



VMOTO AND SUPER SOCO TO ESTABLISH NEW MANUFACTURING COMPANY

ANNOUNCEMENT

24 FEBRUARY 2020

Highlights

- Vmoto and its long-standing strategic partner Super Soco to establish new jointly owned manufacturing company (“Vmoto Soco”) (50% Vmoto, 50% Super Soco).
- Vmoto expects significant benefits to both parties including favourable trading terms, more efficient production, cost synergies and expanded research & development capability.
- Vmoto strengthens its commercial relationship with Super Soco, with Vmoto Soco to be the sole and exclusive manufacturer for both Vmoto and Super Soco electric scooter and motorcycle products, providing Vmoto with long term supply chain security.
- Super Soco will transfer all of its production and supply chain into Vmoto Soco, to facilitate Vmoto Soco in securing favorable long-term production and supply terms.
- Vmoto to retain exclusive sales and marketing rights for Vmoto (E-Max) and Super Soco products globally, excluding China.

Vmoto Limited (ASX: VMT) (“the Company” or “Vmoto”), a global electric motorcycle manufacturing and distribution group, is pleased to announce it has entered into a joint investment agreement (“**Joint Investment Agreement**”) with its long standing strategic partner, Super Soco Intelligent Technology (Shanghai) Co, Ltd (“**Super Soco**”), to establish a new jointly owned Chinese registered manufacturing company, Nanjing Vmoto Soco Intelligent Technology Co Ltd (“**Vmoto Soco**”).

Vmoto Soco will be the sole and exclusive manufacturer for both Vmoto’s and Super Soco’s electric scooter and motorcycle products.

Vmoto and Super Soco have had a successful strategic relationship since 2017 and Vmoto has delivered strong and growing sales of Super Soco products, alongside its own E-Max products, into international markets by leveraging its wide and expanding international distribution network and significant experience in the international B2C and B2B markets. Super Soco is an industrial design and innovative technology EV company privately held by its management team and large Chinese institutions including leading Chinese technology hardware company, Mi Group (www.mi.com/global).

Strategic Objectives of Vmoto Soco

The establishment of Vmoto Soco considerably de-risks Vmoto’s operations and is in accordance with its international growth strategy.

The key strategic objectives and strategic rationale behind establishing Vmoto Soco are:

- To strengthen Vmoto's commercial relationship with Super Soco.
- Streamlining of supply chain processes, with Vmoto Soco the sole and exclusive manufacturer for both companies, and Vmoto retaining exclusive sales and marketing rights for E-Max and Super Soco products globally, excluding China.
- To allow the establishment of solid credit and trading terms with suppliers through economies of scale, providing increased purchasing power for components and in turn freeing up capital to enable Vmoto to aggressively pursue its expansion plans.
- Ongoing expansion of Vmoto Soco's research and development capabilities, and Vmoto's immediate access to Super Soco's research and development capability.

Additional benefits include:

- Vmoto Soco will immediately have a unified high-quality and sophisticated supply chain comprising of more than 100 qualified suppliers. The high-quality and sophisticated supply chain will enable Vmoto Soco to continue to source high-quality components, increase product competitive advantage and support future product development.
- Increased production efficiency by combining production facilities, which will reduce production lead times and enable faster delivery of products to customers.
- Cost synergies and savings through reduction of manufacturing costs, combination of parts sourcing and reduction in other operational costs.

Vmoto's Managing Director, Mr Charles Chen commented: "This joint investment arrangement is a great outcome for both companies. With the combination of Vmoto's international sales and marketing experience, together with Super Soco's research and development capability, we have a very strong combined market position globally. By joining forces on manufacturing, we will now be able to achieve economies of scale and favourable trading terms not available to each of us on our own. We have worked closely with Super Soco over the past two years and they have become a valued and trusted partner. In that time, we have expanded our distribution network to over 40 countries and achieved record sales. We expect to pursue our growth plans more ambitiously now our two companies are joined more closely together. We look forward to continuing our successful business relationship with Super Soco, for the benefit of both companies."

Super Soco's CEO, Mr Sherman Xie commented: "We are very delighted to have entered into this joint manufacturing company with our trusted partner Vmoto. This is just the beginning of milestones to be achieved by Super Soco and Vmoto in the electric motorcycle industry. With the establishment and support of our new joint manufacturing company, we can compete in our domestic and international markets more ambitiously and we look forward to working closer with Vmoto and presenting a global electric motorcycle group to the world in the near future."

Transaction Overview

The key terms of the Joint Investment Agreement are as follows:

- Vmoto and Super Soco will incorporate a new jointly owned manufacturing company in China (Vmoto Soco), in which Vmoto and Super Soco will each own 50% of the issued capital.
- Vmoto Soco will be the sole and exclusive manufacturer for all Vmoto (E-Max) and Super Soco products for both international and China domestic markets.
- Super Soco will progressively transfer all of its production facilities and supply chain into the new Vmoto Soco company. Super Soco has also provided Vmoto Soco use of all Super Soco's patents and molds for the manufacturing of Super Soco products at no additional cost.
- Super Soco will phase out and permanently close its manufacturing operations within two years.
- Vmoto will contribute RMB 30 million (~A\$6.4 million) in cash and/or assets by end of June 2020 to provide the initial working capital for Vmoto Soco. Vmoto expects to provide the majority of its contribution in cash, with some production equipment of nominal value. The cash will be used to provide working capital for parts purchasing until supply agreements on extended credit and trading terms are established with component suppliers. Vmoto is able to fund its contribution via existing cash and/or funds from its working capital facility.
- Super Soco will contribute RMB 30 million (~A\$6.4 million) in cash and/or assets progressively by no later than June 2025, based on the commercial requirements of the new company. This may include contributions of Super Soco's intangible assets, including patents and molds as Vmoto Soco grows.
- Non-cash contributions will be subject to an independent valuation by an independent licensed valuer in China at the relevant time and must be accepted by both parties.
- Vmoto will hold the exclusive rights over sales and marketing of all Vmoto (E-Max) and Super Soco electric scooter and motorcycle products into international markets and Super Soco will hold the exclusive rights over sales and marketing of the same products domestically in China.
- Parties appointed by each of Vmoto and Super Soco will manage Vmoto Soco.
- Vmoto Soco will operate out of Vmoto's existing Nanjing manufacturing facility and will pay market rate rent to Vmoto.
- By agreement between the parties, profits from Vmoto Soco will either be re-invested to further grow the business, or distributed to the parties in accordance with their registered ownership.
- The agreement is governed by the laws of the Peoples Republic of China and contains standard liability and indemnity provisions for breach. The parties to the agreement irrevocably accept the jurisdiction of the courts of the Peoples Republic of China for disputes arising out of the agreement.

Authorised by: Board of Vmoto Limited

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About Vmoto

Vmoto Limited (ASX: VMT) is a global scooter manufacturing and distribution group. The Company specialises in high quality “green” electric powered two-wheel vehicles and manufactures a range of western designed electric scooters from its low-cost manufacturing facilities in Nanjing, China. Vmoto combines low cost Chinese manufacturing capabilities with European design. The group operates through two primary brands: E-Max (targeting the Western B2B markets, with a premium end product) and Super Soco (targeting the Western B2C markets).

Vmoto’s Social Media

Vmoto is committed to communicating with the investment community through all available channels including social media. Whilst ASX remains the primary channel for all material announcements and news, all Vmoto shareholders, investors and other interested parties are encouraged to follow Vmoto on website (www.vmoto.com), Facebook (www.facebook.com/vmosoco), Instagram (www.instagram.com/vmosoco) and YouTube (Vmoto Soco).

Forward Looking Statements

Forward looking statements are based on current expectations and are not guarantees of future performance, involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company. Actual results, performance or achievements may vary materially from any forward looking statements. Although the Company believes that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect in hindsight and, therefore, there can be no assurance that matters contemplated in the forward looking statements will be realised. Accordingly, readers are cautioned not to place undue reliance on forward looking statements, which are current only as at the date of this announcement.




SUPER
SOCO




Loved by nature.