**VMOTO LIMITED**
ABN 36 098 455 460

# HALF-YEAR FINANCIAL REPORT
**for the six month period ended 30 June 2016**

# DIRECTORS' REPORT

The Directors present their report together with the financial report of Vmoto Limited ("Vmoto" or "the Company") and its controlled entities (the "Consolidated Entity") for the six months period ended 30 June 2016 and the auditor's review conclusion thereon:

## 1. Directors

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

| Name | Period of Directorship |
|---|---|
| Mr Charles Chen<br>*Managing Director* | Appointed 5 January 2007 |
| Mr Ivan Teo<br>*Finance Director* | Appointed 29 January 2013 |
| Mr Oliver Cairns<br>*Non-Executive Director* | Appointed 1 September 2011 |
| Mr Kaijian Chen<br>*Non-Executive Director* | Appointed 1 September 2011 |
| Ms Shannon Coates<br>*Non-Executive Director* | Appointed 23 May 2014 |

## 2. Results

The net loss for the Consolidated Entity for the six month period ended 30 June 2016 was $597,472 (net profit for the six month period ended 30 June 2015: $1,010,532) after income tax of nil (six month period ended 30 June 2015: $440,233). This represents an overall decrease of 158% compared to the net profit after tax of $1,010,532 recorded for the six month period ended 30 June 2015.

## 3. Review of Activities

The consolidated revenue for the six month period ended 30 June 2016 was down 28% to $17,830,736 (six month period ended 30 June 2015: $24,891,217).

During the six month period ended 30 June 2016, Vmoto has continued with its strategy of design, manufacture and distribution of high quality "green" electric powered two-wheel vehicles and a range of western designed electric two-wheel vehicles from its wholly owned Nanjing Facility and leased Shanghai Facility. During the period, the Company distributed a total of 39,116 units (six month period ended 30 June 2015: 41,503 units). Of these sales, 35,199 units were sold through Vmoto's comprehensive distribution network in China, and 3,917 units sold to international customers and distributors.

Over the six month period ended 30 June 2016, the Consolidated Entity's net assets have increased by 2.0% to $34.8 million.

As at 30 June 2016, the total operating facility drawn down was RMB5 million (approximately A$1.0 million) and the total undrawn operating facility was RMB20 million (approximately A$4.1 million).

As at 30 June 2016, the Company had cash of A$4.6 million.

**EXISTING MARKETS**

The Company sold a total of 39,116 units in the six month period ended 30 June 2016.

During the period, 35,199 units of the total sales units of electric two-wheel vehicle were sold through Vmoto's comprehensive distribution network in China. The new subsidiary formed with PowerEagle became operational at its facilities in Shanghai during the period and has a vast network of over 200 distributorships in China. Vmoto accounts for 100% of all revenue generated by the subsidiary with profits split on a 51% Vmoto and 49% PowerEagle basis.

During the period, certain regional governments in several Chinese cities implemented stricter rules on the use of electric two-wheel vehicles, limiting the use of electric two-wheel vehicles in certain areas. These changes, which are regionally (not nationally) led, created some consumer nervousness which has led to Chinese sales for the six month period ended 30 June 2016 to be lower than expected. A number of discussions have been engaged with its distributors with regards to the impact of these new rules and all parties have reached a consensus view that these are short term measures by the relevant regional governments and expect the rules will be softened or reversed in due course. Management believes the outlook for the electric two-wheel vehicle market in domestic China remains strong given a large portion of the population in China rely, and will continue to rely, on electric two-wheel vehicles as their mode for daily transportation.

Production and sales of the 3/4 wheel operation (Vmoto interest 15%) have been encouraging and new models are expected to be developed over the coming months.

Internationally, the Company continued with its strong relationships with its B2B and B2C customers and distributors, with many placing orders that will flow through in future quarters.

**NEW MARKETS**

As announced on 3 August 2015, a significant European supermarket group visited Vmoto's Nanjing manufacturing facility in 2Q15 and samples for testing were supplied to this customer in 3Q15. After several months of technical testing, the customer was satisfied with Vmoto products and subsequently placed an initial order for 300 units of Vmoto's E-max electric scooter in 4Q15, as announced on 3 February 2016. During the period, the Company made the first shipment of 300 units and shipments were continued to fulfil order from this significant supermarket group based in Switzerland. This group has a brand awareness level of more than 98% among the Swiss population with over 300 stores currently in Europe. The relationship presents a potential opportunity to establish a long term sales channel through these stores.

As announced on 28 September 2015, Vmoto entered into a new international supply agreement with Loop Systems Inc ("Loop", formerly known as Saturna Green Systems Inc), a North American Telematics high-tech company, focused on developing state-of-the-art wireless shared transportation and communication systems for electric two and three-wheel vehicles. Under the terms of the agreement, Loop intends to use Vmoto's E-Max electric scooter equipped with Loop's platform and software and has chosen Vmoto's City 80L model for its worldwide Electric Scooter Sharing Project. Loop intends to purchase a minimum of 32,000 units of Vmoto's electric scooters fitted with Loop's technology, platform and software over 5 years. Currently, Loop plans to deploy shared scooter fleets for its Electric Scooter Sharing Project across 11 major cities worldwide in 2016-2017 starting with Vancouver, London and Beirut and management strongly believes that Loop is well positioned to take advantage of the growing shared transportation economy as consumer preferences shift from ownership to access. Following successful and satisfactory testing of Vmoto's electric scooters, Loop placed an initial order of 385 units of Vmoto electric scooters and the Company expects more orders to be received over the remainder of FY2016. Loop successfully listed the TSX Venture Exchange (TSX-V: LUP) in Canada on 8 July 2016 and will be able to fast track the expansion of its operations worldwide.

In 2015, the Company was in advanced discussions with a New Zealand based company to manufacture and supply electric two-wheel vehicle products wholly designed by the customer on an Original Equipment Manufacturer ("OEM") basis. During the period, the Company received its first order from this OEM customer to produce the electric two-wheel vehicle and expects more orders from this OEM customer to flow through in the coming quarters.

In addition to the above, the Company received significant interest in Vmoto's electric two-wheel vehicle products from significant post office groups in Europe, courier and delivery companies, rental companies and government departments, and the Company are in discussions and have shipped samples to a number of new customers and distributors in numerous countries including Canada, Costa Rica, Ecuador, Finland, France, Korea, Malta, Netherlands, Sweden, Thailand, United Kingdom and Uruguay during the period.

**EXHIBITIONS AND MARKETING**

During the period, Vmoto exhibited its electric scooter products at the 119th Canton Fair held on 15-19 April 2016 in Guangzhou, China. Interest and feedback has generated encouraging leads especially on the international front. Potential customers include those from Russia, Macau, Hong Kong, Argentina, Egypt, Mexico, Columbia, Thailand, Iraq, Morocco, Japan, Spain, Dubai, Slovenia, France, Chile, Lebanon, United States and North Africa of which a number of them have visited Vmoto's Nanjing manufacturing facility during the period to discuss further cooperation opportunities.

During the period, Vmoto's Mexican distributor actively promoted and published a number of articles in relation to Vmoto's electric scooter products in a number of prestigious media platform in Mexico including *EL Universal Newspaper*, www.motorette.mx and a prestigious automotive magazine.

Vmoto was also showcased in one of UK's prestigious automotive magazine, *Greenfleet,* during the period. This magazine covers green vehicles and promoting cleaner fleet management and environmental motoring, and Vmoto's exposure has generated new interest and leads from a number of interested parties especially in light of the Mayor of London's plans to crackdown on polluting vehicles in the capital.

Significant attention is expected from the international market at Intermot in Cologne, Germany, in October 2016, where Vmoto will exhibit its products. Intermot is one of the world's biggest marketing events for 2 wheel vehicles.

In Australia, Vmoto has launched a new marketing campaign "Ride Your Way" through online social media to drive traffic to Vmoto's internet based online sales platform www.vmotoonline.com that is offering state of the art electric vehicle products in Australia.

**COLLABORATIONS, TENDERS AND JOINT VENTURE OPPORTUNITIES**

Vmoto continues to receive significant interest for potential collaborations from new customers and partners. Among these are discussions with a significant rental group in Europe for use in its rental operations.

Discussions with these and other parties for potential orders or collaboration are ongoing and further developments will be announced as and when they occur.

**CORPORATE**

During the half year, the Company issued a total of 3,639,820 shares, comprising 3,333,333 as tranche 1 consideration to acquire the PowerEagle trademark, 200,000 shares to Directors following the vesting of performance rights, 20,067 shares to a consultant of the Company in consideration for services provided and 86,420 shares to a Director in lieu of Directors fees, as approved at the Company's Annual General Meeting on 19 May 2016.

**OUTLOOK**

Whilst both Chinese and international sales have started slowly for first half of 2016, the market for electric two-wheel vehicles is still strong across China and internationally and the months ahead are expected to continue to be busy for Vmoto, with orders to be fulfilled across the various sales channels. More international distributors and customers are due to visit the factory in the coming months with discussions on unit numbers to be finalised and trials with potential new customers to be undertaken.

The Company expects to see production ramp up over the coming months, especially with the international pipeline.

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

The Auditor's Independence Declaration is set out on page 19 and forms part of the Directors' Report for the half year ended 30 June 2016.

Dated at Perth, Western Australia, this 31st day of August 2016

Signed in accordance with a resolution of the Directors:

**Charles Chen**
*Managing Director*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2016

| | Note | 30 June 2016 $ | 31 December 2015 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 4,579,169 | 6,657,529 |
| Trade and other receivables | | 3,110,610 | 9,413,278 |
| Inventories | | 8,826,499 | 4,548,057 |
| Other assets | | 4,100,229 | 3,044,107 |
| Total Current Assets | | 20,616,507 | 23,662,971 |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | | 7,927,283 | 7,846,195 |
| Intangible assets | 5 | 12,980,060 | 5,801,541 |
| Other financial assets | 6 | 1,378,080 | 1,370,094 |
| Total Non-Current Assets | | 22,285,423 | 15,017,830 |
| **TOTAL ASSETS** | | 42,901,930 | 38,680,801 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 5,503,892 | 2,233,642 |
| Loans and borrowings | 7 | 1,621,271 | 2,107,837 |
| Deferred tax liabilities | | - | 242,302 |
| Other liabilities | 5 | 1,000,000 | - |
| Total Current Liabilities | | 8,125,163 | 4,583,781 |
| **TOTAL LIABILITIES** | | 8,125,163 | 4,583,781 |
| **NET ASSETS** | | **34,776,767** | **34,097,020** |
| **EQUITY** | | | |
| Issued capital | 3 | 71,308,817 | 70,276,494 |
| Reserves | | (129,715) | 872,866 |
| Accumulated losses | | (37,649,812) | (37,052,340) |
| Non-controlling interests | | 1,247,477 | - |
| **TOTAL EQUITY** | | **34,776,767** | **34,097,020** |

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | Note | Half-year ended 30 June 2016 $ | Half-year ended 30 June 2015 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue from sale of goods | | 17,830,736 | 24,891,217 |
| Cost of sales | | (15,754,940) | (20,865,282) |
| **Gross Profit** | | 2,075,796 | 4,025,935 |
| Other income | | 276,462 | 29,397 |
| Operational expenses | | (1,775,938) | (1,294,891) |
| Marketing and distribution expenses | | (173,948) | (346,637) |
| Corporate and administrative expenses | | (708,759) | (755,894) |
| Occupancy expenses | | (208,171) | (34,889) |
| Other expenses | | (16,830) | (445) |
| Finance costs | | (52,587) | (171,811) |
| **Profit/(Loss) from continuing operations before tax** | | (583,975) | 1,450,765 |
| Income tax | | - | (440,233) |
| **Profit/(Loss) after tax from continuing operations attributable to owners of the company** | 2 | **(583,975)** | **1,010,532** |
| **Other comprehensive income** | | | |
| Foreign currency translation differences | | (1,000,414) | 1,092,165 |
| **Other comprehensive income for the period, net of tax** | | (1,000,414) | 1,092,165 |
| **Total comprehensive income for the period attributable to owners of the company** | | **(1,584,389)** | **2,102,697** |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
## FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | Note | Half-year ended 30 June 2016 $ | Half-year ended 30 June 2015 $ |
|---|---|---|---|
| **Profit/(Loss) attributable to:** | | | |
| Owners of the Company | | (597,472) | 1,010,532 |
| Non-controlling interest | | 13,497 | - |
| **Profit / (Loss) for the period** | | (583,975) | 1,010,532 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (1,597,886) | 2,102,697 |
| Non-controlling interest | | 13,497 | - |
| **Total comprehensive income for the period** | | (1,584,389) | 2,102,697 |
| **Earnings/(Loss) per share attributable to the ordinary equity holders of the Company** | | | |
| Basic and Diluted Earnings/(Loss) per Share from Continuing Operations | | (0.38 cents) | 0.79 cents |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | Note | Half-year ended 30 June 2016 $ | Half-year ended 30 June 2015 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 26,646,943 | 26,397,790 |
| Payments to suppliers and employees | | (27,366,973) | (26,489,216) |
| Interest received | | 37,920 | 8,831 |
| Interest paid | | (52,587) | (171,811) |
| **Net cash used in operating activities** | | **(734,697)** | **(254,406)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant & equipment | | (74,080) | (358,385) |
| Payments for research and developments | | (1,376,130) | - |
| Payments for intangible assets | | (3,176) | (99,807) |
| Payments to acquire financial assets | | (60,798) | (1,041,667) |
| Net cash inflow on acquisition of subsidiaries | 10 | 690,471 | - |
| **Net cash used in investing activities** | | **(823,713)** | **(1,499,859)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity shares | | - | 8,494,176 |
| Proceeds from borrowings | | 1,855,509 | 4,722,686 |
| Repayment of borrowings | | (2,259,903) | (4,458,165) |
| **Net cash generated by financing activities** | | **(404,394)** | **8,758,697** |
| Net increase / (decrease) in cash and cash equivalents | | (1,962,804) | 7,004,432 |
| Cash and cash equivalents at beginning of period | | 6,657,529 | 3,850,142 |
| Effect of exchange rate fluctuations on cash held | | (115,556) | 195,714 |
| **Cash and cash equivalents at end of period** | | **4,579,169** | **11,050,288** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF-YEAR ENDED 30 JUNE 2016

| Consolidated | Issued Capital $ | Reserves $ | Accumulated Losses $ | Non-controlling Interests $ | Total $ |
|---|---|---|---|---|---|
| **Balance as at 1 January 2015** | 61,293,967 | (140,519) | (36,325,978) | - | 24,827,470 |
| Profit for the period | - | - | 1,010,532 | - | 1,010,532 |
| Other comprehensive income | - | 1,092,165 | - | - | 1,092,165 |
| Total comprehensive income for the period | - | 1,092,165 | 1,010,532 | - | 2,102,697 |
| Issue of ordinary shares | 9,084,467 | - | - | - | 9,084,467 |
| Share issue costs | (479,167) | - | - | - | (479,167) |
| Transfer options reserve to issued capital | 73,933 | (73,933) | - | - | - |
| **Balance as at 30 June 2015** | **69,973,200** | **877,713** | **(35,315,446)** | **-** | **35,535,467** |
| **Balance as at 1 January 2016** | 70,276,494 | 872,866 | (37,052,340) | - | 34,097,020 |
| Profit/(Loss) for the period | - | - | (597,472) | 13,497 | (583,975) |
| Other comprehensive income | - | (1,000,414) | - | - | (1,000,414) |
| Total comprehensive income for the period | - | (1,000,414) | (597,472) | 13,497 | (1,584,389) |
| Issue of ordinary shares | 1,030,156 | - | - | - | 1,030,156 |
| Transfer options reserve to issued capital | 2,167 | (2,167) | - | - | - |
| Acquisition of subsidiaries | - | - | - | 1,233,980 | 1,233,980 |
| **Balance as at 30 June 2016** | **71,308,817** | **(129,715)** | **(37,649,812)** | **1,247,477** | **34,776,767** |

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the Annual Financial Report of Vmoto Limited for the year ended 31 December 2015.

It is also recommended that the half year financial report be considered together with any public announcements made by Vmoto Limited and its controlled entities during the half year ended 30 June 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Basis of Preparation

The half year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 "Interim Financial Reporting".

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 significant customer base and demand for its electric powered two-wheel vehicle 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'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, RMB20 million (approximately AUD4.1 million) of the operating facility is still available for draw down if required;
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be cash flow positive for the next 12 months from the date of signing of this half-year financial report 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.

### (b) Significant changes in accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2015.

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

The adoption of these amendments and interpretations does not have any material impact on this half year financial report.

**(c) Principles of Consolidation**

The parent entity and its subsidiaries are collectively referred to as the "Group". The parent of this Group is Vmoto Limited. Entities over which the parent (or the Group) directly or indirectly exercises control are called "subsidiaries". The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

## 2. PROFIT/(LOSS) FOR THE PERIOD

Profit/(Loss) before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

| | 30 June 2016<br>$ | 30 June 2015<br>$ |
|---|---|---|
| **(i) Other income** | | |
| Contributions from customers | 109,728 | 15,890 |
| Government subsidies | 2,985 | 1,306 |
| Interest income | 99,188 | 8,831 |
| Net foreign exchange gain | 39,416 | - |
| Other income | 25,145 | 3,370 |
| | 276,462 | 29,397 |
| **(ii) Expenses** | | |
| Depreciation and amortisation | 464,650 | 467,366 |
| Employee benefits | 1,827,879 | 1,031,816 |
| **(iii) Other Expenses** | | |
| Net foreign exchange loss | - | 445 |
| Doubtful debts expenses | 16,830 | - |
| | 16,830 | 445 |

| 3. ISSUED CAPITAL | 30 June 2016<br>$ | 31 December 2015<br>$ |
|---|---|---|
| *Ordinary shares* | | |
| 158,202,338 (December 2015: 154,562,518) ordinary shares, fully paid | 71,308,817 | 70,276,494 |

| *Movements in ordinary shares on issue* | Number of Ordinary Fully Paid Shares | Issued Capital<br>$ |
|---|---|---|
| Balance 1 January 2016 | 154,562,518 | 70,276,494 |
| Issue of Shares at 30 cents each | 3,333,333 | 1,000,000 |
| Issue of Shares at nil consideration | 200,000 | - |
| Issue of Shares at 34 cents each | 20,067 | 6,823 |
| Issue of Shares at 27 cents each | 86,420 | 23,333 |
| Transfer options reserve to issued capital | - | 2,167 |
| Balance 30 June 2016 | 158,202,338 | 71,308,817 |

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.

*Options*

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

- 500,000 options exercisable at 40 cents each on or before 23 May 2018.
- 500,000 options exercisable at 80 cents each on or before 23 May 2018.
- 100,000 options exercisable at 50 cents each on or before 21 May 2019.
- 100,000 options exercisable at 75 cents each on or before 21 May 2019.
- 200,000 options exercisable at $1.00 each on or before 21 May 2019.
- 719,981 options exercisable at $0.75 each on or before 31 December 2017.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the half year period, no options were issued.

*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 half-year ended 30 June 2016 were:

| **Performance rights series** | Balance at 1 Jan 2016 | Granted | Vested | Forfeited | Held at 30 June 2016 |
|---|---|---|---|---|---|
| Class F | 200,000 | - | (200,000) | - | - |
| Class I | 266,668 | - | - | - | 266,668 |
| Class J | 1,000,000 | - | - | - | 1,000,000 |
| Class K | 1,000,000 | - | - | - | 1,000,000 |
| Total | 2,466,668 | - | (200,000 ) | - | 2,266,668 |

These performance rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

**4. SEGMENT REPORTING**

The continuing operations of the Consolidated Entity are predominantly in the electric two-wheel vehicle manufacture and distribution industry. Reported segments were based on the geographical segments of the Consolidated Entity, being Australia and China. The 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 components.

The electric two-wheel vehicles segment is managed on a worldwide basis, but operates in two principal geographical areas: Australia and China. In China, manufacturing facilities are operated in Nanjing and Shanghai. The following table presents revenue and profit or loss in relation to geographical segments for the six month periods ended 30 June 2016 and 30 June 2015:

**Half year ended 30 June 2016**

| | *Continuing Operations* | | *Intersegment Elimination* | *Total Operations* |
|---|---|---|---|---|
| | *Australia* $ | *China* $ | $ | $ |
| **Revenue** | | | | |
| Sales to external customers | 23,466 | 17,807,270 | - | 17,830,736 |
| Other revenues | 27,813 | 248,649 | - | 276,462 |
| Total segment revenue | 51,279 | 18,055,919 | - | 18,107,198 |
| **Result** | | | | |
| Segment profit/(loss) | (468,913) | (115,062) | - | (583,975) |
| **Assets at 30 June 2016** | | | | |
| Segment assets | 4,574,209 | 59,823,137 | (21,495,416) | 42,901,930 |
| **Liabilities at 30 June 2016** | | | | |
| Segment liabilities | (1,077,211) | (28,543,368) | 21,495,416 | (8,125,163) |

**Half year ended 30 June 2015**

| | *Continuing Operations* | | *Intersegment Elimination* | *Total Operations* |
|---|---|---|---|---|
| | *Australia* $ | *China* $ | $ | $ |
| **Revenue** | | | | |
| Sales to external customers | - | 24,891,217 | - | 24,891,217 |
| Other revenues | 4,903 | 24,494 | - | 29,397 |
| Total segment revenue | 4,903 | 24,915,711 | - | 24,920,614 |
| **Result** | | | | |
| Segment profit/(loss) | (856,112) | 1,866,644 | - | 1,010,532 |
| **Assets at 31 Dec 2015** | | | | |
| Segment assets | 2,954,009 | 57,411,878 | (21,685,086) | 38,680,801 |
| **Liabilities at 31 Dec 2015** | | | | |
| Segment liabilities | (207,924) | (26,060,943) | 21,685,086 | (4,583,781) |

The total assets of the Consolidated Entity have increased $4.2 million and total liabilities of the Consolidated Entity have increased $3.5 million as compared to that in the last annual financial report for the year ended 31 December 2015.

## 5. INTANGIBLES

| | Goodwill | Licences, trademarks and production rights | Development costs | Total |
|---|---|---|---|---|
| **Half year ended 30 June 2016** | | | | |
| Balance at 1 January 2016 | 1,414,951 | 2,213,559 | 2,173,031 | 5,801,541 |
| Additions | - | 2,001,328 | - | 2,001,328 |
| Additions from internal development | - | - | 1,376,130 | 1,376,130 |
| Additions through business combinations | 4,043,641 | - | - | 4,043,641 |
| Amortisation and impairment | - | (16,982) | (61,705) | (78,687) |
| Exchange differences | - | (48,750) | (115,143) | (163,893) |
| Balance at 30 June 2016 | 5,458,592 | 4,149,155 | 3,372,313 | 12,980,060 |
| **At 30 June 2016** | | | | |
| Cost | 5,458,592 | 4,200,100 | 3,839,363 | 13,498,055 |
| Accumulated amortisation and impairment | - | (50,945) | (467,050) | (517,995) |
| Net carrying amount | 5,458,592 | 4,149,155 | 3,372,313 | 12,980,060 |

Vmoto acquired 100% of the PowerEagle trademark for a consideration of $2 million as agreed by both parties by issuing Vmoto ordinary shares in two tranches. 50% of the shares ("Tranche 1") have been issued on 5 February 2016 and the remaining 50% ("Tranche 2") will be issued in January 2017 at an issue price equal to the volume weighted average price of Vmoto shares for the 14 trading days prior the date of the issue of the Tranche 2 shares.

## 6. OTHER FINANCIAL ASSETS

| | 30 June 2016 $ | 31 December 2015 $ |
|---|---|---|
| ***Available-for-sale investments carried at fair value*** | | |
| Unquoted shares (i) | 364,786 | 316,176 |
| | 364,786 | 316,176 |
| ***Loans carried at amortised cost*** | | |
| Loans to related parties (ii) | 1,013,294 | 1,053,918 |
| | 1,013,294 | 1,053,918 |
| Total other financial assets | 1,378,080 | 1,370,094 |

(i) The Consolidated Entity holds 15% of the ordinary share capital of Jiangsu Kaiyang, a company focused on designing, manufacturing and distributing three-wheel and four-wheel electric vehicles. The Directors of the Company do not consider that the Consolidated Entity is able to exercise significant influence over Jiangsu Kaiyang as the other 85% of the ordinary share capital is held by other shareholders, who also manage the day-to-day operations of that company.

(ii) The Consolidated Entity provided loans of RMB5 million ($1,013,294) to Jiangsu Kaiyang in 2015. The loans to Jiangsu Kaiyang are interest free and repayable in two years.

## 7. LOANS AND BORROWINGS

The following loans and borrowings (current) were issued and repaid during the half year ended 30 June 2016:

| *Movements in Loans and Borrowings* | **Carrying Amount $** |
|---|---|
| Balance at 1 January 2016 | 2,107,837 |
| New Issues: | |
| Drawn down from bank operating facility | 1,048,570 |
| Loan from non-related party (i) | 806,939 |
| Accrued interest | 52,587 |
| Effect of movement in foreign exchange rates | (82,172) |
| Repayments: | |
| Loans (ii) | (2,259,903) |
| Interest paid | (52,587) |
| Balance at 30 June 2016 | 1,621,271 |

(i) Loan from non-related party include a RMB4 million (A$806,939) unsecured interest free loan advanced to the Company during the period with no fixed repayment terms.
(ii) Repayments of loans include a repayment of RMB1 million (A$202,659) unsecured interest free loan advanced to the Company during the period.

## 8. SUBSEQUENT EVENTS

There were no other significant events subsequent to half-year ended 30 June 2016 and prior to the date of this report that have not been dealt with elsewhere in this report.

## 9. FAIR VALUE MEASUREMENT

In accordance with AASB13, 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 categorized. 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.

## 10. BUSINESS COMBINATIONS

**Subsidiary acquired**

| | **Principal activity** | **Date of acquisition** | **Proportion of shares acquired** | **Consideration** |
|---|---|---|---|---|
| **2016** | | | | |
| Shanghai Jiye Electric Vehicle Co, Ltd | Manufacture and distribute electric two-wheel vehicles | 1 January 2016 | 51% | $5,327,988 |
| | | | | $5,327,988 |

Shanghai Jiye Electric Vehicle Co, Ltd ("Jiye") was acquired so as to establish long term business relationship with PowerEagle, secure long term production and expand the Group's distribution network in China.

**Consideration**

| | Jiye |
|---|---|
| Cash | $442,712 |
| Debt forgiveness (a) | $417,514 |
| Inventories contributed to Jiye | $4,467,761 |
| | $5,327,987 |

a) Prior to the acquisition of 51% interest in Jiye, PowerEagle has a debt of $417,514 payable to the Group. As part of the acquisition, this debt has been forgiven.

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

| | Jiye |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | $1,133,183 |
| Trade and other receivables | $79,025 |
| Inventories | $4,690,852 |
| **Non-current assets** | |
| Plant and equipment | $792,647 |
| **Current liabilities** | |
| Trade and other payables | ($4,177,381) |
| | $2,518,326 |

The fair value of plant and equipment acquired is determined based on vendors' best estimate of the likely fair value.

**Goodwill arising on acquisition**

| | Jiye |
|---|---|
| Consideration | $5,327,987 |
| Less: Fair value of identifiable net assets acquired | ($2,518,326) |
| Plus: Non-controlling interests | $1,233,980 |
| Goodwill arising on acquisition (provisionally calculated) | $4,043,641 |

The initial accounting for the acquisition of Jiye has only been provisionally determined at the end of the reporting period. At the date of this report, the necessary identification and fair value assessment of the separately identifiable intangible assets acquired have not been finalised and they have therefore only been provisionally determined and grouped together in goodwill.

**Net cash inflow on acquisition of subsidiary**

| | Half-year ended 30 Jun 2016 | Half-year ended 30 Jun 2015 |
|---|---|---|
| Consideration paid in cash | $442,712 | - |
| Less: Cash and cash equivalents balances acquired | ($1,133,183) | - |
| Net cash inflow on acquisition of subsidiary | ($690,471) | - |

**Impact of acquisitions on the results of the Group**

Included in the loss for the half year ended 30 June 2016 is $27,546 profit attributable to the additional business generated by Jiye. Revenue for half year ended 30 June 2016 includes $8.4 million in respect of Jiye.

# DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standard AASB 134: Interim Financial Reporting and giving a true and fair view of the financial position as at 30 June 2016 and of its performance for the half year ended on that date.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the Corporations Act 2001.

Dated at Perth, Western Australia, this 31st day of August 2016

On behalf of the Directors

**Charles Chen**
*Managing Director*