



VMOTO EXPANDS ELECTRIC TECHNOLOGY CAPABILITIES

ANNOUNCEMENT

22 SEPTEMBER 2014

HIGHLIGHTS

- Vmoto has entered into an acquisition agreement to purchase the business of Nanjing Haiyong Electronic Technology Co, Ltd - an advanced electronic technology company focused on producing controllers, a key component in electric vehicle driving systems
- Significant benefits to Vmoto including access to electric vehicle technologies central to the electric driving system and providing access to the electric three-wheel and four-wheel vehicle markets
- Acquisition will be 100% funded by equity and is expected to be EPS accretive from FY2015
- Valuation paid by Vmoto will be equivalent to five times multiple of earnings, initially based on Haiyong's audited net profit for the year ended 31 December 2013
- Vmoto has established a new subsidiary focused on the development and manufacturing of a complete electric driving system for electric vehicles

Further to the announcement of 2 October 2013, Vmoto Limited (ASX/AIM: VMT) ("Vmoto" or the "Company") is pleased to announce that it has signed an acquisition agreement to acquire the business of high tech electronics company, Nanjing Haiyong Electronic Technology Co, Ltd ("Haiyong") (the "Acquisition"). The Acquisition replaces the previous intention to form a joint venture with Haiyong ("JV"), as announced on 2 October 2013, and accordingly the proposed JV will not have an impact on the Company's financial performance in the current year as had previously been anticipated. Nevertheless, the Board of Vmoto view the Acquisition as a more attractive and beneficial structure for the Company than the JV.

Commenting on the Acquisition, Vmoto's Managing Director, Charles Chen, said:

"We have been working with Haiyong for over 18 months and both companies have put a lot of effort into understanding the synergies of bringing the two entities together. Funded through the issue of Vmoto equity, Vmoto will continue to maintain a strong balance sheet, and the Acquisition is expected to be earnings accretive from FY2015.



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“Haiyong represents an important acquisition for Vmoto and provides the Company with several strategic benefits, including access to electric vehicle technologies central to the electric driving system. This in turn enhances Vmoto’s intellectual property and value-add, enabling it to become a more integrated manufacturer with a more diverse base of electric vehicle products and markets.”

Vmoto has established a new subsidiary, Haiyong Electric Driving System Technology Co, Ltd (“Vmoto Haiyong”) which will acquire all the existing and future business of Haiyong. Vmoto Haiyong has satisfied and obtained all necessary regulatory approval, including the business license to develop, manufacture and distribute electric vehicle technology products. In addition, Haiyong will move its manufacturing facility to Vmoto’s Nanjing Manufacturing Facility within one month. Vmoto’s existing production capacity will not be affected by the introduction of Haiyong’s manufacturing division.

About Haiyong

Haiyong, based in Nanjing, China, was established in 2008 and focused on the research, development and production of high quality electric vehicle (“EV”) motor speed controllers. Haiyong currently owns eight patents for its products.

In 2012 and 2013, Haiyong successfully supplied its controller products to several top 10 EV manufacturers in China, including:

- Aima Tech, the largest two-wheel electric vehicle manufacturer in China;
- Yadea, the second largest two-wheel electric vehicle manufacturer in China;
- Jinpeng, the largest three-wheel electric vehicle manufacturer in China;
- Zongshen, the second largest three-wheel electric vehicle manufacturer in China;
- Boom Shine, one of the largest three-wheel electric vehicle manufacturers in China; and
- Jonway Automobile, renowned Chinese electric car manufacturer.

Haiyong has also supplied controller products to Vmoto for use in Vmoto’s electric two wheel vehicle products for export markets. Haiyong also exports its controller products to Taiwan, Malaysia, Germany, South Korea and Australia.

For the year ended 31 December 2013, Haiyong made a net profit after tax of approximately A\$752,667.

Strategic rationale

Vmoto views the acquisition of Haiyong as a significant strategic initiative as it will:

- give Vmoto access to EV technologies central to the electric driving system for Vmoto’s own electric vehicle products;
- enable Vmoto to market all of its applications to its own customers;
- enable Vmoto to fast-track the development of its electric driving system;
- give Vmoto access to the three-wheel and four-wheel EV markets and further enhance the cooperation with three-wheel and four-wheel manufacturers in both China and overseas;

- materially increase Vmoto's production base, which will deliver improved economies of scale;
- allow Vmoto to access a more diverse base of EV products and markets;
- further expand and strengthen Vmoto's presence and foothold in the China market; and
- generate additional revenue and profit, with the acquisition expected to be EPS accretive from FY2015.

Vmoto's strategic goal for Vmoto Haiyong is to grow it into a leading global electric driving system manufacturing company.

Chinese two-wheel and three-wheel EV market

Two-wheel vehicles including scooters, motorcycles and bicycles are a very popular mode of transport in China due to their fuel efficiency and ease of use in congested traffic. China represents the largest market for electric two-wheel vehicles in the world with over 30 million units produced in 2012, estimated to increase to 40 million units in 2015 (*Source: China Electric Two Wheel Vehicle Industry Research Report, 13 November 2012*).

In addition, the rapid and significant growth in the electric three-wheel vehicles market in China represents an exciting business opportunity for Vmoto after the acquisition of Haiyong. According to *cebike.com*, a Chinese EV research website, the electric three-wheel vehicle market in China has grown from 500,000 units in 2004 to 9 million units in 2012.

Due to the historical costs and limited motor and controller technologies in China, most of the electric two-wheel and three-wheel vehicles sold in China are low power, low speed models. With the development of new EV technologies, markets in China and internationally are increasingly requiring higher power performance in EVs and therefore demanding high power and high performance EV motor speed controllers.

The Acquisition is a significant strategic move for Vmoto, supporting the Company's goal of becoming an integrated manufacturer able to produce the key parts in the electric driving system for its own electric two-wheel vehicle products and for other OEM customers. Furthermore, combining Haiyong's technology together with Vmoto's existing research and development program will create significant synergies to enable the Company to produce high performance, high quality controllers and electric driving systems for other EV manufacturers. This also represents potential additional avenues of revenues and profits for the Company in the future.

Key acquisition terms

The key terms of the Acquisition are:

- Vmoto will acquire 100% of the business of Haiyong, including its intellectual property and patents;
- Vmoto's new subsidiary, Vmoto Haiyong, and Haiyong's existing business and operations will be merged and transferred into Vmoto Haiyong. Haiyong will move all of its manufacturing facility to Vmoto's existing Nanjing manufacturing facility;

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- Vmoto is responsible for any subsequent required investment, expected to be provided out of existing cash reserves and cash flows, to develop the complete electric driving system, and stocks and working capital for existing controller operations;
- Consideration for the Acquisition is five times multiple of earnings initially based on Haiyong's audited net profit for the year ended 31 December 2013, to be satisfied by the issue of Vmoto ordinary shares calculated using the previous 14 day VWAP to the date of the issue of shares. The new ordinary shares are to be issued to the original controlling shareholder of Haiyong, Mr Haisheng Zhang, in two tranches. 50% of the shares ("Tranche 1") will be issued within one month from 20 September 2014 and the remaining 50% ("Tranche 2") will be issued within 14 months after the merger of Haiyong and Vmoto Haiyong. The total remaining Tranche 2 shares to be issued to Mr Haisheng Zhang are subject to Vmoto Haiyong's profitability in the first 12 months after the acquisition;
- All of the shares to be issued to Mr Haisheng Zhang are subject to a voluntary escrow period of two years from the date of issue, during which time they may not be sold; and
- After the Acquisition, Mr Haisheng Zhang, will be appointed Managing Director of Vmoto Haiyong. Vmoto will have the right to nominate two directors to the Board of Vmoto Haiyong and will take responsibility for all financial and accounting matters associated with it.

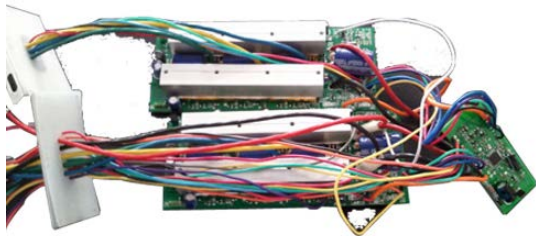
Forward business plan

Taking into account that Vmoto Haiyong will require set up and investment for the first and second years after the establishment of the subsidiary, the Vmoto Board of Directors have set a benchmark that requires Haiyong's profitability for the first and second years after establishment to be above the net profit for the year ended 31 December 2013 and to achieve stable growth from the outset. Significant growth in the business is expected after the electric driving system company builds a strong and firm foundation in its platform.

Brand and Logo of Haiyong



Haiyong Controller Products



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Partners and Customers of Haiyong



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Haiyong's Manufacturing Facilities



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About Vmoto

Vmoto Limited (ASX/AIM: VMT) is a global scooter manufacturing and distribution group. The Company specialises in high quality “green” electric powered two wheel vehicles and manufactures a range of western designed electric scooters from its low cost manufacturing facilities in Nanjing, China. Vmoto combines low cost Chinese manufacturing capabilities with European design. The group operates through two primary brands: Vmoto (aimed at the value market in Asia) and E-Max (targeting the Western markets, with a premium end product). As well as operating under its own brands, the Company also sells to a number of customers on an original equipment manufacturer (“OEM”) basis.

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