	12 months to Dec 2014	40,000	-	86,250	126,250	68.3%	68.3%
	12 months to Dec 2013	40,000	-	-	40,000	-	-
Ms Shannon Coates <sup>1</sup>	12 months to Dec 2014	23,333	-	-	23,333	-	-
	12 months to Dec 2013	-	-	-	-	-	-
Total, all Directors	12 months to Dec 2014	496,640	-	461,719	958,359	48.2%	36.0%
	12 months to Dec 2013	472,618	-	35,318	507,936	7.0%	-



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REMUNERATION REPORT (cont'd)

1. Ms Coates was appointed as Non-Executive Director on 23 May 2014. A company associated with Ms Coates, Evolution Capital Partners Pty Ltd, provided company secretarial, corporate advisory and Australian registered office services to Vmoto for a monthly retainer. For the 2014 financial year, tVmoto paid Evolution Capital Partners Pty Ltd \$66,000 for these additional services.

		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS			
<i>In AUD</i>		Salary & fees \$	Superannuation benefits \$	Shares / Options \$	Total \$	Value of options / rights as proportion of remuneration %	% of remuneration based on performance
<b>Executives</b>							
Mr Patrick Davin (President of Strategic Business Development)	12 months to Dec 2014	22,288	-	38,000	60,288	63.0%	-
	12 months to Dec 2013	62,487	-	-	62,487	-	-
Mr George Hou (General Manager, resigned 30 April 2014)	12 months to Dec 2014	25,041	-	-	25,041	-	-
	12 months to Dec 2013	52,414	-	13,972	66,386	21.0%	-
Mr Shuguang Han (General Manager)	12 months to Dec 2014	48,122	-	76,000	124,122	61.2%	-
	12 months to Dec 2013	-	-	-	-	-	-
Mr Zhengjie Wu (Vice General Manager)	12 months to Dec 2014	27,080	-	38,000	65,080	58.4%	-
	12 months to Dec 2013	40,305	-	-	40,305	-	-
Total, all Executives	12 months to Dec 2014	122,531	-	152,000	274,531	55.4%	-
	12 months to Dec 2013	155,206	-	13,972	169,178	8.3%	-

## REMUNERATION REPORT (cont'd)

### Share-based payment arrangements

#### Options

The Company operates an Employee Share Option Plan ("ESOP") for executives and senior employees of the Consolidated Entity. In accordance with the provisions of the ESOP, executives and senior employees may be granted options to purchase ordinary shares at an exercise price to be determined by the Board with regard to the market value of the shares when it resolves to offer the options. The options may only be granted to eligible persons after the Board considers the person's seniority, position, length of service, record of employment, potential contribution and any other matters which the Board considers relevant.

Each employee share option converts into one ordinary share of Vmoto Limited on exercise. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

To date, options granted under the ESOP expire within thirty six months of their issue, or immediately on the resignation of the executive or senior employee, whichever is the earlier.

During the year ended 31 December 2014, the following share based payment options arrangements were in existence:

Options series	Number	Grant date	Grant date fair value	Expiry date	Exercise Price	Vesting date
ESOP	8,500,000	01/09/2011	A\$0.010	01/09/2014	A\$0.025	01/09/2012
ESOP	11,500,000	23/11/2012	A\$0.011	23/11/2015	A\$0.030	23/11/2013
Class E	5,000,000	23/05/2013	A\$0.014	23/05/2018	A\$0.040	23/05/2014
Class F	5,000,000	23/05/2013	A\$0.013	23/05/2018	A\$0.080	23/05/2014
Class G	1,000,000	23/05/2014	A\$0.037	21/05/2019	A\$0.050	23/05/2014
Class H	1,000,000	23/05/2014	A\$0.035	21/05/2019	A\$0.075	23/05/2014
Class I	2,000,000	23/05/2014	A\$0.033	21/05/2019	A\$0.100	23/05/2014
<b>Total</b>	<b>34,000,000</b>					

There are no further service or performance criteria that need to be met in relation to ESOP options granted before the beneficial interest vests in the recipient.

During the year ended 31 December 2014, 4 million options were granted to Mr Oliver Cairns under the share based payment options. Apart from the above, no other options were granted to key management personnel under the share based payment options arrangement.

During the year ended 31 December 2014, the following key management personnel exercised their options that were granted to them as part of their compensation. Each option converts into one ordinary share of Vmoto Limited.

Name	No. of options exercised	No. of ordinary shares of Vmoto Limited issued	Amount paid	Amount unpaid
Charles Chen	6,610,763	6,610,763	A\$264,431	-
Ivan Teo	425,000	425,000	A\$17,000	-
Oliver Cairns	5,000,000	5,000,000	A\$200,000	-
Kaijian Chen	1,000,000	1,000,000	A\$40,000	-
Shannon Coates	500,000	500,000	A\$20,000	-
George Hou	1,000,000	1,000,000	A\$30,000	-
Zhengjie Wu	800,000	800,000	A\$20,000	-



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## REMUNERATION REPORT (cont'd)

The following options to key management personnel relate to the year ended 31 December 2014:

Name	Options series	During the year ended 31 Dec 2014			
		No. granted	No. vested	% of grant vested	% of grant forfeited
Simon Farrell	Class E	-	5,000,000	100%	n/a
	Class F	-	5,000,000	100%	n/a
Oliver Cairns	Class G	1,000,000	1,000,000	100%	n/a
	Class H	1,000,000	1,000,000	100%	n/a
	Class I	2,000,000	2,000,000	100%	n/a

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year ended 31 December 2014:

Name	Value of options granted at the grant date <sup>1</sup>	Value of options exercised at the exercise date	Value of option lapsed at the date of lapse <sup>2</sup>
	\$	\$	\$
Oliver Cairns	A\$96,419	n/a	n/a
Charles Chen	n/a	-	-
Kaijian Chen	n/a	-	-
Shannon Coates	n/a	-	-
Ivan Teo	n/a	n/a	A\$10,000
George Hou	n/a	A\$11,000	n/a
Zhengjie Wu	n/a	A\$8,000	n/a

1. The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.
2. The value of options lapsed during the year due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied using a binomial pricing model.

### Performance Rights

On 6 August 2012, following shareholder approval at the Company's general meeting held on 31 July 2012, the Company granted a total of 32,000,000 Performance Rights to Directors Charles Chen, Oliver Cairns and former Director Blair Sergeant.

The Performance Rights comprised:

- a) 2,000,000 Performance Rights issued to Blair Sergeant pursuant to his Non-Executive Director Appointment Agreement; and
- b) 30,000,000 Performance Rights issued under the Company's Performance Rights Plan (10,000,000 each to Charles Chen, Blair Sergeant and Oliver Cairns), subject to the following performance conditions:

Number of Performance Rights per Director	Class	Performance Conditions	Time of vesting
1,000,000	A	- The volume weighted average price of the Shares for 10 consecutive trading days on ASX (VWAP) exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 3 cents
1,000,000	B	- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 3 cents



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REMUNERATION REPORT (cont'd)

1,000,000	C	- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 3 cents
1,000,000	D	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 4 cents
1,000,000	E	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 4 cents
1,000,000	F	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 4 cents
1,333,333	G	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 5 cents
1,333,333	H	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 5 cents
1,333,334	I	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 5 cents

On 23 May 2014, following shareholder approval at the Company's Annual General Meeting held on 20 May 2014, the Company granted a total of 20,000,000 additional Performance Rights to Directors Charles Chen, Oliver Cairns, Ivan Teo and Kaijian Chen.

Number of Performance Rights per Director	Class	Performance Conditions	Time of vesting
2,500,000	J	- The volume weighted average price of the Shares for 10 consecutive trading days on ASX (VWAP) exceeds 6.5 cents at any time on or before 31 December 2016; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 6.5 cents
2,500,000	K	- The VWAP exceeds 8.5 cents at any time on or before 31 December 2017; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 8.5 cents



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## REMUNERATION REPORT (cont'd)

During the year ended 31 December 2014, the following Performance Rights arrangements were in existence:

Performance Rights series	Number	Grant date	Grant date fair value
Class B	2,000,000	06/08/2012	A\$0.004
Class C	2,000,000	06/08/2012	A\$0.004
Class D	2,000,000	06/08/2012	A\$0.0015
Class E	2,000,000	06/08/2012	A\$0.0015
Class F	2,000,000	06/08/2012	A\$0.0015
Class G	2,666,666	06/08/2012	A\$0.0005
Class H	2,666,666	06/08/2012	A\$0.0005
Class I	2,666,668	06/08/2012	A\$0.0005
Class J	10,000,000	23/05/2014	A\$0.0276
Class K	10,000,000	23/05/2014	A\$0.0069
<b>Total</b>	<b>38,000,000</b>		

All Performance Rights convert to fully paid ordinary shares for nil cash consideration, subject to the above performance based vesting conditions. During the 2014 financial year, Class B, D and G Performance Rights vested and were converted to shares.

The following Performance Rights to key management personnel relate to the year ended 31 December 2014:

Name	Performance Rights series	During the year ended 31 Dec 2014			
		No. granted	No. vested	% of grant vested	% of grant forfeited
Charles Chen	Class B	-	1,000,000	100%	n/a
	Class D	-	1,000,000	100%	n/a
	Class G	-	1,333,333	100%	n/a
	Class J	2,500,000	-	n/a	n/a
	Class K	2,500,000	-	n/a	n/a
Oliver Cairns	Class B	-	1,000,000	100%	n/a
	Class D	-	1,000,000	100%	n/a
	Class G	-	1,333,333	100%	n/a
	Class J	2,500,000	-	n/a	n/a
	Class K	2,500,000	-	n/a	n/a
Ivan Teo	Class J	2,500,000	-	n/a	n/a
	Class K	2,500,000	-	n/a	n/a
Kaijian Chen	Class J	2,500,000	-	n/a	n/a
	Class K	2,500,000	-	n/a	n/a



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## REMUNERATION REPORT (cont'd)

### Share holdings and transactions of key management personnel

The movement during the year ended 31 December 2014 in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 Jan 2014	Held at date of appointment	Net change <sup>1</sup>	Granted as remuneration	Received on vest of performan ce rights	Held at date of resignation	Held at 31 Dec 2014
<b>Directors</b>							
Mr S Farrell	2,272,728	N/A	-	-	-	2,272,728	N/A
Mr C Chen	42,937,306	N/A	6,610,763	-	3,333,333	N/A	52,881,402
Mr I Teo	5,783,728	N/A	425,000	-	-	N/A	6,208,728
Mr O Cairns	13,216,162	N/A	5,000,000	-	3,333,333	N/A	21,549,495
Mr K Chen	5,505,050	N/A	1,000,000	-	-	N/A	6,505,050
Ms S Coates	N/A	250,000	500,000	-	-	N/A	750,000
<b>Executives</b>							
Mr P Davin	15,320,893	N/A	(10,000,000)	1,000,000	-	N/A	6,320,893
Mr M Fulton	-	N/A	-	-	-	-	N/A
Mr G Hou	1,000,000	N/A	-	-	-	1,000,000	N/A
Mr S Han	N/A	-	-	2,000,000	-	N/A	2,000,000
Mr Z Wu	-	N/A	-	1,000,000	-	N/A	1,000,000

1. Net change represents the acquisition and disposal of shares on market and exercise of options by the key management personnel.

### Option holdings of key management personnel

The movement during the year ended 31 December 2014 in the number of options over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 Jan 2014	Held at date of appointment	Additions	Granted as remuneration	Exercised/ Expired	Held at date of resignation	Held at 31 Dec 2014
<b>Directors</b>							
Mr S Farrell	10,000,000	-	-	-	-	10,000,000	N/A
Mr C Chen	13,221,526	N/A	-	-	13,221,526	N/A	-
Mr I Teo	2,425,000	N/A	-	-	1,425,000	N/A	1,000,000
Mr O Cairns	5,000,000	N/A	-	4,000,000	5,000,000	N/A	4,000,000
Mr K Chen	2,777,777	N/A	-	-	2,777,777	N/A	-
Ms S Coates	N/A	500,000	-	-	500,000	N/A	-
<b>Executives</b>							
Mr P Davin	500,000	N/A	-	-	-	N/A	500,000
Mr M Fulton	2,100,000	N/A	-	-	-	2,100,000	N/A
Mr G Hou	1,500,000	N/A	-	-	1,000,000	500,000	N/A
Mr S Han	N/A	-	-	-	-	N/A	-
Mr Z Wu	800,000	N/A	-	-	800,000	N/A	-

All options are vested and exercisable.



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## REMUNERATION REPORT (cont'd)

### Performance right holdings of key management personnel

The movement during the year ended 31 December 2014 in the number of Performance Rights held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 Jan 2014	Held at date of appointment	Granted as remuneration	Vested as Shares	Forfeited	Held at date of resignation	Held at 31 Dec 2014
<b>Directors</b>							
Mr S Farrell	-	-	-	-	-	-	N/A
Mr C Chen	9,000,000	N/A	5,000,000	3,333,333	-	N/A	10,666,667
Mr I Teo	-	N/A	5,000,000	-	-	N/A	5,000,000
Mr O Cairns	9,000,000	N/A	5,000,000	3,333,333	-	N/A	10,666,667
Mr K Chen	-	N/A	5,000,000	-	-	N/A	5,000,000
Ms S Coates	N/A	-	-	-	-	N/A	-
<b>Executives</b>							
Mr P Davin	-	N/A	-	-	-	N/A	-
Mr M Fulton	-	N/A	-	-	-	-	N/A
Mr G Hou	-	N/A	-	-	-	-	N/A
Mr S Han	N/A	-	-	-	-	N/A	-
Mr Z Wu	-	N/A	-	-	-	N/A	-

### Other Key Management Personnel Transactions

During the year ended 31 December 2014, Evolution Capital Partners Pty Ltd, an entity associated with Ms Shannon Coates, have provided company secretarial, administration and registered office services to the Group pursuant to consultancy agreement and have received a total fees of A\$66,000 for the year ended 31 December 2014.

Other than the above, there have been no related party transactions involving any of the Key Management Personnel identified in the table above during the year or the previous year.

This report is made with a resolution of the Directors pursuant to s298(2) of the Corporations Act 2001:

**Charles Chen**  
Managing Director

Dated at Western Australia, this 31st day of March 2015.



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## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Vmoto Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. Vmoto's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at [www.vmoto.com](http://www.vmoto.com) contains additional details of its corporate governance procedures and practices.

### ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX best practice recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where Vmoto considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the relevant section of this statement.

The Board has adopted a Corporate Governance policy that (except where expressly noted below) complies with the Principles set out in the Second Edition of the "Corporate Governance Principles and Recommendations" ("ASX Principles") established by the ASX Corporate Governance Council. Other than as noted below, this Corporate Governance policy was in effect for the entire reporting period. The Company notes that for the financial year ended 31 December 2015, the Third Edition of the ASX Principles will apply and the Company will follow and report against the Third Edition in the Annual Report for the year ended 31 December 2015.

Recommendation		Comply Yes/No	Page Reference
<b>ASX Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	27
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	28
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	27-28
<b>ASX Principle 2 – Structure the board to add value</b>			
2.1	A majority of the board should be independent directors.	No	29
2.2	The chair should be an independent director.	N/A	28
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	28
2.4	The board should establish a nomination committee.	No	28
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	28
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	28-29
<b>ASX Principle 3 – Promote ethical and responsible decision-making</b>			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>➢ The practices necessary to maintain confidence in the company's integrity</li> <li>➢ The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>➢ The responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	Yes	29



CORPORATE GOVERNANCE STATEMENT (cont'd)

3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	29
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	29
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive's positions and women on the board.	Yes	29
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	29
<b>ASX Principle 4 – Safeguard integrity in corporate reporting</b>			
4.1	The board should establish an audit committee.	No	29
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>➤ Consists only of non-executive directors</li> <li>➤ Consists of a majority of independent directors</li> <li>➤ Is chaired by an independent chair, who is not chair of the board</li> <li>➤ Has at least three members</li> </ul>	No No No No	30
4.3	The audit committee should have a formal charter.	Yes	30
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	29-30
<b>ASX Principle 5 – Make timely and balanced disclosure</b>			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	30
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	30
<b>ASX Principle 6 – Respect the rights of security holders</b>			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	30
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	30
<b>ASX Principle 7 – Recognise and manage risk</b>			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	30
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	31



CORPORATE GOVERNANCE STATEMENT (cont'd)

7.3	The board should disclose whether it has received assurance from the CEO (or equivalent) and the Chief Financial Officer (CFO) (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	31
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	30-31
<b>ASX Principle fairly and responsibly</b>			
8.1	The board should establish a remuneration committee.	No	31
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>➤ Consists of a majority of independent directors</li> <li>➤ Is chaired by an independent chair</li> <li>➤ Has at least three members</li> </ul>	No No No	31
8.3	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	Yes	31
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	31

**Board of Directors**

*Role and Responsibilities of the Board*

The Board is responsible for guiding and monitoring the Company on behalf of shareholders. The specific responsibilities of the Board include:

- (a) appointment, evaluation, rewarding and if necessary the removal of the Managing Director, and Chief Financial Officer (or equivalent) and the Company Secretary;
- (b) in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- (c) establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;
- (d) monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;
- (e) monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;
- (f) via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- (g) overseeing the management of safety, occupational health and environmental matters;
- (h) satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;

## C O R P O R A T E G O V E R N A N C E S T A T E M E N T ( c o n t ' d )

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- (i) satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- (j) to ensure that appropriate internal and external audit arrangements are in place and operating effectively;
- (k) having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
- (l) reporting to shareholders.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

### *Evaluation of Board and Senior Executive performance*

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company conducted a Board review process for the 2014 financial year in Q1 2015.

The Managing Director is responsible for assessing the performance of the key executives within the Company. This is performed through a formal process involving a formal meeting with each senior executive.

### *Board composition*

As at the date of this Report, the Board is comprised of two executive Directors and three non-executive Directors.

The Company's website contains details on the procedures for the selection and appointment of new Directors and the re-election of incumbent Directors, together with the Board's policy for the nomination and appointment of Directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors. However the Company does not presently have a separate Nomination Committee. Having regard to the Company's current size and stage of operations, the full Board conducts the function of such a committee, in accordance with the Charter.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in scooter and motorcycle distribution and marketing and in the finance, legal and corporate advisory industries. The skills, experience and expertise of Directors are set out in the Directors' Report. The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes the appropriate mix of skills and expertise, relevant to the Company's business.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2015 Annual General Meeting, are set out in the Directors' Report.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

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### *Independence of Non-Executive Directors*

ASX Principle 2 recommends that a majority of the Board should be independent. The Board considers an independent Director to be a non-executive Director who meets the criteria for independence included in Principle 2 of the ASX Corporate Governance Principles and Recommendations. Materiality for these purposes is based on quantitative and qualitative bases. An amount of over 5% of the annual turnover of the Company or 5% of the individual Directors' net worth is considered material for these purposes.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that three of the five Directors are not independent. However, the Board believes that the structure of the Board is adequate for the Company's current size and operations, includes the appropriate mix of skills and expertise, relevant to the Company's business, and that the non-independent Directors are able to and do bring impartial judgment to all relevant issues falling within the scope of the Board.

### *Independent professional advice*

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

### *Meetings*

The Board held 7 scheduled meetings during the reporting period and no unscheduled meetings were held during that period. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

The attendance of Directors at Board meetings during the period ended 31 December 2014 is detailed in the Directors' Report.

### **Code of Conduct**

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

ASX Principle 3 recommends companies establish a policy concerning diversity and disclose the policy or a summary of that policy. It further recommends companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. Due to the current nature and scale of Vmoto's activities, the Board has not established a diversity policy or measurable objectives for achieving gender diversity to report against in this report for the period ending 31 December 2014. Notwithstanding, the Company notes that as at the date of this report, the proportion of women associated with the Company is:

- a) Board: 20%
- b) Senior Executive: 18.2%
- c) Employees: 57.8%

### **Financial Reporting**

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

## C O R P O R A T E G O V E R N A N C E S T A T E M E N T ( c o n t ' d )

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The Company has prepared a formal Audit Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting and includes information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. Having regard to the Company's current size and stage of operations, the Company does not presently have a separate Audit Committee and the full Board conducts the function of such a committee, in accordance with the Charter.

### **Continuous Disclosure**

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company is committed to:

- (a) complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;
- (b) preventing the selective or inadvertent disclosure of material price sensitive information;
- (c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
- (d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

### **Shareholder Communication**

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

The Managing Director and Company Secretary have primary responsibility for communication with shareholders. Information is communicated through:

- (a) continuous disclosure to relevant stock markets of all material information;
- (b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;
- (c) notices of meetings and explanatory material;
- (d) the annual general meeting;
- (e) periodic newsletters or letters from the Chairman or Managing Director; and
- (f) the Company's website at [www.vmoto.com](http://www.vmoto.com)

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are requested to attend the Company's annual general meetings.

### **Risk Management**

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:



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## CORPORATE GOVERNANCE STATEMENT (cont'd)

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- (a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- (b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- (c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- (d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place and are directed towards achieving the following objectives:

- (a) effectiveness and efficiency in the use of the Company's resources;
- (b) compliance with applicable laws and regulations; and
- (c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control, requiring management appraise the Board of changing circumstances within the Company and within the international business environment. During the reporting period, the Managing Director regularly reported to the Board as to the effectiveness of the Company's management of its material business risks. Further, in accordance with Principle 7, the Managing Director and Finance Director have confirmed in writing to the Board that:

- (a) the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
- (b) the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board;
- (c) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### Remuneration

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives. However the Company does not presently have a separate Remuneration Committee. Having regard to the Company's current size and stage of operations, the full Board conducts the function of such a committee, in accordance with the Charter.

In accordance with Principle 8, Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are currently capped at A\$300,000 per annum.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

See the Remuneration Report for details of remuneration paid to Directors and key executives during the period.



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## C O R P O R A T E G O V E R N A N C E S T A T E M E N T ( c o n t ' d )

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### **Securities Trading**

In compliance with Listing Rule 12.12, the Board has adopted a Securities Trading Policy which regulates dealings by Directors, offices and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, general restrictions are imposed on Directors and employees when in possession of inside information, while additional trading restrictions apply to Directors and some employees.

The policy also regulates trading by key management personnel within defined closed periods, as well as providing details of trading that is not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining such clearance.

### **Privacy**

The Company has resolved to comply with the Privacy Act 1988 and associated Principles, to the extent required for a company the size and nature of Vmoto.



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
<b>Continuing Operations</b>			
Revenue from sale of goods		45,098,053	25,174,809
Cost of sales		(38,505,960)	(21,409,686)
<b>Gross Profit</b>		<b>6,592,093</b>	<b>3,765,123</b>
Other income	2	166,741	453,418
Operational expenses		(1,576,688)	(1,398,897)
Marketing and distribution expenses		(507,990)	(660,342)
Corporate and administrative expenses		(2,014,827)	(1,337,819)
Occupancy expenses		(59,946)	(43,175)
Other expenses	2	(486,094)	(1,002)
Finance costs		(275,507)	(372,846)
Impairment of inventories		(1,548,071)	-
<b>Profit/(Loss) from continuing operations before tax</b>		<b>289,711</b>	<b>404,460</b>
Income tax	4	594,276	-
<b>Profit/(Loss) after tax from continuing operations attributable to owners of the company</b>		<b>883,987</b>	<b>404,460</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences		2,154,350	207,937
<b>Other comprehensive income for the period, net of tax</b>		<b>2,154,350</b>	<b>207,937</b>
<b>Total comprehensive income for the period attributable to owners of the company</b>		<b>3,038,337</b>	<b>612,397</b>
Basic and Diluted Earnings/(Loss) per Share from Continuing Operations	21	0.07 cents	0.04 cents

The consolidated statement of profit or loss and other comprehensive income  
should be read in conjunction with the accompanying notes.



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CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION  
AS AT 31 DECEMBER 2014

	Note	31 December 2014 \$	31 December 2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	3,850,142	4,426,994
Trade and other receivables	6	5,090,871	3,639,758
Inventories	7	5,945,188	5,180,807
Other assets	8	3,519,032	2,449,680
Total Current Assets		18,405,233	15,697,239
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	7,606,188	5,473,184
Intangible Assets	10	8,536,781	3,592,983
Investments in associates	11	393,244	-
Deferred tax assets	4	299,152	-
Total Non-Current Assets		16,835,365	9,066,167
<b>TOTAL ASSETS</b>		<b>35,240,598</b>	<b>24,763,406</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,858,426	1,509,999
Loans and borrowings	13	4,718,929	5,522,005
Other liabilities	14	1,835,773	-
Total Current Liabilities		10,413,128	7,032,004
<b>TOTAL LIABILITIES</b>		<b>10,413,128</b>	<b>7,032,004</b>
<b>NET ASSETS</b>		<b>24,827,470</b>	<b>17,731,402</b>
<b>EQUITY</b>			
Issued capital	15	61,293,967	57,725,955
Reserves	15	(140,519)	(2,654,011)
Accumulated losses	17	(36,325,978)	(37,340,542)
<b>TOTAL EQUITY</b>		<b>24,827,470</b>	<b>17,731,402</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.



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CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		46,458,103	27,835,244
Payments to suppliers and employees		(45,631,141)	(31,324,457)
Interest received		44,739	8,542
Interest paid		(273,499)	(375,681)
Other cash receipts		27,762	30,955
<b>Net cash used in operating activities</b>	25	<u>625,964</u>	<u>(3,825,397)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant & equipment		(1,101,351)	(402,528)
Payments for intangible assets		-	(5,486)
Payments for equity investments		(393,244)	-
<b>Net cash used in investing activities</b>		<u>(1,494,595)</u>	<u>(408,014)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		1,247,290	6,540,660
Payments for share issue costs		(22,480)	(438,298)
Proceeds from borrowings		4,297,144	6,527,726
Repayment of borrowings		(5,400,250)	(6,043,162)
<b>Net cash generated by financing activities</b>		<u>121,704</u>	<u>6,586,926</u>
Net (decrease)/increase in cash and cash equivalents		(746,927)	2,353,515
Cash and cash equivalents at the beginning of the year		4,426,994	1,834,894
Effect of exchange rate fluctuations on cash held		170,075	238,585
<b>Cash and cash equivalents at the end of the year</b>		<u><u>3,850,142</u></u>	<u><u>4,426,994</u></u>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.



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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance as at 1 January 2013</b>	51,060,622	(2,798,947)	(37,918,747)	10,342,928
Profit for the year	-	-	404,460	404,460
Other comprehensive income for the year	-	207,937	-	207,937
Total comprehensive income for the year	-	207,937	404,460	612,397
Issue of ordinary shares	7,006,800	-	-	7,006,800
Share issue costs	(341,467)	-	-	(341,467)
Issue of options	-	110,744	-	110,744
Transfer expired options reserve to accumulated losses	-	(173,745)	173,745	-
<b>Balance as at 31 December 2013</b>	<b>57,725,955</b>	<b>(2,654,011)</b>	<b>(37,340,542)</b>	<b>17,731,402</b>
<b>Balance as at 1 January 2014</b>	57,725,955	(2,654,011)	(37,340,542)	17,731,402
Profit for the year	-	-	883,987	883,987
Other comprehensive income for the year	-	2,154,350	-	2,154,350
Total comprehensive income for the year	-	2,154,350	883,987	3,038,337
Issue of ordinary shares	3,597,654	-	-	3,597,654
Share issue costs	(29,642)	-	-	(29,642)
Issue of options and Performance Rights	-	489,719	-	489,719
Transfer expired options reserve to accumulated losses	-	(130,577)	130,577	-
<b>Balance as at 31 December 2014</b>	<b>61,293,967</b>	<b>(140,519)</b>	<b>(36,325,978)</b>	<b>24,827,470</b>

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.



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## NOTES TO THE FINANCIAL STATEMENTS

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Vmoto Limited ("Vmoto" or "the Company") is a limited company incorporated in Australia. The consolidated financial report of the Company as at and for the year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

#### (a) Basis of preparation

##### (i) *Statement of compliance*

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 31 March 2015.

##### (ii) *Basis of measurement*

The consolidated financial statements of the Consolidated Entity are prepared on an accruals basis and are based on historical costs except where otherwise stated.

##### (iii) *Functional and presentation currency*

The consolidated financial statements of the Consolidated Entity are presented in Australian dollars, which is different from its functional currency, determined to be Renminbi. A different presentation currency has been adopted as the Board of Directors believe that financial statements presented in Australian dollar (which is the functional currency of parent company) are more useful to the users and shareholders of the Company who are predominantly in Australia.

##### (iv) *Standards and interpretations affecting amounts reported in current period (and/or prior periods)*

During the year ended 31 December 2014, the Consolidated Entity adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has not significantly impacted the recognition, measurement and disclosure of the transactions of the Consolidated Entity and its consolidated financial statements for the year ended 31 December 2014.

New and revised Standards and amendments thereof and Interpretations effective for the year end included:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' - Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'
- Interpretation 21 'Levies'



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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### (v) *Going concern basis*

The Consolidated Entity has recorded a profit after tax for the year ended 31 December 2014 of \$883,987 (year ended 31 December 2013: \$404,460). At 31 December 2014, the Consolidated Entity had a working capital surplus of \$7,992,105 (31 December 2013: \$8,665,235).

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- the Consolidated Entity has a significant working capital surplus;
- the Consolidated Entity has long term supply agreements and demand for its electric powered scooter products is increasing. As the units increase, this will further reduce the cost of goods manufactured due to achieving higher levels of economies of scale, which will further improve the gross profit margins;
- the Consolidated Entity achieved a profit during the financial year and it will further reduce corporate and other non-sales resources without materially affecting revenue activities;
- the Consolidated Entity's Stage 1 and 2 of the Nanjing Facility have been completed and have been used as security for its existing operating facility. As at the date of this report, RMB9 million (approximately AUD1.8 million) of the operating facility is still available for draw down if required; and
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be cash flow positive for the year ending 31 December 2015 and will enable the Consolidated Entity to pay its debts as and when they fall due.

At the date of this report and having considered the above factors, the Directors are confident that the Consolidated Entity and the Company will be able to continue operations into the foreseeable future. The financial report does not include adjustments relating to the recoverability and classification of the recorded assets and liabilities amounts that might be necessary should the Consolidated Entity and the Company not continue as going concerns.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities in the Consolidated Entity.

### (b) **Principles of consolidation**

#### *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

Non-controlling interests in equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

In Note 22, investments in subsidiaries are carried at cost and recoverable amount. Refer to Note (o).

#### *Transactions eliminated on consolidation*

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

### (c) **Foreign currency translation**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the profit & loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit & loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Vmoto at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the period where this rate approximates the rate at the date of the transaction.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit & loss.

### **(d) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchange of goods or services of the same nature without any cash consideration are not recognised as revenue.

#### *Sale of goods*

Revenue from the sale of goods is recognised upon delivery of goods to customers as this corresponds to the transfer of significant risks and benefits of ownership of the goods and the cessation of all involvement in those goods.

#### *Interest income*

Interest income is recognised using the effective interest method.

### **(e) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **(f) Acquisition of assets**

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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### (g) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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### (h) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
  - any non-controlling interest; and
  - the acquisition date fair value of any previously held equity interest;
- over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

### (i) Property, Plant and Equipment

- *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets may include the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

- *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit & loss as incurred.



## NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

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- *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. Land is not depreciated. Assets will be depreciated once the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	3 - 10 years
Motor vehicles	10 years
Office furniture & equipment	5 years
Building	20 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

- *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(j) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(k) Payables**

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Consolidated Entity becomes obliged to make future payments as a result of a purchase of assets or receipt of services.

**(l) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax office are classified as operating cash flows.



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## NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

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### **(m) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **(n) Operating Leases**

Operating leases and the leased assets are not recognised on the Consolidated Entity's statement of financial position. Payments made under operating leases are recognised as an expense in the profit and loss.

### **(o) Recoverable amount of assets**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### **(p) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit & loss when the liabilities are derecognised as well as through the amortisation process.

### **(q) Share-based payment transactions**

The Consolidated Entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company operates an incentive scheme to provide these benefits, known as the Vmoto Employee Share Option Plan (the "ESOP").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black Scholes Option Valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Vmoto Limited ("market conditions").



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding weighted average number of options as at the reporting date is considered not material and accordingly the basic loss per share is the same as the diluted loss per share.

### (r) Employee benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

### (s) Income tax

Income tax expense recognised in the statement of profit or loss and other comprehensive income relates to current tax and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### *Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### *Deferred tax*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- i. the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on a different tax entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its subsidiaries have unused tax losses as at the reporting date. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

### (t) Intangibles

#### *Trademarks, licenses and production rights*

Trademarks, licenses and production rights are recognised at cost of acquisition. They have an indefinite life and are carried at cost less any accumulated impairment losses.

#### *Patents*

Patents acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, patents acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as patents that are acquired separately. The patents acquired in a business combination are deemed to have useful lives of 5 years.

### (u) Development Costs

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

### (v) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### (w) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with maturities of 3 months or less.

### (x) Comparative figures

This report relates to the year ended 31 December 2014. Comparatives are for the year ended 31 December 2013.

### (y) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### *Valuation techniques*

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

**Market approach:** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

**Income approach:** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

**Cost approach:** valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### *Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### *Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.



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## NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

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Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

### *Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

### *Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

### **(z) Critical judgements in applying accounting policies and key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Contingent liabilities*

Under the contingent consideration arrangement in the acquisition of Nanjing Haiyong Electronic Technology Co, Ltd, the Group is required to pay the vendors an additional amount by shares if Vmoto Haiyong's profit after tax for the 12 months period after the acquisition date exceed Haiyong's 2013 profit after tax. If Vmoto Haiyong's profit after tax exceeds Haiyong's 2013 profit after tax, the Group is required to pay the vendors an additional amount by shares (Tranche 2) calculated at five times Vmoto Haiyong's profit after tax for the 12 months period after the acquisition less the shares consideration issued under Tranche 1. If Vmoto Haiyong's profit after tax for the 12 months period after the acquisition date does not exceed Haiyong's profit after tax for 2013, the Group will not be required to pay any additional amount to the vendors. The Directors consider it is probable that this payment will be required and have therefore recognised the contingent consideration payable in the statutory financial report.

The Company is currently a defendant in one proceeding brought against it by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claims can be successfully defended, without any losses (including for costs) being incurred by the Company.

#### *Impairment of goodwill and other indefinite intangible assets*

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2014 was A\$4,207,107 (31 December 2013: A\$1,414,951).



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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### *Useful lives of property, plant and equipment and patents*

The Group reviews the estimated useful lives of property, plant and equipment and patents at the end of each reporting period. During the current year, the Directors determined that the useful lives of property, plant and equipment and patents are deemed not to have changed.

### *Fair value measurements and valuation processes in relation to business combination acquisition*

As part of business combination, assets and liabilities are measured at fair value for reporting purposes. The Directors have determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the patents, plant and equipments, the Group uses Level 3 inputs to perform the valuation. Refer to Note 24 for details of the valuation performed.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
<b>2. REVENUES AND EXPENSES</b>		
<b>(a) Other income</b>		
Interest income	45,245	8,514
Contributions from customers	45,401	351,189
Government subsidies	25,582	29,660
Net foreign exchange gain	9,668	-
Other income	40,845	64,055
	<u>166,741</u>	<u>453,418</u>
<b>(b) Other expenses</b>		
Net foreign exchange loss	-	1,002
Doubtful debts	486,094	-
	<u>486,094</u>	<u>1,002</u>
<b>(c) Employee benefits expense</b>		
Wages and salaries costs	2,289,326	1,423,229
	<u>2,289,326</u>	<u>1,423,229</u>
<b>(d) Depreciation and amortisation</b>		
Depreciation	457,634	484,112
	<u>457,634</u>	<u>484,112</u>
<b>3. AUDITOR'S REMUNERATION</b>		
<b>Audit services:</b>		
- audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd	74,000	40,000
- audit of financial reports by William Buck Audit (WA) Pty Ltd (previous auditor)	-	20,200
	<u>74,000</u>	<u>60,200</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
<b>4. INCOME TAX</b>		
<b>(a) Income tax credit / (expense)</b>		
Current tax	(32,566)	-
Deferred tax	626,842	-
	<u>594,276</u>	<u>-</u>
<b>(b) Numerical reconciliation between tax benefit and pre-tax net profit</b>		
Profit/(Loss) before income tax benefit	<u>289,711</u>	<u>404,460</u>
Income tax credit calculated at 30%	(86,913)	(121,338)
Tax effect on amounts which are not tax deductible:		
Losses of foreign subsidiaries/operations not regarded as deductible	(32,659)	(6,760)
Recognition of tax losses of China operations previously not recognised	626,842	-
Miscellaneous	(11,976)	(15,149)
Non-deductible items	-	-
Deferred tax asset not brought to account	<u>98,982</u>	<u>143,246</u>
Income tax credit / (expense)	<u>594,276</u>	<u>-</u>
<b>(c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Potential at 30% (31 December 2013: 30%)	<u>5,836,614</u>	<u>4,724,255</u>
<b>(d) Unrecognised temporary differences</b>		
Temporary differences for which deferred tax assets have not been recognised:		
Employee benefits provision	-	-
Provision for doubtful receivables	88,330	25,890
Capital raising costs	8,892	7,230
Accrued expenses	13,800	-
Unrecognised deferred tax assets relating to the above temporary differences	<u>111,022</u>	<u>33,120</u>
<b>(e) Deferred tax balances</b>		
Deferred tax balances are presented in the consolidated statement of financial position as follows:		
	31 December 2014 \$	31 December 2013 \$
Deferred tax assets	626,842	-
Deferred tax liabilities	<u>327,690</u>	<u>-</u>
	<u>299,152</u>	<u>-</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Opening balance	Recognised in profit or loss	Acquisitions	Closing balance
<b>Temporary differences</b>				
Intangible assets	-	-	(327,690)	(327,690)
	-	-	(327,690)	(327,690)
<b>Unused tax losses and credits</b>				
Tax losses - China operations	-	626,842	-	626,842
	-	626,842	-	626,842
At 31 December 2014	-	626,842	(327,690)	299,152

(f) Tax Rates

The potential tax benefit at 31 December 2014 in respect of tax losses not brought into account has been calculated at 30% for Australian entities. This same rate applied for the year ended 31 December 2013. The tax benefit at 31 December 2014 in respect of tax losses brought into account and recognised as deferred tax asset in relation to Chinese operations has been calculated at 25% for China entities.

	31 December 2014 \$	31 December 2013 \$
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	3,850,142	4,426,994
<b>6. TRADE AND OTHER RECEIVABLES</b>		
<i>Current</i>		
Trade receivables	4,094,936	2,500,182
Less: Provision for impairment loss	(62,061)	-
	4,032,875	2,500,182
Other receivables	1,482,029	1,185,876
Less: Provision for impairment loss	(424,033)	(46,300)
	5,090,871	3,639,758



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

**Impaired Trade Receivables**

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment of trade and other receivables were as follows:

At 1 January 2014	46,300	23,794
Provision for impairment during the period	486,094	17,159
Write off	(237,761)	-
Translation difference	-	(5,347)
At 31 December 2014	<u>294,633</u>	<u>46,300</u>

At 31 December 2014, the ageing analysis of trade and other receivables is as follows:

0 - 30 Days	2,684,903	2,458,491
31 - 60 Days	1,032,887	28,783
61 - 90 Days past due not impaired	668,787	278,519
+90 Days past due not impaired	704,294	873,965
+90 Days considered impaired	486,094	46,300
	<u>5,576,965</u>	<u>3,686,058</u>

As of 31 December 2014, trade and other receivables of \$1,373,081 (31 December 2013: \$1,152,484) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due not impaired balance also includes VAT refundable from the Chinese operations, which can be claimed / used to offset against future VAT payables.

	31 December 2014	31 December 2013
	\$	\$
<b>7. INVENTORIES</b>		
Raw materials	3,620,928	3,598,785
Semi-finished goods	574,247	383,785
Finished goods	<u>1,750,013</u>	<u>1,198,237</u>
	<u>5,945,188</u>	<u>5,180,807</u>

Inventory written off during the period amounted to \$1,548,071, which related exclusively to petrol two-wheel vehicles and Scartts. The Group is now fully focused its direction on electric two-wheel vehicle market.

**8. OTHER ASSETS**

Prepayments	<u>3,519,032</u>	<u>2,449,680</u>
	<u>3,519,032</u>	<u>2,449,680</u>



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment	Motor vehicles	Office furniture & equipment	Land	Building	Leasehold improvement	Total
<b>Year ended 31 December 2013</b>							
At 1 January 2013, net of accumulated depreciation	1,152,317	13,594	433	782,235	3,666,217	-	5,614,796
Additions	87,940	19,545	-	-	265,590	-	373,075
Depreciation for the period	(399,533)	(5,445)	(433)	-	(78,701)	-	(484,112)
Exchange differences	(27,732)	-	-	-	(2,843)	-	(30,575)
At 31 December 2013, net of accumulated depreciation	812,992	27,694	-	782,235	3,850,263	-	5,473,184
<b>At 31 December 2013</b>							
Cost	2,407,697	38,472	82,886	782,235	4,102,483	278,041	7,691,814
Accumulated depreciation	(1,594,705)	(10,778)	(82,886)	-	(252,220)	(278,041)	(2,218,630)
Net carrying amount	812,992	27,694	-	782,235	3,850,263	-	5,473,184
<b>Year ended 31 December 2014</b>							
At 1 January 2014, net of accumulated depreciation	812,992	27,694	-	782,235	3,850,263	-	5,473,184
Additions	954,535	118,300	-	-	93,022	-	1,165,857
Depreciation for the period	(290,422)	(12,399)	-	-	(154,813)	-	(457,634)
Exchange differences	123,897	6,404	-	218,034	1,076,446	-	1,424,781
At 31 December 2014, net of accumulated depreciation	1,601,002	139,999	-	1,000,269	4,864,918	-	7,606,188
<b>At 31 December 2014</b>							
Cost	3,339,440	166,283	82,886	1,000,269	5,330,549	278,041	10,197,468
Accumulated depreciation	(1,738,438)	(26,284)	(82,886)	-	(465,631)	(278,041)	(2,591,280)
Net carrying amount	1,601,002	139,999	-	1,000,269	4,864,918	-	7,606,188

An impairment test has been performed in conjunction with intangible assets and the details of assumptions used are in Note 10.

*Assets pledged as security*

Land and buildings with a carrying amount of approximately \$5.9 million have been pledged to secure borrowings of the Group (see Note 13). The freehold land and buildings have been pledged as security for the bank operating facility under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. INTANGIBLES

	Note	Goodwill	Licences, trademarks and production rights	Patents	Development costs	Total
<b>Year ended 31 December 2013</b>						
Balance at 1 January 2013		1,414,951	2,173,581	-	-	3,588,532
Additions		-	4,451	-	-	4,451
Amortisation and impairment		-	-	-	-	-
Exchange differences		-	-	-	-	-
Balance at 31 December 2013		1,414,951	2,178,032	-	-	3,592,983
<b>At 31 December 2013</b>						
Cost		12,149,545	2,178,032	-	376,192	14,703,769
Accumulated amortisation and impairment		(10,734,594)	-	-	(376,192)	(11,110,786)
Net carrying amount		1,414,951	2,178,032	-	-	3,592,983
<b>Year ended 31 December 2014</b>						
Balance at 1 January 2014		1,414,951	2,178,032	-	-	3,592,983
Additions		-	1,707	-	-	1,707
Additions from internal development		-	-	-	869,508	869,508
Acquisitions through business combinations	24	2,792,156	-	1,310,760	-	4,102,916
Amortisation and impairment		-	-	-	-	-
Exchange differences		-	(30,333)	-	-	(30,333)
Balance at 31 December 2014		4,207,107	2,149,406	1,310,760	869,508	8,536,781
<b>At 31 December 2014</b>						
Cost		14,941,701	2,149,406	1,310,760	1,245,700	19,647,567
Accumulated amortisation and impairment		(10,734,594)	-	-	(376,192)	(11,110,786)
Net carrying amount		4,207,107	2,149,406	1,310,760	869,508	8,536,781

The goodwill on acquiring E-Max in January 2010 and Haiyong in September 2014 and licenses, trademarks, patents and production rights are allocated to one cash generating unit being manufacture of two-wheel vehicle (including controller) within the Chinese geographical location segment as the Company's manufacturing facility and main operations are located in China. The recoverable amount of these intangible assets has been determined using value in use method based on the net present value of projected earnings before interest, tax and depreciation using cash flow projections based on financial budgets approved by senior management covering a three-year period and extrapolated to five years. The cash flow projections were prepared based on past experience and contracts that are in place.

The pre-tax, risk free discount rate applied to cash flow projections is 15% (31 December 2013: 15%) and an average growth rate used to extrapolate managements cash flow forecasts beyond three years is 3%. The calculated recoverable amount exceeds the carrying amount of the goodwill of E-Max and Haiyong such that no impairment of the goodwill on acquisition of E-Max and Haiyong has occurred. Sensitivity analysis was performed by varying the discount rate applied to the cash flow projections by 5%. The calculated recoverable amount still exceeds the carrying amount of these assets. Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the goodwill on acquisition of E-Max and Haiyong to materially exceed its recoverable amount.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	31 December 2014 \$	31 December 2013 \$
<b>11. INVESTMENTS IN ASSOCIATES</b>		
Investments in associates	393,244	-
	<u>393,244</u>	<u>-</u>

During the year, the Group acquired a 20% interest in Jiangsu Kaiyang New Energy Vehicle Co, Ltd focuses on designing, manufacturing and distributing three-wheel and four wheel electric vehicles (EV). The acquisition is deemed to be an investment and initially recorded at cost based on consideration paid.

**12. TRADE AND OTHER PAYABLES**

<i>Current - unsecured</i>		
Trade creditors	2,372,842	796,451
Other creditors and accruals	1,485,584	713,548
	<u>3,858,426</u>	<u>1,509,999</u>

**13. INTEREST BEARING LOANS AND BORROWINGS**

*Current*

<i>Secured - Interest bearing</i>		
Bank operating facility	4,718,929	5,522,005
	<u>4,718,929</u>	<u>5,522,005</u>

The carrying amounts of non-current assets pledged as security are:

Land and buildings	5,865,187	4,632,497
	<u>5,865,187</u>	<u>4,632,497</u>

**Financing arrangements**

The Consolidated Entity has access to the following facilities:

Total facilities available:		
Bank operating facility	6,685,149	6,279,203
	<u>6,685,149</u>	<u>6,279,203</u>

Facilities utilised at end of the period:		
Bank operating facility	4,718,929	5,522,005
	<u>4,718,929</u>	<u>5,522,005</u>

Facilities not utilised at end of the period:		
Bank operating facility	1,966,220	757,198
	<u>1,966,220</u>	<u>757,198</u>



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 13. INTEREST BEARING LOANS AND BORROWINGS (cont'd)

#### *Bank operating facility*

The Company secured a bank operating facility of RMB34 million (approximately AUD6.7 million) with China Rural Credit Cooperative in May 2011. The bank operating facility is secured by the Company's Nanjing Facility, including the land, Stage 1 and Stage 2 of the manufacturing facility. This bank operating facility is a revolving line of credit facility and the undrawn facility is available for draw down throughout the period.

The average interest rate for the bank operating facility is 7.0% per annum, payable quarterly.

### 14. OTHER LIABILITIES

	31 December 2014 \$	31 December 2013 \$
Other (Contingent Consideration)	1,835,773	-
	<u>1,835,773</u>	<u>-</u>

The other liabilities of \$1,835,773 represented the contingent consideration recognised as part of the Company's acquisition of the business of Nanjing Haiyong Electronic Technology Co, Ltd. This contingent consideration is expect to be settled in the financial year ending 31 December 2015 and will be payable in the form of shares.

### 15. ISSUED CAPITAL AND RESERVES

#### Issued capital

1,321,527,860 (31 December 2013: 1,221,196,804) fully paid ordinary shares	<u>61,293,967</u>	<u>57,725,955</u>
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*The following movements in issued capital occurred during the period:*

	Number of Shares 31 Dec 2014	Number of Shares 31 Dec 2013	Year ended 31 Dec 2014 \$	Year ended 3 Dec 2013 \$
Balance at beginning of period	1,221,196,804	896,087,712	57,725,955	51,060,622
Issue of Shares at 2.0 cents each a)	-	75,000,000	-	1,500,000
Issue of Shares at 2.8 cents each b)	-	2,000,000	-	56,000
Issue of Shares at 2.2 cents each c)	-	54,545,455	-	1,200,000
Issue of Shares at 2.2 cents each d)	-	186,363,637	-	4,100,000
Issue of Shares at 2.9 cents each e)	-	5,200,000	-	150,800
Issue of Shares at nil consideration f)	-	2,000,000	-	-
Issue of Shares at nil consideration g)	2,000,000	-	-	-
Issue of Shares at 4.0 cents each h)	40,400	-	1,616	-
Issue of Shares at 4.0 cents each i)	132,500	-	5,300	-
Issue of Shares at 2.5 cents each j)	800,000	-	20,000	-
Issue of Shares at 5.0 cents each k)	487,805	-	24,390	-
Issue of Shares at 2.5 cents each l)	3,250,000	-	81,250	-
Issue of Shares at 2.5 cents each m)	1,750,000	-	43,750	-
Issue of Shares at 3.0 cents each n)	2,100,000	-	63,000	-
Issue of Shares at 4.0 cents each o)	2,500	-	100	-
Issue of Shares at nil consideration p)	2,666,666	-	-	-
Issue of Shares at 3.0 cents each q)	1,000,000	-	30,000	-



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. ISSUED CAPITAL AND RESERVES (cont'd)

		Number of Shares 31 Dec 2014	Number of Shares 31 Dec 2013	Year ended 31 Dec 2014 \$	Year ended 3 Dec 2013 \$
Issue of Shares at 3.0 cents each	r)	1,000,000	-	30,000	-
Issue of Shares at 4.0 cents each	s)	12,750	-	510	-
Issue of Shares at 4.0 cents each	t)	813,750	-	32,550	-
Issue of Shares at 4.0 cents each	u)	45,894,329	-	1,835,773	-
Issue of Shares at 3.8 cents each	v)	12,900,000	-	490,200	-
Issue of Shares at 4.0 cents each	w)	662,735	-	26,510	-
Issue of Shares at 4.0 cents each	x)	22,817,621	-	912,705	-
Issue of Shares at nil consideration	y)	2,000,000	-	-	-
Share issue costs		-	-	(29,642)	(341,467)
Balance at end of period		1,321,527,860	1,221,196,804	61,293,967	57,725,955

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

- a) 30 August 2013 - Issue 75,000,000 shares at \$0.02 each on completion of placement.
- b) 30 August 2013 - Issue 2,000,000 shares at a deemed price of \$0.028 each to Blair Sergeant for the provision of professional services in 2012.
- c) 11 October 2013 - Issue 54,545,455 shares at \$0.022 each on completion of Tranche 1 of placement.
- d) 15 November 2013 - Issue 186,363,637 shares at \$0.022 each on completion of Tranche 2 placement.
- e) 15 November 2013 - Issue 5,200,000 shares at a deemed price of \$0.029 each to employees of the Company in recognition of their efforts and contribution to the Company.
- f) 17 December 2013 - Issue 2,000,000 shares at nil consideration on vesting of 2,000,000 Performance Rights.
- g) 21 January 2014 - Issue 2,000,000 shares at nil consideration on vesting of 2,000,000 Performance Rights.
- h) 13 February 2014 - Issue 40,400 shares at \$0.04 each on exercise of listed options.
- i) 29 April 2014 - Issue 132,500 shares at \$0.04 each on exercise of listed options.
- j) 29 April 2014 - Issue 800,000 shares at \$0.025 each on exercise of ESOP options.
- k) 29 April 2014 - Issue 487,805 shares at \$0.05 each for marketing and public relations expenses.
- l) 9 May 2014 - Issue 3,250,000 shares at \$0.025 each on exercise of ESOP options.
- m) 23 May 2014 - Issue 1,750,000 shares at \$0.025 each on exercise of ESOP options.
- n) 23 May 2014 - Issue 2,100,000 shares at \$0.03 each on exercise of ESOP options.
- o) 23 May 2014 - Issue 2,500 shares at \$0.04 each on exercise of listed options.
- p) 23 May 2014 - Issue 2,666,666 shares at nil consideration on vesting of 2,666,666 Performance Rights.
- q) 2 June 2014 - Issue 1,000,000 shares at \$0.03 each on exercise of ESOP options.
- r) 25 September 2014 - Issue 1,000,000 shares at \$0.03 each on exercise of ESOP options.
- s) 15 October 2014 - Issue 12,750 shares at \$0.04 each on exercise of listed options.
- t) 7 November 2014 - Issue 813,750 shares at \$0.04 each on exercise of listed options.
- u) 7 November 2014 - Issue 45,894,329 shares at deemed issue price of \$0.04 as consideration for Nanjing Haiyong Electronic Technology.
- v) 11 November 2014 - Issue 12,900,000 shares at a deemed price of \$0.038 each to employees of the Company in recognition of their efforts and contribution to the Company.
- w) 17 December 2014 - Issue 662,735 shares at \$0.04 each on exercise of listed options.
- x) 31 December 2014 - Issue 22,817,621 shares at \$0.04 each on exercise of listed options.
- y) 31 December 2014 - Issue 2,000,000 shares at nil consideration on vesting of 2,000,000 Performance Rights.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

**Options**

The movements of options over unissued ordinary shares of the Company for the year ended 31 December 2014 were:

	Expiry Date	Exercise Price	Balance at 1 Jan 2014	Granted/ Issued	Exercised/ Forfeited	Held at 31 Dec 2014
ESOP options	1 September 2014	2.5 cents	8,500,000	-	8,500,000	-
Listed options	31 December 2014	4.0 cents	145,892,230	1,333,333	147,225,563	-
ESOP options	23 November 2015	3.0 cents	11,500,000	-	4,100,000	7,400,000
Class E options	23 May 2018	4.0 cents	5,000,000	-	-	5,000,000
Class F options	23 May 2018	8.0 cents	5,000,000	-	-	5,000,000
Class G options	21 May 2019	5.0 cents	N/A	1,000,000	-	1,000,000
Class H options	21 May 2019	7.5 cents	N/A	1,000,000	-	1,000,000
Class I options	21 May 2019	10.0 cents	N/A	2,000,000	-	2,000,000
<b>Total</b>			<b>175,892,230</b>	<b>5,333,333</b>	<b>159,825,563</b>	<b>21,400,000</b>

On 29 April 2014, 1,333,333 listed options (exercisable at \$0.04 and expiring on 31 December 2014) were issued to an advisor in consideration for marketing services provided to the Company.

On 23 May 2014, 1,000,000 unlisted options (exercisable at \$0.05 and expiring on 21 May 2019), 1,000,000 unlisted options (exercisable at \$0.075 and expiring on 21 May 2019) and 2,000,000 unlisted options (exercisable at \$0.10 and expiring on 21 May 2019) were issued to Mr Oliver Cairns pursuant to shareholder approval at the Company's 2014 Annual General Meeting.

On 2 September 2014, 2,700,000 unlisted options remained unexercised on their expiry date and lapsed pursuant to the terms and conditions of the options.

On 31 December 2014, 122,743,307 listed options remained unexercised on their expiry date and lapsed pursuant to the terms and conditions of the options.

The fair value of the options granted to Mr Oliver Cairns is deemed to represent the value of the incentive in accordance with the terms of Mr Oliver Cairns' appointment as Non-Executive Director as announced on 1 September 2011.

The weighted average fair value of options granted to Mr Oliver Cairns during the year was \$96,419. These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.05, \$0.075 and \$0.10
Weighted average life of the option:	5 years
Expected share price volatility:	112%
Risk-free interest rate:	3.45%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The fair value of the listed options granted to advisor is deemed to represent the value of the marketing services provided to the Company.

The weighted average fair value of listed options granted to the advisor during the year was \$28,000. These values were calculated by referring to the market price of the listed options as at the date of issued on the Australian Securities Exchange.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

**Performance Rights**

All Performance Rights convert to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions.

The movements of Performance Rights over unissued ordinary shares of the Company for the year ended 31 December 2014 were:

Performance Rights series	Balance at 1 Jan 2014	Granted	Vested	Forfeited	Held at 31 Dec 2014
Class B	2,000,000	-	2,000,000	-	-
Class C	2,000,000	-	-	-	2,000,000
Class D	2,000,000	-	2,000,000	-	-
Class E	2,000,000	-	-	-	2,000,000
Class F	2,000,000	-	-	-	2,000,000
Class G	2,666,666	-	2,666,666	-	-
Class H	2,666,666	-	-	-	2,666,666
Class I	2,666,668	-	-	-	2,666,668
Class J	-	10,000,000	-	-	10,000,000
Class K	-	10,000,000	-	-	10,000,000
<b>Total</b>	<b>18,000,000</b>	<b>20,000,000</b>	<b>6,666,666</b>	<b>-</b>	<b>31,333,334</b>

The above Performance Rights issued under the Company's Performance Rights Plan were subject to the following performance conditions:

Number of Performance Rights per Director	Class	Performance Conditions	Time of vesting
1,000,000	B	- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 3 cents
1,000,000	C	- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 3 cents
1,000,000	D	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 4 cents
1,000,000	E	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 4 cents
1,000,000	F	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 4 cents
1,333,333	G	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 5 cents



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1,333,333	H	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 5 cents
1,333,334	I	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 5 cents
2,500,000	J	- The volume weighted average price of the Shares for 10 consecutive trading days on ASX (VWAP) exceeds 6.5 cents at any time on or before 31 December 2016; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 6.5 cents
2,500,000	K	- The VWAP exceeds 8.5 cents at any time on or before 31 December 2017; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 8.5 cents

	31 December 2014 \$	31 December 2013 \$
<b>Reserves</b>		
Reserves at the beginning of the period	(2,654,011)	(2,798,947)
Movements in share-based payment reserve	489,719	110,744
Transfer share-based payment reserve to accumulated losses	(130,577)	(173,745)
Movements in foreign currency translation reserve	2,154,350	207,937
Reserves at the end of the period	<u>(140,519)</u>	<u>(2,654,011)</u>
Comprises of:		
Share-based payment reserve	597,189	238,047
Foreign currency translation reserve	<u>(737,708)</u>	<u>(2,892,058)</u>
Reserves at the end of the period	<u>(140,519)</u>	<u>(2,654,011)</u>

The share-based payments reserve is used to recognise the fair value of options issued but not exercised and Performance Rights issued.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

**16. CAPITAL RISK MANAGEMENT**

The Consolidated Entity manages its capital to ensure their ability to continue as a going concern and to achieve returns to the shareholders and benefits for other stakeholders through the optimisation of debt and equity balance. The capital structure of the Consolidated Entity is adjusted to achieve its goals whilst ensuring the lowest cost of the capital.

Management monitors capital on the basis of the gearing ratio (net debt / total capital). During the year ended 31 December 2014, the Consolidated Entity's strategy is to utilise its operating facility and also achieve its expansion program. The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
	\$	\$
Total borrowings & trade and other payables	8,577,355	7,032,004
Less: cash and cash equivalents	<u>(3,850,142)</u>	<u>(4,426,994)</u>
Net debt	4,727,213	2,605,010
Total equity	<u>24,200,628</u>	<u>17,731,402</u>
Total capital	<u>28,927,841</u>	<u>20,336,412</u>
Gearing ratio	16.3%	12.8%

The gearing ratio of the Company has increased from 12.8% to 16.3% during the year ended 31 December 2014.

**17. ACCUMULATED LOSSES**

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 December 2014</b>	<b>31 December 2013</b>
	\$	\$
Accumulated losses at the beginning of the period	(37,340,542)	(37,918,747)
Profit/(Loss) for the period	883,987	404,460
Transfer from share-based payment reserve	<u>130,577</u>	<u>173,745</u>
Accumulated losses at the end of the period	<u><u>(36,325,978)</u></u>	<u><u>(37,340,542)</u></u>

**18. SEGMENT REPORTING**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The continuing operations of the Consolidated Entity are predominantly in the electric two-wheel vehicles manufacture and distribution industry.

In prior years, reported segments were based on the geographical segments of the Group, being Australia, Spain and China. This assessment of identifiable segments has not changed in the current period, as management accounts and forecasts submitted to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance are split into these same components.

The electric two-wheel vehicle segments are managed on a worldwide basis, but operate in three principal geographical areas: Australia, China and Spain. In China, manufacturing facilities are operated in Nanjing.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. SEGMENT REPORTING (cont'd)

Continuing Operations	Australia \$A		China \$A		Spain \$A		Intersegment elimination \$A		Consolidated \$A	
	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2014	Year ended 31/12/2013
<b>Revenue</b>										
Segment revenue	-	-	45,098,053	25,174,809	-	-	-	-	45,098,053	25,174,809
<b>Result</b>										
Segment result	(2,190,599)	(911,751)	3,183,451	1,338,744	(108,865)	(22,533)	-	-	883,987	404,460
<b>Assets</b>										
Segment assets	1,166,289	2,754,810	56,004,744	42,182,395	-	114,302	(21,930,435)	(20,288,101)	35,240,598	24,763,406
<b>Liabilities</b>										
Segment liabilities	(1,977,730)	(85,465)	(30,365,833)	(26,354,897)	-	(879,743)	21,930,435	20,288,101	(10,413,128)	(7,032,004)
Acquisition of non-current assets	4,788	21,500	2,471,829	87,940	-	-	-	-	2,476,617	109,440
Depreciation/impairment of non-current assets	(4,442)	(2,172)	(453,192)	(459,407)	-	(22,533)	-	-	(457,634)	(484,112)

The principal activity of the continuing Consolidated Entity is the manufacture, marketing and distribution of electric two-wheel vehicles.

**Information about major customers**

Included in revenues arising from the sales of goods of \$45,098,053 (2013: \$25,174,809) are revenues of approximately \$21,920,083 (2013: \$13,843,527) which arose from sales to the Consolidated Entity's largest customer. No other single customer contributed 10% or more to the Consolidated Entity's revenue for 2014 and 2013.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise bank and other loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in derivative instruments shall be undertaken.

#### Fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The following table details the fair value of financial assets and liabilities of the Consolidated Entity:

	31 December 2014		31 December 2013	
	Carrying amount \$	Fair Value \$	Carrying amount \$	Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents	3,850,142	3,850,142	4,426,994	4,426,994
Trade and other receivables	5,090,871	5,090,871	3,639,758	3,639,758
Investments	393,244	393,244	-	-
Total financial assets	9,334,257	9,334,257	8,066,752	8,066,752
<b>Financial liabilities</b>				
Trade and other payables	3,858,426	3,858,426	1,509,999	1,509,999
Borrowings	4,718,929	4,718,929	5,522,005	5,522,005
Other liabilities	1,835,773	1,835,773	-	-
Total financial liabilities	10,413,128	10,413,128	7,032,004	7,032,004
<b>Net financial assets / (liabilities)</b>	<b>(1,078,871)</b>	<b>(1,078,871)</b>	<b>1,034,748</b>	<b>1,034,748</b>

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Sensitivity analysis

In managing interest rate and currency risks, the Company endeavours to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings, although the extent of that impact will depend on the level of cash resources held by the Consolidated Entity. A general increase of one percentage point in interest rates would not be expected to materially impact earnings.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

#### Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's short term debt obligations.

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 2.35%, depending on account balances.

The following annual interest rates apply to the Consolidated Entity's credit facilities:

Bank operating facility 7.0% variable

All other financial assets and liabilities are non-interest bearing.

At balance date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	31 December 2014 \$	31 December 2013 \$
<b>Financial assets</b>		
Cash and cash equivalents	3,850,142	4,426,994
<b>Financial liabilities</b>		
Bank operating facility	(4,718,929)	(5,522,005)
Net exposure	<u>(868,787)</u>	<u>(1,095,011)</u>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows:

	31 December 2014 \$	31 December 2013 \$
Judgements of reasonable possible movements:		
<u>+1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	(8,688)	(10,950)
Equity increase/(decrease)	(8,688)	(10,950)
<u>-1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	8,688	10,950
Equity increase/(decrease)	8,688	10,950

#### Foreign currency risk

The Consolidated Entity is exposed to foreign currency on sales, purchases and borrowings that are denominated in a currency other than Australian Dollars. The currency giving rise to this risk is primarily Euro dollars, US dollars and Chinese RMB.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

At balance date, the Consolidated Entity had the following exposure to Euro dollars, US dollars, UK pounds and Chinese RMB foreign currency that is not designated in cash flow hedges:

	31 December 2014 \$AUD	31 December 2013 \$AUD
<b>Financial assets</b>		
Cash and cash equivalents (EUR)	145,760	34,781
Cash and cash equivalents (USD)	2,185,815	567,188
Cash and cash equivalents (GBP)	4,659	18,754
Cash and cash equivalents (RMB)	779,805	1,621,449
	<u>3,116,039</u>	<u>2,242,172</u>
Trade and other receivables (EUR)	68,537	272,055
Trade and other receivables (USD)	92,991	30,168
Trade and other receivables (RMB)	4,843,938	2,932,528
	<u>5,005,466</u>	<u>3,234,751</u>
<b>Financial liabilities</b>		
Trade and other payables (EUR)	(367,610)	(109,091)
Trade and other payables (USD)	(1,653,616)	(403,079)
Trade and other payables (GBP)	(24,628)	(9,417)
Trade and other payables (RMB)	(1,700,560)	(912,364)
	<u>(3,746,414)</u>	<u>(1,433,951)</u>
Borrowings (RMB)	<u>(4,718,929)</u>	<u>(5,522,005)</u>
Net exposure	<u>(343,838)</u>	<u>(1,479,033)</u>

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 31 December, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

	31 December 2014 \$	31 December 2013 \$
Judgements of reasonable possible movements:		
<u>AUD/USD, AUD/EUR and AUD/RMB +20%</u>		
Equity increase/(decrease)	57,307	246,505
<u>AUD/USD, AUD/EUR and AUD/RMB -20%</u>		
Equity increase/(decrease)	(68,768)	(295,806)

At this stage, the Consolidated Entity does not seek to hedge this exposure.

#### Credit risk

The credit risk on financial assets of the Consolidated Entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provision for impairment losses.

The Consolidated Entity continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies. It is the Consolidated Entity's policy that credit verification procedures, including assessment of credit ratings, financial position, past experience and industry reputation, are performed on new customers that request credit terms. Risk limits are set for each customer and regularly monitored. Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The total credit risk exposure of the Consolidated Entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Details with respect to credit risk of trade and other receivables are provided in Note 6.

#### Liquidity risk

Liquidity risk arises from the possibility that the Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Consolidated Entity manages this risk through the following mechanisms:

1. preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
2. monitoring undrawn credit facilities;
3. obtaining funding from a variety of sources;
4. maintaining a reputable credit profile; and
5. managing credit risk related to financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

#### Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>Consolidated Group</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial liabilities due for payment</b>								
Bank operating facility and loans	4,719	5,522	-	-	-	-	4,719	5,522
Trade and other payables	3,858	1,510	-	-	-	-	3,858	1,510
Other liabilities <sup>1</sup>	1,836	-	-	-	-	-	1,836	-
<b>Total contractual outflows</b>	<b>10,413</b>	<b>7,032</b>	-	-	-	-	<b>10,413</b>	<b>7,032</b>
<b>Total expected outflows</b>	<b>10,413</b>	<b>7,032</b>	-	-	-	-	<b>10,413</b>	<b>7,032</b>
<b>Financial assets - cash flows realisable</b>								
Cash and cash equivalents	3,850	4,427	-	-	-	-	3,850	4,427
Trade and other receivables	5,091	3,640	-	-	-	-	5,091	3,640
<b>Total anticipated inflows</b>	<b>8,941</b>	<b>8,067</b>	-	-	-	-	<b>8,941</b>	<b>8,067</b>
<b>Net (outflow)/ inflow on financial instruments</b>	<b>(1,472)</b>	<b>1,035</b>	-	-	-	-	<b>(1,472)</b>	<b>1,035</b>

#### Financial assets pledged as collateral

There are no financial assets that have been pledged as security for debt and their realisation into cash is not restricted.

1. Contingent consideration to be settled by shares.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 20. COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2014	31 December 2013
	\$	\$
<b>Operating lease commitments</b>		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	24,009	48,017
Later than one year but not later than five years	-	24,009
	<u>24,009</u>	<u>72,026</u>

#### *Contingent liabilities*

The Company is currently a defendant in a proceeding brought against the Company by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claim can be successfully defended, without any losses (including for costs) being incurred by the Company.

### 21. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders at \$883,987 (year ended 31 December 2013: \$404,460) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2014 of 1,239,967,888 (31 December 2013: 959,249,953) calculated as follows:

	Year ended 31 Dec 2014 Number	Year ended 31 Dec 2013 Number
Issued ordinary shares at beginning of period	1,221,196,804	896,087,712
Effect of shares issued on 30 August 2013	-	25,479,452
Effect of shares issued on 30 August 2013	-	679,452
Effect of shares issued on 11 October 2013	-	12,254,047
Effect of shares issued on 15 November 2013	-	23,997,509
Effect of shares issued on 15 November 2013	-	669,589
Effect of shares issued on 17 December 2013	-	82,192
Effect of shares issued on 21 January 2014	1,890,411	-
Effect of shares issued on 13 February 2014	35,640	-
Effect of shares issued on 29 April 2014	89,664	-
Effect of shares issued on 29 April 2014	541,370	-
Effect of shares issued on 29 April 2014	330,104	-
Effect of shares issued on 9 May 2014	2,110,274	-
Effect of shares issued on 23 May 2014	1,069,178	-
Effect of shares issued on 23 May 2014	1,283,014	-
Effect of shares issued on 23 May 2014	1,527	-
Effect of shares issued on 23 May 2014	1,629,223	-
Effect of shares issued on 2 June 2014	583,562	-
Effect of shares issued on 25 September 2014	268,493	-
Effect of shares issued on 15 October 2014	2,725	-
Effect of shares issued on 7 November 2014	122,620	-
Effect of shares issued on 7 November 2014	6,915,584	-
Effect of shares issued on 11 November 2014	1,802,466	-
Effect of shares issued on 17 December 2014	27,236	-
Effect of shares issued on 31 December 2014	62,514	-
Effect of shares issued on 31 December 2014	5,479	-
Weighted average number of ordinary shares at 31 December	<u>1,239,967,888</u>	<u>959,249,953</u>

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as the diluted loss per share.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 22. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 31 December 2014	Entity interest 31 December 2013
<i>Parent entity</i>			
Vmoto Limited	Australia		
<i>Controlled entities</i>			
Vmoto Australia Pty Ltd	Australia	100%	100%
Vmoto International Limited	Hong Kong	100%	100%
Vmoto E-Max International Limited	Hong Kong	100%	100%
Nanjing Vmoto Co, Ltd	China	100%	100%
Nanjing Vmoto Manufacturing Co, Ltd	China	100%	100%
Nanjing Vmoto E-Max Electric Vehicles Development Co, Ltd	China	100%	100%
Vmoto Europe Operations S.L. <sup>1</sup>	Spain	0%	100%
Nanjing Haiyong Electric Driving System Technology Co, Ltd	China	100%	0%

1 De-registered on 15 April 2014

### 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### Details of key management personnel

##### (i) Directors

Mr Charles Chen	Managing Director (Executive) – appointed Executive Director 5 January 2007 and Managing Director 1 September 2011
Mr Ivan Teo	Finance Director (Executive) – appointed Chief Financial Officer 17 June 2009 and Finance Director 29 January 2013
Mr Oliver Cairns	Director (Non-Executive) – appointed 1 September 2011
Mr Kaijian Chen	Director (Non-Executive) – appointed 1 September 2011
Mr Simon Farrell	Director (Non-Executive) – appointed 29 January 2013, resigned 20 May 2014
Ms Shannon Coates	Director (Non-Executive) – appointed 23 May 2014

##### (ii) Executives

Mr Patrick Davin	President of Strategic Business Development – appointed 1 July 2012
Mr George Hou	General Manager – appointed 6 July 2012, resigned 30 April 2014
Mr Shuguang Han	General Manager – appointed 1 May 2014
Mr Zhengjie Wu	Vice General Manager – appointed 5 October 2009



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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### 23. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

The totals of remuneration paid to key management personnel of the Company and the Consolidated Entity during the period ended 31 December 2014 are as follows:

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	\$	\$
Short-term employee benefits	619,171	692,181
Share-based payments	613,719	56,188
<u>Total KMP compensation</u>	<u>1,232,890</u>	<u>748,369</u>

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's key management personnel for the year ended 31 December 2014.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. BUSINESS COMBINATIONS

Subsidiary acquired

	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of shares acquired</u>	<u>Consideration</u>
2014				
Nanjing Haiyong Electronic Technology Co, Ltd	Manufacture and distribute EV controllers	22 September 2014	100%	\$3,868,168
				<u>\$3,868,168</u>

Nanjing Haiyong Electronic Technology Co, Ltd ("Haiyong") was acquired so as to expand the Group's electric technology capabilities and to fast-track the Group's development in electric driving system for electric vehicle products. The Group established a new company, Nanjing Haiyong Electric Driving System Technology Co, Ltd ("Vmoto Haiyong") and all key assets of Haiyong including plant and equipment, trademark and patents are transferred to Vmoto Haiyong.

Consideration

	<u>Haiyong</u>
Shares issued (tranche 1)	\$1,835,773
Contingent consideration arrangement (tranche 2) (a)	\$1,835,773
Debt forgiveness (b)	<u>\$196,622</u>
	<u>\$3,868,168</u>

- a) Under the contingent consideration arrangement, the Group is required to pay the vendors an additional amount by shares if Vmoto Haiyong's profit after tax for the 12 months period after the acquisition date exceed Haiyong's 2013 profit after tax. If Vmoto Haiyong's profit after tax exceeds Haiyong's 2013 profit after tax, the Group is required to pay the vendors an additional amount in shares (Tranche 2) calculated at five times of the Vmoto Haiyong's profit after tax for the 12 months period after the acquisition less the shares consideration issued under Tranche 1. If Vmoto Haiyong's profit after tax for the 12 months period after the acquisition date does not exceed Haiyong's profit after tax for 2013, the Group will not be required to pay any additional amount to the vendors. The Directors consider it is probable that this payment will be required.
- b) Prior to the acquisition of Haiyong, Haiyong held a debt of \$196,622 payable to the Group. As part of the acquisition, this debt was forgiven.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### Assets acquired and liabilities assumed at the date of acquisition

	<u>Haiyong</u>
<b>Non-current assets</b>	
Plant and equipment	\$92,942
Trademark and patents	\$1,310,760
Deferred tax liabilities	(\$327,690)
	<u>\$1,076,012</u>

The fair value of plant and equipment acquired is determined based on vendors' best estimate of the likely fair value. The fair value of trademark & patents acquired are calculated based on five year cash flow projections using the pre-tax, risk free discount rate of 15%.

### Goodwill arising on acquisition

	<u>Haiyong</u>
Consideration	\$3,868,168
Less: Fair value of identifiable net assets acquired	(\$1,076,012)
Goodwill arising on acquisition	<u>\$2,792,156</u>

Goodwill arose in the acquisition of Haiyong because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and advanced technology in EV related products. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

### Net cash outflow on acquisition of subsidiary

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Consideration paid in cash	-	-
Less: Cash and cash equivalents balances acquired	-	-
Net cash consideration paid in cash	<u>-</u>	<u>-</u>

### Impact of acquisitions on the results of the Group

Included in the profit for the year is \$97,699 attributable to the additional business generated by Vmoto Haiyong. Revenue for the year includes \$2.2 million in respect of Vmoto Haiyong.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
<b>25. RECONCILIATION OF CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>		
<b>Cash flows from operating activities</b>		
Profit/(Loss) for the year	883,987	404,460
Adjustments for:		
- Depreciation	457,635	484,112
- Impairments	2,034,165	-
- Share based payment expenses	899,447	159,596
- Income tax benefit	(626,842)	-
Operating loss before changes in working capital and provisions		
(Increase)/decrease in receivables	(1,451,113)	(1,837,582)
(Increase)/decrease in inventories	(764,380)	(2,030,159)
(Increase)/decrease in other assets	(1,069,353)	(1,855,979)
(Decrease)/ increase in payables	262,418	850,155
Net cash (used in) operating activities	625,964	(3,825,397)

**26. NON-DIRECTOR RELATED PARTIES**

Non-Director related parties are the Company's controlled entities. Details of the Company's interest in controlled entities are set out in Note 22. Details of dealings with these entities are set out below.

**Transactions**

The loans to controlled entities are unsecured, interest-free and of no fixed term. The loans are provided primarily for capital purchases and working capital purposes.

**Receivables**

Aggregate amounts receivable from non-director related parties:

	Company	
	Year ended 31 Dec 2014 \$	Year ended 31 Dec 2013 \$
<i>Non-current</i>		
Unsecured loans to controlled entities	21,084,729	19,408,358
Provision for non-recovery	(21,084,729)	(19,408,358)
	-	-

**27. SUBSEQUENT EVENTS**

Repayment and Drawn Down of Operating Facility

On 26 January 2015, the Company repaid RMB12 million (approximately A\$2.4 million) of its bank operating facility and subsequently drew down RMB4 million (approximately A\$0.8 million) on 28 January 2015 and RMB8 million (approximately A\$1.6 million) on 2 February 2015.

Issue Shares to Advisor

On 26 February 2015, the Company appointed Mirabaud Securities LLP as joint broker and issued 86,114 shares to Mirabaud Securities LLP under the terms of the appointment.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Other than the above and as noted elsewhere in the financial statements, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

### 28. PARENT ENTITY DISCLOSURES

<i>Financial position</i>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	1,088,371	2,678,947
Non-current assets	10,398,034	9,363,118
Total assets	<u>11,486,405</u>	<u>12,042,065</u>
<b>Liabilities</b>		
Current liabilities	1,365,460	85,466
Non-current liabilities	-	-
Total Liabilities	<u>1,365,460</u>	<u>85,466</u>
<b>Net assets</b>	<b>10,120,945</b>	<b>11,956,599</b>
<b>Equity</b>		
Issued capital	61,293,967	57,725,955
Accumulated losses	(51,770,211)	(46,007,404)
<u>Reserves</u>		
Share based payment premium reserve	597,189	238,048
Total equity	<u>10,120,945</u>	<u>11,956,599</u>
<i>Financial performance</i>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
Loss for the period	2,190,599	880,533
Other comprehensive income	-	-
Total comprehensive income	<u>2,190,599</u>	<u>880,533</u>

#### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries during the year ended 31 December 2014.

#### *Commitments for the acquisition of property, plant and equipment by the parent entity*

The parent entity has no commitments for any acquisition of property, plant and equipment.



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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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### 29. Fair Value Measurement

In accordance with AASB 13, Fair Value Measurement, the group is required to disclose for each class of assets and liabilities measured at fair value, the level of the fair value hierarchy within which the fair value method is categorised. The group view that no assets or liabilities are measured at fair value, other than cash, trade and other receivables, trade and other payables and borrowings with carrying amounts assumed to approximate their fair value.



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## DIRECTORS' DECLARATION

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In the opinion of the Directors of Vmoto Limited:

- (a) the financial statements and notes, set out on pages 33 to 74, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2014 and their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the attached financial statements also comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Finance Director for the year ended 31 December 2014.

Signed in accordance with a resolution of the Directors:

**Yiting (Charles) Chen**  
Managing Director

Dated at Western Australia, this 31st day of March 2015.

**Bentleys Audit & Corporate  
(WA) Pty Ltd**

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To The Board of Directors

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit director for the audit of the financial statements of Vmoto Limited for the financial year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**MARK DELAURENTIS CA**  
**Director**

Dated at Perth this 31<sup>st</sup> day of March 2015

# Independent Auditor's Report

## To the Members of Vmoto Limited

We have audited the accompanying financial report of Vmoto Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Opinion

In our opinion:

- a. The financial report of Vmoto Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Vmoto Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.



**BENTLEYS**  
Chartered Accountants



**MARK DELAURENTIS CA**  
Director

Dated at Perth this 31<sup>st</sup> day of March 2015



VMOTO LIMITED  
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## ADDITIONAL SHAREHOLDER INFORMATION

The following information is current as at 12 March 2015:

### Voting Rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and Performance Rights do not carry any voting rights.

### Substantial Shareholders

The number of shares and options held by substantial shareholders and their associates who have provided the Company with substantial shareholder notices are set out below:

<i>Name of Substantial Shareholder</i>	<i>Date Notice provided to the Company</i>	<i>Number of Shares</i>	<i>Number of Options</i>
Mr Bing Wu	20 August 2012	37,664,114	12,554,705
Mr Yiting (Charles) Chen	20 August 2012	35,873,052	2,000,000
Huimin Zhou	28 August 2012	38,582,316	12,860,771

### On-Market Buy Back

There is no current on-market buy back.

### Distribution Schedules

Distribution schedules for each class of security as at 12 March 2015 are set out below. Where a person holds 20% or more of the securities in an unquoted class, the name of that holder and number of securities is also provided.

#### *Fully paid ordinary shares*

<b>Range</b>	<b>Holders</b>	<b>Units</b>	<b>%</b>
1 - 1,000	58	13,618	0.00
1,001 - 5,000	101	399,870	0.03
5,001 - 10,000	244	2,152,324	0.16
10,001 - 100,000	2,268	102,349,224	7.74
100,001 - Over	1,296	1,216,698,938	92.06
<b>Total</b>	<b>3,967</b>	<b>1,321,613,974</b>	<b>100.00</b>

#### *Class E unlisted options exercisable at \$0.04 each, expiring 23 May 2018*

<b>Range</b>	<b>Holders</b>	<b>Units</b>	<b>%</b>
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 <sup>1</sup>	5,000,000	100.00
<b>Total</b>	<b>1</b>	<b>5,000,000</b>	<b>100.00</b>

<sup>1</sup> Newcove International Inc holds 5,000,000 options comprising 100.0% of this class.



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## ADDITIONAL SHAREHOLDER INFORMATION (c o n t ' d)

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### *Class F unlisted options exercisable at \$0.08 each, expiring 23 May 2018*

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 <sup>1</sup>	5,000,000	100.00
Total	1	5,000,000	100.00

<sup>1</sup> Newcove International Inc holds 5,000,000 options comprising 100.0% of this class.

### *Class G unlisted options exercisable at \$0.05 each, expiring 21 May 2019*

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 <sup>1</sup>	1,000,000	100.00
Total	1	1,000,000	100.00

<sup>1</sup> Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 1,000,000 options comprising 100.0% of this class.

### *Class H unlisted options exercisable at \$0.075 each, expiring 21 May 2019*

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 <sup>1</sup>	1,000,000	100.00
Total	1	1,000,000	100.00

<sup>1</sup> Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 1,000,000 options comprising 100.0% of this class.

### *Class I unlisted options exercisable at \$0.10 each, expiring 21 May 2019*

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 <sup>1</sup>	2,000,000	100.00
Total	1	2,000,000	100.00

<sup>1</sup> Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 2,000,000 options comprising 100.0% of this class.



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## ADDITIONAL SHAREHOLDER INFORMATION (c o n t ' d)

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### *ESOP options exercisable at \$0.03 each, expiring 23 November 2015*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	13	7,400,000	100.00
Total	13	7,400,000	100.00

### *Class C Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	2,000,000	100.00
Total	2	2,000,000	100.00

<sup>1</sup> 1,000,000 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, comprising 50.00% each.

### *Class E Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	2,000,000	100.00
Total	2	2,000,000	100.00

<sup>1</sup> 1,000,000 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, comprising 50.00% each.

### *Class F Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	2,000,000	100.00
Total	2	2,000,000	100.00

<sup>1</sup> 1,000,000 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, comprising 50.00% each.



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## ADDITIONAL SHAREHOLDER INFORMATION (c o n t ' d)

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### *Class H Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	2,666,666	100.00
Total	2	2,666,666	100.00

<sup>1</sup> 1,333,333 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, comprising 50.00% each.

### *Class I Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	2,666,668	100.00
Total	2	2,666,668	100.00

<sup>1</sup> 1,333,334 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, comprising 50.00% each.

### *Class J Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	4	10,000,000	100.00
Total	4	10,000,000	100.00

<sup>1</sup> 2,500,000 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, Mr Yin How (Ivan) Teo and Kaijian (Jacky) Chen comprising 25.00% each.

### *Class K Incentive Performance Rights, subject to vesting criteria*

Range	Holdings	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	4	10,000,000	100.00
Total	4	10,000,000	100.00

<sup>1</sup> 2,500,000 Performance Rights held by each of Silverlight Holdings Pty Ltd <Cairns Investment A/C> and Mr Yiting (Charles) Chen, Mr Yin How (Ivan) Teo and Mr Kaijian (Jacky) Chen comprising 25.00% each.



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## ADDITIONAL SHAREHOLDER INFORMATION (c o n t ' d)

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### Unmarketable Parcels

Holdings of less than a marketable parcel of ordinary shares (being 15,625 as at 12 March 2015):

<u> Holders </u>	<u> Units </u>
739	7,056,806

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### Top Holders

The 20 largest registered holders of quoted securities as at 12 March 2015 were:

#### *Fully paid ordinary shares*

	<u> Name </u>	<u> No. Shares </u>	<u> % </u>
1	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	163,063,127	12.34
2	PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	90,463,718	6.84
3	HAISHENG ZHANG	39,574,374	2.99
4	MR BING WU	33,200,478	2.51
5	MR BRENDAN DAVID GORE <THE GORE FAMILY A/C>	30,200,000	2.29
6	MR THOMAS JOSEPH FALVEY	24,375,391	1.84
7	PALIR PTY LTD <GILBERT S/F A/C>	20,000,000	1.51
8	SILVERLIGHT HOLDINGS PTY LTD <CAIRNS INVESTMENT A/C>	18,696,970	1.41
9	MR YAO TIEMING	17,920,000	1.36
10	YANG PTY LTD <YANG FAMILY A/C>	17,450,000	1.32
11	VANFULL INVESTMENTS LIMITED	16,830,000	1.27
12	UBS NOMINEES PTY LTD	15,479,650	1.17
13	MR ER CHUAN ZHOU	15,274,150	1.16
14	MR YI CHEN	10,910,931	0.83
15	MR ANTHONY FRANCIS DOYLE & MS SHERYL MAREE UPTON <SHERYL UPTON SUPER FUND A/C>	10,775,000	0.82
16	CAMBRIAN HOLDINGS PTY LTD	10,306,110	0.78
17	EDLINS PROSPERITY PLUS PTY LTD <EDLINS PROSPERITY PLUS A/C>	9,550,000	0.72
18	MR ANTHONY FRANCIS DOYLE & MS SHERYL UPTON	8,000,000	0.61
19	MR IAN KENNETH EDLIN & MRS NILA LEA EDLIN	6,850,000	0.52
20	FIRST AVENUE ENTERPRISES PTY LTD <FIRST AVENUE A/C>	6,599,630	0.50
		<u>565,519,529</u>	<u>42.79</u>