VMOTO LIMITED

ABN 36 098 455 460

ANNUAL REPORT

for the year ended 31 December 2016

VMOTO LIMITED

ABN 36 098 455 460

CORPORATE DIRECTORY

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

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Australia

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Website and Email

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Auditor

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Perth, Western Australia 6000
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Banker

National Australia Bank
1238 Hay Street
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Solicitors

Allion Legal
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Perth, Western Australia 6000
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Austin Haworth & Lexon Legal
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Sydney, New South Wales 2000
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ASX Code: VMT

Vmoto Limited is a public company incorporated in Western Australia and listed on the Australian Securities Exchange.

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MANAGING DIRECTOR'S LETTER

Dear Shareholders,

I present to you Vmoto Limited's Annual Report for the 2016 financial year.

FY2016 was a challenging year for Vmoto in which we were faced with continuing consumer nervousness resulting from some regional governments in several Chinese cities implementing stricter rules on the use of electric two-wheel vehicles. This impacted on Chinese domestic sales, whilst international sales were lower than anticipated due to delays in receipt of expected orders and the launch of new models. As a result, the Board took the prudent decision to recognise impairments, including for inventories, development costs, and other intellectual property, noting that with the exception of goodwill, this position may be reversed in future periods with improved performance.

Despite this, the Company continued building on its foundations for future growth by investing heavily in product development and international sales and marketing initiatives and we are encouraged by the reaction from existing and potential customers (particularly internationally where margins are higher). We will look to consummate as many of these sales as possible during FY2017 and in future years.

The Shanghai Jiye operation (Vmoto 51%, PowerEagle 49%) became operational at its leased facilities in Shanghai for the full financial year and Jiye is now strategically placed to target e-commerce companies in China that require electric two-wheel vehicles for their operations, as well as seeking to increase its distribution base into other cities. Coupled with our wholly owned manufacturing facility in Nanjing, China, we have a total production capacity of approximately 450,000 two-wheel vehicles per annum, with no additional capex required, and are well positioned to meet demand for electric two-wheel vehicles as this grows both domestically in China and internationally.

We have identified the scooter sharing and rental market as an excellent source of potential future revenue and, during the year, Vmoto's customer, LoopShare Ltd, www.loopscooters.com, commenced trial operations of a shared fleet of electric scooters in the cities of Beirut, Lebanon and Okinawa, Japan. This is the first fleet of shared electric scooters utilising the LoopShare technology worldwide and will determine operational parameters for a full scale rollout of the LoopShare service. LoopShare aims to deploy field trials in other cities worldwide, followed by commercial rollouts planned for 2017.

Vmoto exhibited its current and latest range of high performance electric scooter and motorcycle products at several trade fairs during the year, including the Intermot trade fair in Germany (www.intermot-cologne.com), one of the world's largest exhibitions and events for two-wheel vehicles. The Company received positive sales leads and feedbacks from potential B2B and B2C distributors and customers across Europe and continues to progress potential orders. Additionally, a number of existing and new international customers visited the factory to undertake trials and discuss future requirements, orders for which are expected to flow through during FY2017.

Vmoto currently has distrbutors and customers in over 36 countries, inlcuding Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Italy, Mexico, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom and Uruguay and is continually adding to its customer base. Our pipeline of new business and opportunties in the two-wheel electric vehicle space is the strongest it has ever been and I firmly believe that Vmoto has the foundations and infrastructure in place to support increased demand as the electric vehicle market for both B2B and B2C customers continues to grow on a global basis. The outlook for growth in 2017 is encouraging and management looks forward to reporting positive developments throughout the year.

I would like to personally thank my fellow Directors, and express my gratitude to the Company's management and staff for their contribution during the 2016 financial year as well as the continued support from all our shareholders. We look forward to a prosperous year in 2017.

Yours faithfully

Charles Chen
Managing Director

OVERVIEW

Vmoto Limited (ASX: 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 2016.

FY2016 was operationally a very busy year for Vmoto as the Company invested significant resources into developing new models and participating in international market exhibitions. This time and investment is considered essential for Vmoto to stay competitive in the growing electric two-wheel vehicle market and the levels of interest in the Company products has been as positive as the Company could hope for.

Unfortunately the rewards from this work were not reflected in the FY2016 results but the Company is confident of seeing them come through in future months and years.

Revenue dropped 24% to $36.3 million (FY15: $47.6 million) largely as a result of lower than anticipated orders from international customers, Chinese consumer nervousness due to government regulations and the fluctuation of AUD:RMB exchange rate (average A$1: RMB4.69 for FY2015; average A$1:RMB4.95 for FY2016), which impacted on the translation of sales from trading currency to reporting currency.

Vmoto continued to attract interest from high quality international customers and successfully secured and supplied products to a number of renowned international business groups. These include a significant European supermarket group, LoopShare in North America and a large group focused on renting electric vehicles to fast food chains and postal companies. Whilst international sales were down in FY2016, reflecting both the delay in orders and the launch of new models, existing customer relationships continue to be strong, with repeat orders and new customers continuing to come into the business. The Company has strengthened the international sales and marketing team in Nanjing, with international sales growth being the primary focus.

In China, the Shanghai Jiye (Jiye) operation became fully established and operational at facilities in Shanghai. Jiye has experienced lower margins on vehicles manufactured for the Chinese market due to additional marketing spend and price discounting considered necessary to counter consumer nervousness due to regional governments in several Chinese cities implementing stricter rules on the use of electric two-wheel vehicles. However, it should be noted that Jiye is strategically placed to target e-commerce companies in China that require electric two-wheel vehicles for their operations, as well as seeking to increase its distribution base into other cities.

Over the 12 month period to 31 December 2016, the Consolidated Entity's net assets decreased 39% to $20.8 million (31 December 2015: $34.1 million). It should be noted that the Company engaged an independent external property valuation company post 31 December 2016 to value the Company's Nanjing land and Stage 1 & Stage 2 buildings. These land and buildings are currently carried at cost on the balance sheet as at 31 December 2016 at $6.1 million pleasingly, the external property valuation company has valued the Company's Nanjing land and Stage 1 & Stage 2 buildings at $11.8 million, which represents a valuation increment of $5.7 million.

As at 31 December 2016, the total operating facility drawn down was RMB5 million (approximately $1 million) and the total undrawn operating facility available was RMB20 million (approximately $4 million).

As at 31 December 2016, the Company had cash of $4.4 million.

EXISTING MARKETS

During the period, the Company achieved total unit sales of 85,106 units of electric two-wheel vehicles across the Group, down 4% from FY2015 (FY2015: 88,450) as it continued ramping up production across its domestic and international sales channel. Of this, the Company sold approximately 77,348 units of electric two-wheel vehicles across China through the JV and its external distributors.

Internationally, the Company continued its strong relationships with its B2B and B2C customers, with many placing orders that will flow through in FY2017.

NEW MARKETS

During the period, the Company supplied Vmoto's electric two-wheel vehicle products to a significant European supermarket group with approximately 300 stores throughout Europe. The Company continues to supply to this group and expects to receive further orders in FY2017 and to establish a long term sales channel through these stores.

As announced on 28 September 2015, the Company entered into an international supply agreement with LoopShare Ltd (LoopShare) (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. Following initial trials, testing and financing, LoopShare intends to purchase a minimum of 32,000 units of Vmoto's E-Max electric scooters fitted with LoopShare's technology, platform and software over 5 years for use in LoopShare's Electric Scooter Sharing Project in North America and Europe. During the period, LoopShare commenced trial operations of shared fleet of electric scooters in the cities of Beirut, Lebanon and Okinawa, Japan.

During the period, the Company supplied Vmoto's electric two-wheel vehicle products to a large European group focused on renting electric vehicles to fast food chains and postal companies. This group has operated in its industry for many years and has secured significant rental contracts with a number of significant fast food chains and postal companies. The Company continues to supply to this group and expect to receive more orders and to establish long term sales channel through this business model.

During the period, the Company signed an exclusive distribution agreement with a Spanish company to distribute, stock and market the Company's Vmoto and E-Max range of electric scooter products for the Spanish market.

In addition to the above, Vmoto continued to receive significant interest in our electric two-wheel vehicle products and progressed significant new market entries, distribution and customer opportunities in Austria, Australia, Columbia, Denmark, Finland, France, Germany, Israel, Japan, Korea, Lebanon, Malaysia, Malta, Mexico, Sweden and Uruguay.

CORPORATE

During the year the Company issued a total of 6,206,488 shares, comprising 2,320,067 shares to employees and consultants of the Company in consideration for service provided, 86,420 shares to a Director in lieu of Director fees, 466,668 shares to Directors following the vesting of performance rights and 3,333,333 shares to nominees of PowerEagle as tranche one consideration for the JV.

The Company is continuing its search to identify an experienced Australian based non-executive Chairman to further strengthen the Board and support the Company through its next phase of growth.

OUTLOOK

Vmoto is committed to executing its strategy of selling high value, high performance electric two-wheel vehicles to the international B2B sector, including delivery, scooter sharing and scooter renting customers. Vmoto has the ability to continue to win high quality international customers and the expectation of increased demand from our distributors and customers, and the Company will remain focussed on increasing sales growth in FY2017.

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 2016 to 31 December 2016.

Directors

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

Name	Experience and responsibilities
Charles Chen **Managing Director**	Mr Chen was appointed as Executive Director on 5 January 2007 and Managing Director of the Company on 1 September 2011. 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). From 1993 to 2002, Mr Chen held senior executive roles with Hainan Sundiro Motorcycle Co, Ltd, the largest publicly listed industrial company in Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001. Mr Chen is based in Nanjing, China, and oversees all of the Company's operations and activities.
Ivan Teo **Finance Director**	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. Mr Teo is a qualified Chartered Accountant and has over 15 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. Mr Teo holds a BCom degree from the University of Adelaide and is based in Nanjing, China.
Oliver Cairns **Independent Non-Executive Director**	Mr Cairns was appointed as Non-Executive Director of the Company on 1 September 2011. Mr Cairns has over 17 years' experience in the small to mid-cap corporate and capital markets space. A corporate financier, he was a Nominated Advisor for AIM companies in London for over eight years before relocating to Perth in 2007 where he established Pursuit Capital, a corporate and strategic advisory firm. His wide experience covers international capital raisings, M&A, IPOs, regulatory advice, investor relations and corporate governance. Mr Cairns graduated with a degree in Classics from the University of Exeter and is a member of the Securities Institute (UK). Mr Cairns will be retiring and seeking re-election by shareholders at the Company's 2017 Annual General Meeting.

Kaijian Chen

Independent Non-Executive Director

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

Mr Chen has extensive experience in the motorcycle manufacturing industry in China. He was formerly vice president of Hainan Sundiro Motorcycle Co, Ltd, 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 Jiangsu Xinri E-Vehicle Co, Ltd, which is one of the largest electric vehicle manufacturers in China at present. The annual production of Xinri in 2010 was over 2 million units of electric two-wheel vehicles for the Chinese domestic market. Mr Chen is currently serving as vice president of Changzhou Supaiqi E-Vehicle Co, Ltd.

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

Shannon Coates

Independent Non-Executive Director

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

Ms Coates completed a Bachelor of Laws through Murdoch University in 1993 and has since gained over 20 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 a director of Evolution Corporate Services Pty Ltd, a company providing corporate advisory services and is also company secretary to a number of listed companies.

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.

Directorships in other listed entities

Directorships in other listed entities held by Directors of the Company during the last 3 years immediately before 31 December 2016 are as follows:

Director	Company	Period of directorship From	To
Mr Charles Chen	-	-	-
Mr Ivan Teo	-	-	-
Mr Oliver Cairns	Zeta Petroleum Plc	2013	2016
Mr Kaijian Chen	-	-	-
Ms Shannon Coates	Artemis Resources Limited	2011	2014
	Lemur Resources Limited	2014	2016
	Metallum Limited	2011	2012
	Metallum Limited	2015	Current

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year ended 31 December 2016 are:

Director	Board Meetings Held while Director	Attended
Mr Charles Chen	6	6
Mr Ivan Teo	6	6
Mr Oliver Cairns	6	6
Mr Kaijian Chen	6	1
Ms Shannon Coates	6	6

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 2016 was the development and manufacture, international marketing and distribution of electric powered two-wheel vehicles, petrol two-wheel vehicles and all-terrain 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 own low cost manufacturing facilities in Nanjing, China and from leased facilities in Shanghai, 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 $36.3 million were recorded for the Consolidated Entity for the year ended 31 December 2016 (FY2015: $47.6 million). The revenue of the Consolidated Entity has decreased 24% compared to the year ended 31 December 2015, largely as a result of lower than anticipated orders from international customers, Chinese consumer nervousness due to government regulations and the fluctuation of AUD:RMB exchange rate, which impacted on the translation of sales from trading currency to reporting currency. During the year ended 31 December 2016, the Consolidated Entity recorded a net loss of $14.1 million after income tax (FY2015: $753k), which included one-off/non-cash costs of $150k of share based expenses, $617k of impairment of inventories in Jiye, $181k of impairment of inventories due to closure of previous the Spanish operation, $994k of provision for doubtful loan to Kaiyang (the three-wheel and four-wheel operation), $136k of impairment of investment in Kaiyang, $2.6 million of impairment of Jiye goodwill, $2.3 million of impairment of E-Max goodwill, trademarks and patents, $4.3 million of impairment of development costs and $1.2 million of impairment in licenses. The underlying net loss for the year ended 31 December 2016 adding back these one-off non-cash expenses was $1,657,466.

The following table provides a reconciliation between the statutory net loss after tax and underlying net loss after tax for the year ended 31 December 2016:

Statutory net loss after tax for FY2016	($14,092,903)
Add back one off / non-cash expenses:	
Share based expenses	$149,513
Impairment of inventories in Jiye	$617,201
Impairment of inventories due to closure of previous Spain operation	$181,339
Provision for doubtful loan to Kaiyang (3 & 4 wheel operation)	$994,313
Impairment of partial investment in Kaiyang (3 & 4 wheel operation)	$135,515
Impairment of Jiye goodwill	$2,556,477
Impairment of development costs	$4,270,448
Impairment of E-Max goodwill, trademarks and patents acquired and recognised in 2009 and 2010	$2,336,628
Impairment of licenses obtained in 2007	$1,194,003
Underlying net loss after tax for FY2016	($1,657,466)

Directors believe this information is useful to provide investors with transparency on the underlying performance of the Company.

A more detailed review of operations for the year ended 31 December 2016 is set out in the Operations Review preceding the Directors' Report.

Review of Financial Position

The Consolidated Entity's net assets have decreased by approximately $13.3 million during the year ended 31 December 2016.

Cash balances decreased by $2.3 million during the year ended 31 December 2016 primarily as a result of underlying net loss after tax incurred during the year and higher prepayments to suppliers for inventories for the international markets.

Trade and other receivables have decreased by $6.5 million mainly due to more timely receipts from customers, fewer sales on credit to customers and provision for doubtful debts in Jiye during the period.

Inventories have increased by $2.4 million and prepayments have increased by $0.9 million mainly due to higher stock level requirements of the JV and higher prepayments to suppliers for inventories for the international markets.

Intangible assets decreased by $1.7 million due to acquisition of PowerEagle trademark, recognition of valuation of customer base as a result of acquisition of 51% interest in Jiye, impairments of goodwill, trademarks, patents, development costs and licenses.

Trade and other payables increased by $3.5 million during the period mainly due to higher stock level requirements by Jiye in which Jiye received inventories from suppliers in advance on credit as a result of better payment terms, and higher level of deposits received from the customers in advance, the revenue for which will be recognised in FY2017.

Issued capital has increased by $1.2 million during the year ended 31 December 2016 primarily due to Tranche 1 shares issued to nominees of PowerEagle for the acquisition of their trademark and shares issued to key management during the year ended 31 December 2016.

No dividend has been declared or paid by the Company to the date of this Report in respect of the year ended 31 December 2016.

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 loss after tax[1-8]	$1,765,320	$12,327,583	$14,092,903

1. Due to closure of Vmoto's previous Spanish operation, the Company has relocated its inventories of $181,339 from Spain to Germany and then subsequently to Italy for servicing its distributors and customers, and for sales and marketing purposes in Europe. Due to the aging of these inventories, these inventories were impaired as the Company continues to develop new models of electric scooter for European markets.

2. Fully paid ordinary shares were issued in December 2016 to employees of the Company and share based expenses of $184,000 were recognised. As these fully paid ordinary shares are subject to an escrow period of three years, the share based expenses and increase in equity should be accounted over the three year vesting period. Share based expenses of $184,000 have been derecognised and share based expenses of $4,568 over December 2016 have been recognised to comply with the requirements of the accounting standards.

3. The Consolidated Entity provided loans of RMB5 million ($994,313) to Jiangsu Kaiyang in FY2015. The loans are interest free and repayable in two years. As Jiangsu Kaiyang is still at an early stage of development and continues to incur loss, the repayment of loans provided are expected to be delayed to future periods when Jiangsu Kaiyang operations achieve profitability. The Company has recognised a provision for impairment loss of $994,313 on its loans to Jiangsu Kaiyang, as included in the statutory financial report.

4. The Consolidated Entity holds 15% of the ordinary share capital of Jiangsu Kaiyang. Jiangsu Kaiyang continues to focus on developing new customers, markets and models of electric three-wheel vehicle and have incurred loss in the year ended 31 December 2016. The Company has recognised a provision for impairment loss of $135,515 on its interest in Jiangsu Kaiyang, as included in the statutory financial report.

5. During the period, goodwill of $2,556,477 has been recognised as a result of acquisition of the 51% interest in Jiye. Due to consumer nervousness resulting from some regional governments in several Chinese cities implementing stricter rules on the use of electric two-wheel vehicles, and lower sales and margins than expected, the Company has recognised an impairment of goodwill of $2,556,477, as included in the statutory financial report.

6. During the period, the salaries and wages costs for December 2016 in Jiye were not been recognised in the Appendix 4E as these were paid in January 2017. The Company has recognised $154,966 of Jiye December 2016 salaries and wages expenses and included in the statutory financial report. The net effect to the Company of this expense is $79,032 due to an adjustment for non-controlling interest.

7. As at 31 December 2016, $666,137 of Jiye trade receivables were over 90 days past due. The Company has recognised a provision for doubtful debts of $666,137, as included in the statutory financial report. The net effect of this provision for doubtful debts to the Company is $339,730 after adjustment of $326,407 to non-controlling interest.

8. During the period, unit numbers and margins on international sales were lower than anticipated., The Company has taken a prudent approach to recognise impairment of $7,801,079 on its licenses, development costs and E-Max goodwill, trademarks and patents, and included in the statutory financial report.

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

Consolidated statement of financial position	Appendix 4E	Adjustments	Statutory Financial Report
Assets			
Trade and other receivables[1]	$3,543,432	($666,137)	$2,877,295
Inventories[2]	$7,169,167	($181,339)	$6,987,828
Intangible assets[3, 4, 5, 6]	$14,282,616	($10,189,843)	$4,092,773
Other financial assets[7, 8]	$1,352,265	($1,129,827)	$222,438
Liabilities			
Trade and other payables[9]	$5,532,105	$154,966	$5,687,071
Deferred tax liabilities[4]	$438,291	$51,569	$489,860
Equity			
Issued capital[6, 10, 11]	$71,768,817	($322,099)	$71,446,718
Accumulated losses[1,2,3,5,7,8,9]	($38,733,733)	($11,649,243)	($50,382,976)
Non-controlling interests[1,9]	$1,011,382	($402,339)	$609,043

1. As at 31 December 2016, $666,137 of Jiye trade receivables were over 90 days past due. The Company has recognised a provision for doubtful debts of $666,137, as included in the statutory financial report. The net effect of this provision for doubtful debts to the Company is $339,730 after an adjustment of $326,407 for non-controlling interest.

2. Due to closure of Vmoto's previous Spanish operation, the Company has relocated its inventories of $181,339 from Spain to Germany and then subsequently to Italy for servicing its distributors and customers, and for sales and marketing purposes in Europe. Due to the aging of these inventories, these inventories were impaired as the Company continues to develop new models of electric scooter for European markets.

3. In the Appendix 4E, goodwill of $2,728,373 has been recognised as a result of the acquisition of 51% interest in Jiye. An adjustment of $171,896 has been made to the Jiye goodwill to comply with the requirements of the accounting standards. Due to consumer nervousness resulting from some regional governments in several Chinese cities implementing stricter rules on the use of electric two-wheel vehicles, and lower sales and margins than expected, the Company has recognised an impairment of goodwill of $2,556,477, as included in the statutory financial report.

4. In the Appendix 4E, a customer base value of $1,753,164 and deferred tax liabilities of $438,291 has been recognised as a result of acquisition of 51% interest in Jiye. An adjustment of $206,276 has been made to customer base and $51,569 has been made to deferred tax liabilities to comply with the requirements of the accounting standards.

5. During the period, international sales and margins were lower than anticipated due to the delay of orders. Due to lower sales and margins than expected, the Company has taken a prudent approach to recognised impairments of $7,801,079 on its licenses, development costs and E-Max goodwill, trademarks and patents, as included in the statutory financial report.

6. During the period, Tranche 1 shares were issued to nominees of PowerEagle for the acquisition of their trademark at a deemed issue price of $0.30 per share. The share price on the date of shares were issued was $0.34, and as a result $133,333 has been recognised to intangible assets and issued capital to comply with the requirements of the accounting standards.

7. The Consolidated Entity provided loans of RMB5 million ($994,313) to Jiangsu Kaiyang in FY2015. The loans are interest free and repayable in two years. As Jiangsu Kaiyang is still at an early stage of development and continues to incur loss, the repayment of loans provided are expected to be delayed to future periods when Jiangsu Kaiyang operations achieve profitability. The Company has recognised a provision for impairment loss of $994,313 on its loans to Jiangsu Kaiyang, as included in the statutory financial report.

8. The Consolidated Entity holds 15% of the ordinary share capital of Jiangsu Kaiyang. Jiangsu Kaiyang continues to focus on developing new customers, markets and models of electric three-wheel vehicle and have incurred losses for the year ended 31 December 2016. The Company has recognised a provision for impairment loss of $135,515 on its interest in Jiangsu Kaiyang, as included in the statutory financial report.

9. During the period, the salaries and wages costs for December 2016 in Jiye were not recognised in the Appendix 4E as these were paid in January 2017. The Company has recognised $154,966 of salaries and wages payable for December 2016 and included in the statutory financial report. The net effect to the Company of this expense is $79,032 after an adjustment for $75,933 to non-controlling interest.

10. Fully paid ordinary shares were issued in December 2016 to employees of the Company and increase in equity of $184,000 were recognised. As these fully paid ordinary shares are subject to an escrow period of three years, the share based expenses and increase in equity should be accounted over the three year vesting period. Increase in equity of $184,000 have been derecognised and increase in equity of $4,568 over December 2016 have been recognised to comply with the requirements of the accounting standards.

11. During the period, 1 million performance rights lapsed, therefore $276,000 of the option premium reserve has been adjusted to issued capital in Appendix 4E. The $276,000 has been reclassified from issued capital to accumulated losses to comply with the requirements of the accounting standards.

Business Strategies and Prospects for Future Financial Years

The Company's business strategies for future financial years include:

- Collaborate and work closely with companies that have sound business models supporting the demand for electric two-wheel vehicles including electric scooter sharing and rental companies
- Continue to improve the Company's electric two-wheel vehicle products to attract high quality international business group customers

With the success of hi-tech sharing companies such as Uber, Mobike and Zipcar, technological innovation and inner-city transportation crisis, the sharing economy is booming around the world and the consumers and users of electric two-wheel vehicles are more accepting of shared fleets. In addition, consumer and business group preferences are shifting from ownership to shares access. It is anticipated that working together with our customers to rent electric two-wheel vehicles to these business groups and provide shared fleet solutions will fast track the increase in revenue for the Company.

The Company also expects to continuously improve its existing electric two-wheel vehicle products and develop new electric two-wheel vehicle products to remain competitive in the electric vehicle markets and win high quality international business group customers such as the significant European supermarket group with approximately 300 stores in Europe and LoopShare.

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 with a number of interested parties in countries including Austria, Australia, Columbia, Denmark, Finland, France, Germany, Israel, Japan, Korea, Lebanon, Malaysia, Malta, Mexico, Sweden and Uruguay.

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

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

- Technological obsolescence – given the Company operates in an industry involving green and electric vehicle technology, any technological obsolescence could have an impact on our financial results. We address this risk through investment in research and development, patent appropriate and necessary research and development results, recruit competent technicians and constantly monitor the market. We see this risk as minimal as the Company is constantly developing new technology and functions in its electric two-wheel vehicle products and has the protection of trademarks and patents.
- Continued reduction in demand from China - given our reliance on the Chinese economy, reduction in demand from China market for our electric two-wheel vehicle products could have impact on our financial results to mitigate this risk. The Company is actively developing and distributing its products in Europe and is expanding sales in the Asian and North America regions. In addition, the Company is investigating the option of expanding sales into other countries and working with companies that have new, innovative and sound business models to diversify its sales channel and reduce 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.

<u>Clean Energy Legislative Package</u>

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.

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 2016.

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

<u>Issue Tranche 2 Shares to Acquire PowerEagle Trademark</u>

On 31 January 2017, the Company issued 11,764,706 fully paid ordinary shares at a deemed issue price of $0.085 per share to nominees of PowerEagle as Tranche 2 consideration to acquire 100% of the PowerEagle trademark as announced on 23 December 2015.

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[1]	10,213,040	-	250,000
Mr Ivan Teo[2]	720,873	-	250,000
Mr Oliver William Cairns[3]	2,693,841	400,000	250,000
Mr Kaijian Chen[4]	817,214	-	250,000
Ms Shannon Coates[5]	75,000	-	-

1. 6,722,964 shares are held indirectly by Pershing Australia Nominees Pty Ltd <Argonaut Account> on behalf of Mr Charles Chen. 250,000 Performance Rights are held directly by Mr Charles Chen. 3,490,076 shares are held indirectly by Mr Chen's spouse, Ms Jierong Zhou.

2. 720,873 shares and 250,000 Performance Rights are held directly by Mr Ivan Teo.

3. 121,112 shares are held directly by Mr Oliver Cairns. 2,436,365 shares, 100,000 options exercisable at $0.50 on or before 21 May 2019, 100,000 options exercisable at $0.75 on or before 21 May 2019, 200,000 options exercisable at $1.00 on or before 21 May 2019 and 250,000 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. 136,364 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. 817,214 shares and 250,000 Performance Rights are held directly by Mr Kaijian Chen.

5. 75,000 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.

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 May 2013	23 May 2014	23 May 2018	40 cents	500,000
23 May 2013	23 May 2014	23 May 2018	80 cents	500,000
23 May 2014	23 May 2014	21 May 2019	50 cents	100,000
23 May 2014	23 May 2014	21 May 2019	75 cents	100,000
23 May 2014	23 May 2014	21 May 2019	$1.00	200,000
2 October 2015	2 October 2015	31 December 2017	75 cents	719,981

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 5 February 2016, the Company issued 100,000 shares to Mr Charles Chen and 100,000 shares to Mr Oliver Cairns as a result of vesting of 200,000 Class F incentive Performance Rights as approved by shareholders on 31 July 2012.

On 2 December 2016, the Company issued 133,334 shares to Mr Charles Chen and 133,334 shares to Mr Oliver Cairns as a result of vesting of 266,668 Class I incentive Performance Rights as approved by shareholders on 31 July 2012.

On 31 December 2016, 1,000,000 Class J Performance Rights lapsed.

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 K	1,000,000
Total	1,000,000

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 paid during the year ended 31 December 2016 was A$24,500.

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 68 and forms part of the Directors' Report for the year ended 31 December 2016.

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

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, key management and executives for 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 Charles Chen
- Mr Ivan Teo
- Mr Oliver Cairns
- Mr Kaijian Chen
- Ms Shannon Coates

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 Shuguang Han (General Manager)
- Mr Zhengjie Wu (Vice General Manager, resigned 31 October 2016)
- Mr Leon Wan (Vice General Manager, appointed 31 July 2016)
- Mr Fei Wu (Sales Manager)
- Ms Susan Xie (Sales Manager)

Overview of remuneration policies

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 may seek 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 established 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.

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:

In AUD	31 Dec 2016 12 months $'000	30 June 2016 6 months $'000	31 Dec 2015 12 months $'000	30 Jun 2015 6 months $'000	31 Dec 2014 12 months $'000
Revenue	36,268	17,831	47,613	24,891	42,941
Net profit / (loss) before tax	(14,136)	(597)	(213)	1,451	257
Net profit / (loss) after tax	(14,093)	(597)	(755)	1,011	884

In AUD	31 Dec 2016 12 months	30 Jun 2016 6 months	31 Dec 2015 12 months	30 Jun 2015 6 months	31 Dec 2014 12 months
Share price at start of period	$0.33*	$0.33*	$0.04	$0.04	$0.03
Share price at end of period	$0.10*	$0.14*	$0.33*	$0.40*	$0.04
Dividend	-	-	-	-	-
Basic and diluted earnings / (loss) per share	(8.61 cents)*	(0.38 cents)*	(0.52 cents)*	0.79 cents*	0.07 cents

* The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The share price and EPS post 4 June 2015 are disclosed on a post Share Consolidation basis.

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 years ended 31 December 2015 and 31 December 2016 are:

		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS			
In AUD		Salary & fees $	Superannuation benefits $	Options / Performance Rights $	Total $	Value of options/rights as proportion of remuneration %	% of remuneration based on performance
Executive Directors							
Mr Charles Chen	12 months to Dec 2016	210,000	19,950	-	229,950	-	-
	12 months to Dec 2015	259,319	9,975	-	269,294	-	-
Mr Ivan Teo	12 months to Dec 2016	151,278	-	-	151,278	-	-
	12 months to Dec 2015	151,794	-	-	151,794	-	-
Non-Executive Directors							
Mr Oliver Cairns	12 months to Dec 2016	97,443	-	-	97,443	-	-
	12 months to Dec 2015	80,000	-	-	80,000	-	-
Mr Kaijian Chen	12 months to Dec 2016	40,000	-	-	40,000	-	-
	12 months to Dec 2015	40,000	-	-	40,000	-	-
Ms Shannon Coates[1]	12 months to Dec 2016	40,000	-	-	40,000	-	-
	12 months to Dec 2015	40,000	-	-	40,000	-	-
Total, all Directors	12 months to Dec 2016	538,721	19,950	-	558,671	-	-
	12 months to Dec 2015	571,113	9,975	-	581,088	-	-

1. Ms Coates was appointed as Non-Executive Director on 23 May 2014. Ms Coates was appointed Company Secretary to the Company in 2007 and, via an associated company Evolution Corporate Services Pty Ltd, provides company secretarial, corporate advisory and Australian registered office services to Vmoto for a monthly retainer. For the 2016 financial year, the Company paid Evolution Corporate Services Pty Ltd $66,000 for these services.

REMUNERATION REPORT (cont'd)

		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS			
In AUD		Salary & fees $	Superannuation benefits $	Shares $	Total $	Value of options / rights as proportion of remuneration %	% of remuneration based on performance
Executives							
Mr Shuguang Han	12 months to Dec 2016	60,674	-	15,000	75,674	19.8%	-
(General Manager)	12 months to Dec 2015	63,968	-	31,000	94,968	32.6%	-
Mr Fei Wu	12 months to Dec 2016	77,767	-	7,500	85,267	8.8%	-
(Sales Manager)	12 months to Dec 2015	42,139	-	9,300	51,439	18.1%	-
Ms Susan Xie	12 months to Dec 2016	22,013	-	3,750	25,763	14.6%	-
(Sales Manager)	12 months to Dec 2015	17,891	-	6,200	24,091	25.7%	-
Mr Zhengjie Wu (Vice General	12 months to Dec 2016	23,692	-	-	23,692	-	-
Manager, resigned 31 Oct 2016)	12 months to Dec 2015	30,704	-	62,000	92,704	66.9%	-
Mr Leon Wan (Vice General	12 months to Dec 2016	16,135	-	7,500	23,635	31.7%	-
Manager, appointed 31 Jul 2016)	12 months to Dec 2015	16,613	-	6,200	22,813	27.2%	-
Total, all Executives	12 months to Dec 2016	200,281	-	33,750	234,031	14.4%	-
	12 months to Dec 2015	171,315	-	114,700	286,015	40.1%	-

Share-based payment arrangements

Shares

During the year ended 31 December 2016, 450,000 shares were granted to Key Management Personnel to motivate them and to recognise their efforts in the year ended 31 December 2016. The shares granted to Key Management Personnel are subject to a three year escrow period.

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 plan, 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 2016, 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
Class E	500,000	23/05/2013	A$0.14	23/05/2018	A$0.40	23/05/2014
Class F	500,000	23/05/2013	A$0.13	23/05/2018	A$0.80	23/05/2014
Class G	100,000	23/05/2014	A$0.37	21/05/2019	A$0.50	23/05/2014
Class H	100,000	23/05/2014	A$0.35	21/05/2019	A$0.75	23/05/2014
Class I	200,000	23/05/2014	A$0.33	21/05/2019	A$1.00	23/05/2014
Class J	719,981	02/10/2015	A$0.16	31/12/2017	A$0.75	02/10/2015
Total	2,119,981					

There is 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 2016, no options were granted to Key Management Personnel under the ESOP.

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
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

The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The Performance Rights above are disclosed on a pre Share Consolidation basis.

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, subject to the following performance conditions:

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

The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The Performance Rights above are disclosed on a pre Share Consolidation basis.

During the year ended 31 December 2016, the following Performance Rights arrangements were in existence, on a post Share Consolidation basis:

Performance Rights series	Number	Grant date	Grant date fair value
Class F	200,000	06/08/2012	A$0.015
Class I	266,668	06/08/2012	A$0.005
Class J	1,000,000	23/05/2014	A$0.276
Class K	1,000,000	23/05/2014	A$0.069

All Performance Rights convert to fully paid ordinary shares for nil cash consideration, subject to the above performance based vesting conditions. During the year ended 31 December 2016, the following Performance Rights to Key Management Personnel vested and were converted to Shares:

Name	Performance Rights series	During the year ended 31 Dec 2016			
		No. granted	No. vested	% of grant vested	% of grant forfeited
Charles Chen	Class F	-	100,000	100%	n/a
	Class I	-	133,334	100%	n/a
Oliver Cairns	Class F	-	100,000	100%	n/a
	Class I	-	133,334	100%	n/a

Share holdings and transactions of Key Management Personnel

The movement during the year ended 31 December 2016 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 2016	Held at date of appointment	Net change[1]	Granted as remuneration	Received on vest of performance rights	Held at date of resignation	Held at 31 Dec 2016
Directors							
Mr C Chen	5,621,474	N/A	4,358,232	-	233,334	N/A	10,213,040
Mr I Teo	720,873	N/A	-	-	-	N/A	720,873
Mr O Cairns	2,460,507	N/A	-	-	233,334	N/A	2,693,841
Mr K Chen	730,794	N/A	-	86,420	-	N/A	817,214
Ms S Coates	75,000	N/A	-	-	-	N/A	75,000
Executives							
Mr S Han	300,000	N/A	(200,000)	200,000	-	N/A	300,000
Mr F Wu	80,000	N/A	(20,000)	100,000	-	N/A	160,000
Mr Z Wu	300,000	N/A	-	-	-	300,000	N/A
Mr L Wan	N/A	60,000	-	100,000		N/A	160,000
Ms S Xie	40,000	N/A	-	50,000	-	N/A	90,000

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 2016 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 2016	Held at date of appointment	Additions	Granted as remuneration	Exercised/ Expired	Held at date of resignation	Held at 31 Dec 2016
Directors							
Mr C Chen	-	N/A	-	-	-	N/A	-
Mr I Teo	-	N/A	-	-	-	N/A	-
Mr O Cairns	400,000	N/A	-	-	-	N/A	400,000
Mr K Chen	-	N/A	-	-	-	N/A	-
Ms S Coates	-	N/A	-	-	-	N/A	-
Executives							
Mr S Han	-	N/A	-	-	-	N/A	-
Mr F Wu	-	N/A	-	-	-	N/A	-
Mr Z Wu	-	N/A	-	-	-	-	N/A
Mr L Wan	N/A	-	-	-	-	N/A	-
Ms S Xie	-	N/A	-	-	-	N/A	-

All options are vested and exercisable.

Performance Right holdings of Key Management Personnel

The movement during the year ended 31 December 2016 in the number of Performance Rights held, directly, indirectly or beneficially by each Key Management Personnel, including their personally-related entities, is as follows:

	Held at 1 Jan 2016	Held at date of appointment	Granted as remuneration	Vested as Shares	Expired	Held at date of resignation	Held at 31 Dec 2016
Directors							
Mr C Chen	733,334	N/A	-	(233,334)	(250,000)	N/A	250,000
Mr I Teo	500,000	N/A	-	-	(250,000)	N/A	250,000
Mr O Cairns	733,334	N/A	-	(233,334)	(250,000)	N/A	250,000
Mr K Chen	500,000	N/A	-	-	(250,000)	N/A	250,000
Ms S Coates	-	N/A	-	-	-	N/A	-
Executives							
Mr S Han	-	N/A	-	-	-	N/A	-
Mr J Wu	-	N/A	-	-	-	N/A	-
Mr Z Wu	-	N/A	-	-	-	-	N/A
Mr L Wan	N/A	-	-	-	-	N/A	-
Ms S Xie	-	N/A	-	-	-	N/A	-

Other Key Management Personnel Transactions

During the year ended 31 December 2016, Evolution Corporate Services Pty Ltd, an entity associated with Ms Shannon Coates, provided company secretarial, administration and registered office services to the Group pursuant to consultancy agreement and received total fees of A$66,000 for the year ended 31 December 2016.

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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Continuing Operations			
Revenue from sale of goods		36,267,923	47,613,013
Cost of sales		(31,525,151)	(39,660,519)
Gross Profit		**4,742,772**	**7,952,494**
Other income	2	599,397	295,501
Share of losses of associates		-	(141,908)
Gain recognised on disposal of interest in former associate		-	143,443
Operational expenses		(3,913,663)	(1,576,793)
Marketing and distribution expenses		(570,268)	(491,926)
Corporate and administrative expenses		(1,493,030)	(1,929,631)
Occupancy expenses		(443,924)	(103,486)
Other expenses	2	(693,831)	-
Finance costs		(77,333)	(270,812)
Impairment of inventories		(798,540)	-
Impairment of intangibles	10	(10,357,556)	-
Impairment of other financial assets	11	(1,129,827)	-
Profit/(Loss) from continuing operations before tax		(14,135,803)	3,876,882
Income tax revenue/(expense)	4	42,900	(869,144)
Profit /(Loss) after tax from continuing operations		**(14,092,903)**	**3,007,738**
Discontinued Operations			
Profit/(Loss) from discontinued operations		-	(3,761,051)
PROFIT/(LOSS) FOR THE YEAR		**(14,092,903)**	**(753,313)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Other comprehensive income			
Foreign currency translation differences		(1,438,823)	1,004,201
Other comprehensive income for the year, net of income tax		(1,438,823)	1,004,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(15,531,726)**	**250,888**
Profit/(Loss) for the year attributable to:			
Owners of the Company		(13,606,636)	(753,313)
Non-controlling interests		(486,267)	-
		(14,092,903)	(753,313)
Total comprehensive income for the year attributable to:			
Owners of the Company		(15,045,459)	250,888
Non-controlling interest		(486,267)	-
		(15,531,726)	250,888
Earnings per share	22		
From continuing and discontinued operations:			
Basic earnings/(loss) per share		(8.61 cents)	(0.52 cents)
From continuing operations:			
Basic earnings per share		(8.61 cents)	2.09 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	31 December 2015 $
CURRENT ASSETS			
Cash and cash equivalents	5	4,361,855	6,657,529
Trade and other receivables	6	2,877,295	9,413,278
Inventories	7	6,987,827	4,548,057
Other assets	8	3,955,928	3,044,107
Total Current Assets		18,182,905	23,662,971
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,626,947	7,846,195
Intangible Assets	10	4,092,773	5,801,541
Other financial assets	11	222,438	1,370,094
Total Non-Current Assets		11,942,158	15,017,830
TOTAL ASSETS		30,125,063	38,680,801
CURRENT LIABILITIES			
Trade and other payables	12	5,687,070	2,233,642
Loans and borrowings	13	2,107,943	2,107,837
Current tax liabilities	4	11,529	242,302
Deferred tax liabilities	4	489,860	-
Other liabilities	14	1,000,000	-
Total Current Liabilities		9,296,402	4,583,781
TOTAL LIABILITIES		9,296,402	4,583,781
NET ASSETS		**20,828,661**	**34,097,020**
EQUITY			
Issued capital	15	71,446,718	70,276,494
Reserves	15	(844,124)	872,866
Accumulated losses	18	(50,382,976)	(37,052,340)
Non-controlling interests	16	609,043	-
TOTAL EQUITY		**20,828,661**	**34,097,020**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Cash flows from operating activities			
Receipts from customers		48,603,490	50,062,921
Payments to suppliers and employees		(48,648,949)	(49,819,966)
Interest received		166,963	41,971
Interest paid		(77,333)	(270,811)
Other cash receipts		2,910	1,768
Net cash used in operating activities	26	47,081	15,883
Cash flows from investing activities			
Payments for property, plant & equipment		(524,405)	(858,044)
Proceeds from disposal of plant & equipment		-	16,613
Payments for research and developments		(2,420,298)	(1,504,908)
Payments for intangible assets		(8,985)	(12,960)
Loan to other entity		-	(1,043,275)
Payments for equity investments		(60,798)	-
Proceeds from disposal of equity investments		-	106,494
Net cash inflow on acquisition of subsidiary	25	690,471	-
Net cash inflow on disposal of subsidiary		-	425,193
Net cash used in investing activities		(2,324,015)	(2,870,887)
Cash flows from financing activities			
Proceeds from issue of equity shares		-	9,018,000
Payments for share issue costs		-	(592,333)
Proceeds from borrowings		2,949,733	4,898,724
Repayment of borrowings		(2,828,512)	(7,880,556)
Net cash generated by financing activities		121,221	5,443,835
Net (decrease)/increase in cash and cash equivalents		(2,155,713)	2,588,831
Cash and cash equivalents at the beginning of the year		6,657,529	3,850,142
Effect of exchange rate fluctuations on cash held		(139,961)	218,556
Cash and cash equivalents at the end of the year		**4,361,855**	**6,657,529**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARD ENDED 31 DECEMBER 2016

	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
Loss for the year	-	-	(753,313)	-	(753,313)
Other comprehensive income for the year	-	1,004,201	-	-	1,004,201
Total comprehensive income for the year	-	1,004,201	(753,313)	-	250,888
Issue of ordinary shares	9,529,572	-	-	-	9,529,572
Share issue costs	(624,978)	-	-	-	(624,978)
Issue of options		114,068	-	-	114,068
Transfer expired options reserve to accumulated losses	-	(26,951)	26,951	-	-
Transfer exercised options and vested performance rights reserves to capital	77,933	(77,933)	-	-	-
Balance as at 31 December 2015	**70,276,494**	**872,866**	**(37,052,340)**	**-**	**34,097,020**
Balance as at 1 January 2016	70,276,494	872,866	(37,052,340)	-	34,097,020
Loss for the year	-	-	(13,606,636)	(486,267)	(14,092,903)
Other comprehensive income for the year	-	(1,438,823)	-	-	(1,438,823)
Total comprehensive income for the year	-	(1,438,823)	(13,606,636)	(486,267)	(15,531,726)
Issue of ordinary shares	1,168,057	-	-	-	1,168,057
Transfer expired options reserve to accumulated losses	-	(276,000)	276,000	-	-
Transfer vested performance rights reserves to capital	2,167	(2,167)	-	-	-
Acquisition of subsidiaries	-	-	-	1,095,310	1,095,310
Balance as at 31 December 2016	**71,446,718**	**(844,124)**	**(50,382,976)**	**609,043**	**20,828,661**

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

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 2016 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 2017.

(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)

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 31 December 2016. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below:

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group is currently continuing to assess the impact of this changes.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group is currently continuing to assess the impact of this changes.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group is currently continuing to assess the impact of this changes.

(v) Going concern basis

The Consolidated Entity has recorded a loss after tax for the year ended 31 December 2016 of $14,092,903 (profit after tax for the year ended 31 December 2015: $753,313). At 31 December 2016, the Consolidated Entity had a working capital surplus of $8,886,503 (31 December 2015: $19,079,190).

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 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, RMB20 million (approximately $4 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 2017 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 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 23, 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.

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.

(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 acquire 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 acquire 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 acquire 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.

(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.

- *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.

(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").

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) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(s) Available-for-sale financial assets

The Group has investments in unlisted shares that are not traded on an active market but that are classified as available-for-sale financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note aa. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

(t) 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.

(u) 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.

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 entities, 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.

(v) 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.

Customer contracts

Customer contracts 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, customer contracts 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 customer contracts acquired in a business combination are deemed to have useful lives of 10 years.

(w) 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.

The estimated useful lives of development costs for the current and comparative periods are 3 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date.

(x) 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.

(y) 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.

(z) Comparative figures

This report relates to the year ended 31 December 2016. Comparatives are for the year ended 31 December 2015.

(aa) 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.

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.

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.

(ab) 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

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 2016 was nil (31 December 2015: A$1,414,951).

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 to be no 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 plant and equipments, the Group uses Level 3 inputs to perform the valuation.

In estimating the fair value of customer base, the Group uses Level 3 inputs to perform the valuation.

Fair value measurements and valuation processes in relation to investments available-for-sale

In estimating the fair value of the available-for-sale investments, the Group uses Level 3 fair value hierarchy to perform the valuation.

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
2. REVENUES AND EXPENSES		
(a) Other income		
Interest income	166,962	41,847
Contributions from customers	380,437	79,560
Government subsidies	5,137	5,602
Gain from disposal of fixed assets	-	16,613
Net foreign exchange gain	23,233	143,922
Other income	23,628	7,957
	599,397	295,501
(b) Other expenses		
Doubtful debts	693,831	-
	693,831	-
(c) Employee benefits expense		
Wages and salaries costs	3,587,570	1,624,331
	3,587,570	1,624,331
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	719,814	702,835
Amortisation of intangibles	446,421	63,118
	1,166,235	765,953

3. AUDITOR'S REMUNERATION

Audit services:		
- audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd	77,000	84,000
	77,000	84,000

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
4. INCOME TAX		
(a) Income tax credit / (expense)		
Current tax	(11,529)	(242,302)
Deferred tax	54,429	(626,842)
	42,900	(869,144)
(b) Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)		
Profit/(Loss) before income tax benefit	(14,092,903)	3,876,882
Income tax credit/(expense) calculated at 30%	4,227,871	(1,163,065)
Effect on amounts which are not tax deductible:		
Deductible amount from sale of subsidiary	-	421,567
Losses of foreign subsidiaries/operations not regarded as deductible	(3,045,303)	-
Non-deductible items	(3,337)	(10,486)
Recognition of tax losses of China operations previously not recognised	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	51,751	456,428
Deferred tax liabilities in relation to amortisation of customer base	54,429	-
Deferred tax not brought to account	(1,242,511)	(573,588)
Income tax credit / (expense)	42,900	(869,144)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Potential at 30% (31 December 2015: 30%)	6,652,940	6,355,688

All tax losses relate to Australian based entities.

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised:		
Provision for doubtful receivables	239,367	88,329
Provision for loan to other entity	248,578	-
Provision for impairment loss on investments	33,878	-
Accrued expenses	16,500	16,500
Unrecognised deferred tax assets relating to the above temporary differences	538,323	104,829

(e) Current tax liabilities

	31 December 2016 $	31 December 2015 $
Income tax payable	11,529	242,302

(f) Deferred tax balances

Deferred tax balances are presented in the consolidated statement of financial position as follows:

Deferred tax liabilities	489,860	-
	489,860	-

(g) Tax Rates

The potential tax benefit at 31 December 2016 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 2015. The tax benefit and expense at 31 December 2016 in respect of tax effect brought into account in relation to China operations has been calculated at 25% for China entities.

	31 December 2016 $	31 December 2015 $
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,361,855	6,657,529

6. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	2,792,427	9,142,030
Less: Provision for impairment loss	(666,137)	-
	2,126,290	9,142,030
Other receivables	1,042,338	562,581
Less: Provision for impairment loss	(291,333)	(291,333)
	2,877,295	9,413,278

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:

	31 December 2016 $	31 December 2015 $
At beginning of the period	291,333	294,633
Provision for impairment during the period	666,137	-
Write off	-	(3,300)
At end of the period	957,470	291,333

At 31 December 2016, the ageing analysis of trade and other receivables is as follows:

0 – 30 Days	1,227,138	4,232,557
31 – 60 Days	851,946	3,968,221
61 – 90 Days past due not impaired	293,732	412,418
+90 Days past due not impaired	504,479	800,082
+90 Days considered impaired	957,470	291,333
	3,834,765	9,704,611

As of 31 December 2016, trade and other receivables of $798,211 (31 December 2015: $1,212,500) 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 China operations, which can be claimed/used to offset against future VAT payables.

7. INVENTORIES

Raw materials	3,481,493	1,836,545
Semi-finished goods	1,443,280	674,906
Finished goods	2,063,054	2,036,606
	6,987,827	4,548,057

8. OTHER ASSETS

Prepayments	3,955,928	3,044,107
	3,955,928	3,044,107

The prepayments are payments in advance to suppliers for the supply of electric two-wheel vehicle inventories for the Consolidated Entity's electric two-wheel vehicle operations.

9. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment	Motor vehicles	Office furniture & equipment	Land	Building	Leasehold improvement	Total
Year ended 31 December 2015							
At 1 January 2015, net of accumulated depreciation	1,601,002	139,999	-	1,000,269	4,864,918	-	7,606,188
Additions	870,279	-	-	-	394,995	-	1,265,274
Disposals	(881,226)	(1,346)	-	-	-	-	(882,572)
Depreciation for the period	(402,084)	(33,587)	-	-	(267,164)	-	(702,835)
Exchange differences	130,998	8,026	-	72,043	349,073	-	560,140
At 31 December 2015, net of accumulated depreciation	1,318,969	113,092	-	1,072,312	5,341,822	-	7,846,195
At 31 December 2015							
Cost	2,697,863	150,078	82,886	1,072,312	6,105,388	278,041	10,386,568
Accumulated depreciation	(1,378,894)	(36,986)	(82,886)	-	(763,566)	(278,041)	(2,540,373)
Net carrying amount	1,318,969	113,092	-	1,072,312	5,341,822	-	7,846,195
Year ended 31 December 2016							
At 1 January 2016, net of accumulated depreciation	1,318,969	113,092	-	1,072,312	5,341,822	-	7,846,195
Additions	86,224	19,280	-	-	378,700	-	484,204
Acquisition through business combinations	406,704	100,252	-	-	-	-	506,956
Depreciation for the period	(382,702)	(76,114)	-	-	(260,998)	-	(719,814)
Exchange differences	(64,742)	(13,250)	-	(60,646)	(351,956)	-	(490,594)
At 31 December 2016, net of accumulated depreciation	1,364,453	143,260	-	1,011,666	5,107,568	-	7,626,947
At 31 December 2016							
Cost	3,285,905	317,847	82,886	1,011,666	6,084,848	278,041	11,061,193
Accumulated depreciation	(1,921,452)	(174,587)	(82,886)	-	(977,280)	(278,041)	(3,434,246)
Net carrying amount	1,364,453	143,260	-	1,011,666	5,107,568[1]	-	7,626,947

1. Post the period, an independent external property valuation company has valued the Company's Nanjing land and Stage 1 & Stage 2 buildings at $11.8 million AUD.

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 $6.1 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.

10. INTANGIBLES

	Goodwill	Licences, trademarks and production rights	Patents	Development Costs	Customer base	Total
Year ended 31 December 2015						
Balance at 1 January 2015	4,207,107	2,149,406	1,310,760	869,508	-	8,536,781
Additions	-	13,146	-	-	-	13,146
Additions from internal development	-	-	-	1,537,226	-	1,537,226
Disposals	(2,792,156)	-	(1,310,760)	(204,548)	-	(4,307,464)
Amortisation for the period	-	(33,963)	-	(29,155)	-	(63,118)
Exchange differences	-	84,970	-	-	-	84,970
Balance at 31 December 2015	1,414,951	2,213,559	-	2,173,031	-	5,801,541
At 31 December 2015						
Cost	1,414,951	2,247,522	-	2,578,377	-	6,240,850
Accumulated amortisation and impairment	-	(33,963)	-	(405,346)	-	(439,309)
Net carrying amount	1,414,951	2,213,559	-	2,173,031	-	5,801,541
Year ended 31 December 2016						
Balance at 1 January 2016	1,414,951	2,213,559	-	2,173,031	-	5,801,541
Additions	-	6,784	-	-	-	6,784
Additions from internal development	-	-	-	2,420,298	-	2,420,298
Acquisition through business combinations	2,556,477	2,133,333	-	-	2,177,156	6,866,966
Amortisation for the period	-	(33,963)	-	(194,742)	(217,716)	(446,421)
Impairment for the period	(3,971,428)	(2,115,681)	-	(4,270,447)		(10,357,556)
Exchange differences	-	(70,699)	-	(128,140)	-	(198,839)
Balance at 31 December 2016	-	2,133,333	-	-	1,959,440	4,092,773
At 31 December 2016						
Cost	3,971,428	4,316,940	-	4,836,105	2,177,156	15,301,629
Accumulated amortisation and impairment	(3,971,428)	(2,183,607)	-	(4,836,105)	(217,716)	(11,208,856)
Net carrying amount	-	2,133,333	-	-	1,959,440	4,092,773

The goodwill arising on acquisition, licenses, trademarks, patents and production rights are allocated to two cash generating units being manufacture of two-wheel vehicle within the Chinese geographical location segment as the Company's manufacturing facility and main operations are located in China.

Nanjing

The recoverable amount of these intangible assets have 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 one-year period. A growth rate of 6% was used to extrapolate managements cash flow forecast for further 4 years and a growth rate of 0% was applied for another 9 years. The pre-tax discount rate applied to cash flow projections is 8.4% (31 December 2015: 15%). The cash flow projections were prepared based on past experience and contracts that are in place.

The calculated recoverable amount for the Nanjing segment is less than the carrying amount of the goodwill, trademarks, patents and development costs and impairment losses of $7,801,079 have been recognised and included in the profit and loss statement.

Shanghai

The recoverable amount of these intangible assets have 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 one-year period. An average growth rate of 6% was used to extrapolate managements cash flow forecast for further 4 years and a growth rate of 0% was applied for another 9 years. The pre-tax discount rate applied to cash flow projections is 8.4%. The cash flow projections were prepared based on past experience and contracts that are in place.

The calculated recoverable amount for Shanghai Jiye segment is less than the carrying amount of the goodwill on acquisition of 51% interest in Jiye and an impairment loss of $2,556,477 has been recognised and included in the profit and loss statement. Sensitivity analysis was performed by varying the discount rate applied to the cash flow projections by 2%. This would result in the aggregate carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately $756,000. The director estimate that a decrease in growth rate by 2% would result in the aggregate carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately $324,000. The directors believe that any reasonably possible change in other key assumptions on which recoverable amount is based would not cause the Shanghai's carrying amount to exceed its recoverable amount.

	31 December 2016 $	31 December 2015 $
11. OTHER FINANCIAL ASSETS		
Available-for-sale investments carried at fair value		
Unquoted shares (i)	357,952	316,176
Provision for impairment loss	(135,514)	-
	222,438	316,176
Loans carried at amortised cost		
Loans to related parties (ii)	994,313	1,053,918
Provision for impairment loss	(994,313)	–
	-	1,053,918
Total other financial assets	222,438	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. Jiangsu Kaiyang continue to focus on developing new customers, markets and models of electric three-wheel vehicle and have incurred loss in the year ended 31 December 2016. The fair value was determined by the directors based on the latest financial position of Kaiyang (Level 3 fair value hierarchy). The Company have recognised a provision for impairment loss of $135,514 on its interest in Jiangsu Kaiyang and included in the profit and loss statement.

(ii) The Consolidated Entity provided loans of RMB5 million ($994,313) to Jiangsu Kaiyang in FY2015. The loans are interest free and repayable in two years. As Jiangsu Kaiyang is still at an early stage of development and continues to incur losses, the repayment of loans provided are expected to be delayed to future periods when Jiangsu Kaiyang operations achieve profitability. The Company has recognised a provision for impairment loss of $994,313 on its loans to Jiangsu Kaiyang, as included in the profit and loss statement.

12. TRADE AND OTHER PAYABLES

Current – unsecured		
Trade creditors	2,318,741	1,179,346
Advance and deposits from customers	2,957,371	763,659
Other creditors and accruals	410,958	290,637
	5,687,070	2,233,642

13. LOANS AND BORROWINGS

Current		
Unsecured		
Loans from non-related party	1,113,630	-
	1,113,630	-
Secured – Interest bearing		
Bank operating facility	994,313	2,107,837
	994,313	2,107,837
	2,107,943	2,107,837
The carrying amounts of non-current assets pledged as security are:		
Land and buildings	6,119,234	6,414,134
	6,119,234	6,414,134

Financing arrangements

The Consolidated Entity has access to the following facilities:

Total facilities available:		
Bank operating facility	4,971,563	7,166,646
	4,971,563	7,166,646
Facilities utilised at end of the period:		
Bank operating facility	994,313	2,107,837
	994,313	2,107,837
Facilities not utilised at end of the period:		
Bank operating facility	3,977,250	5,058,809
	3,977,250	5,058,809

Loan from non-related party

Loan from non-controlling interest shareholder of Jiye include a RMB5.6 million (A$1,113,630) unsecured interest free loan advanced to the Company during the period with no fixed repayment terms.

Bank operating facility

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 loan facility does not have any bank covenant conditions.

The average interest rate for the bank operating facility is 5.08% per annum, payable quarterly.

14. OTHER LIABILITIES

	31 December 2016 $	31 December 2015 $
Other (Consideration)	1,000,000	-
	1,000,000	-

The other liabilities of $1,000,000 represented the Tranche 2 shares consideration recognised as part of the Company's acquisition of trademark of Powereagle.

15. ISSUED CAPITAL AND RESERVES

	31 December 2016 $	31 December 2015 $
Issued capital		
160,769,006 (31 December 2015: 154,562,518) fully paid ordinary shares	71,446,718	70,276,494

The following movements in issued capital occurred during the period:

		Number of Shares 31 Dec 2016	Number of Shares 31 Dec 2015	Year ended 31 Dec 2016 $	Year ended 3 Dec 2015 $
Balance at beginning of period		154,562,518	1,321,527,860	70,276,494	61,293,967
Issue of Shares at 3.5 cents each	a)	-	86,114	-	3,014
Issue of Shares at 4.6 cents each	b)	-	1,089,555	-	50,120
Issue of Shares at 3.0 cents each	c)	-	1,000,000	-	30,000
Issue of Shares at nil consideration	d)	-	2,000,000	-	-
Issue of Shares at 3.0 cents each	e)	-	2,550,000	-	76,500
10 for 1 share consolidation	f)	-	(1,195,427,859)	-	-
Issue of Shares at 30 cents each	g)	-	35,000	-	10,500
Issue of Shares at 45 cents each	h)	-	19,780,000	-	8,901,000
Issue of Shares at nil consideration	i)	-	266,668	-	-
Issue of Shares at 35 cents each	j)	-	38,095	-	13,333
Issue of Shares at 36 cents each	k)	-	42,633	-	15,438
Issue of Shares at 39.5 cents each	l)	-	42,194	-	16,667
Issue of Shares at 31 cents each	m)	-	32,258	-	10,000
Issue of Shares at 31 cents each	n)	-	1,300,000	-	403,000
Issue of Shares at nil consideration	o)	-	200,000	-	-
Issue of Shares at 34 cents each	p)	3,333,333	-	1,133,333	-
Issue of Shares at nil consideration	q)	200,000	-	-	-
Issue of Shares at 34 cents each	r)	20,067	-	6,823	-
Issue of Shares at 27 cents each	s)	86,420	-	23,333	-
Issue of Shares at nil consideration	t)	2,300,000	-	-	-
Issue of Shares at nil consideration	u)	266,668	-	-	-
Transfer options reserve to issued capital		-	-	2,167	77,933

15. ISSUED CAPITAL AND RESERVES (cont'd)

	Number of Shares 31 Dec 2016	Number of Shares 31 Dec 2015	Year ended 31 Dec 2016 $	Year ended 3 Dec 2015 $
Vesting of share based expenses	-	-	4,568	-
Share issue costs	-	-	-	(624,978)
Balance at end of period	160,769,006	154,562,518	71,446,718	70,276,494

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) 26 February 2015 – Issue 86,114 shares at $0.035 for corporate advisory services provided to the Company.
b) 15 April 2015 – Issue 1,089,555 shares at $0.046 for investor relation services provided to the Company.
c) 15 April 2015 – Issue 1,000,000 shares at $0.03 each on exercise of ESOP options.
d) 15 April 2015 – Issue 2,000,000 shares at nil consideration on vesting of 2,000,000 Performance Rights.
e) 11 May 2015 – Issue 2,550,000 shares at $0.03 each on exercise of ESOP options.
f) 4 June 2015 – The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation").
g) 17 June 2015 – Issue 35,000 shares at $0.30 each on exercise of ESOP options.
h) 17 June 2015 – Issue 19,780,000 shares at $0.45 each as a result of completion of $8.9 million capital raising.
i) 17 June 2015 – Issue 266,668 shares at nil consideration on vesting of 266,668 Performance Rights.
j) 17 June 2015 – Issue 38,095 shares to a director in lieu of unpaid director fees.
k) 10 July 2015 – Issue 42,633 shares at $0.036 for corporate advisory services provided to the Company.
l) 2 October 2015 – Issue 42,194 shares to a director in lieu of unpaid director fees.
m) 2 October 2015 – Issue 32,258 shares at $0.31 for investor relation services provided to the Company.
n) 2 October 2015 – Issue 1,300,000 shares at a deemed price of $0.031 each to employees of the Company in recognition of their efforts and contribution to the Company.
o) 17 December 2015 – Issue 200,000 shares at nil consideration on vesting of 200,000 Performance Rights.
p) 5 February 2016 – Issue 3,333,333 shares at $0.34 as Tranche 1 shares consideration to acquire trademark of Powereagle.
q) 5 February 2016 – Issue 200,000 shares at nil consideration on vesting of 200,000 Performance Rights.
r) 17 May 2016 – Issue 20,067 shares at $0.34 for corporate finance services provided to the Company.
s) 24 May 2016 – Issue 86,420 shares to a director in lieu of unpaid director fees.
t) 2 December 2016 – Issue 2,300,000 shares at a deemed price of $0.075 each to employees of the Company in recognition of their efforts and contribution to the Company. These share based expenses will be recognised over a three year vesting period.
u) 2 December 2016 – Issue 266,668 shares at nil consideration on vesting of 266,668 Performance Rights.

Options

The movements of options over unissued ordinary shares of the Company for the year ended 31 December 2016 were:

	Expiry Date	Exercise Price	Balance at 1 Jan 2016	Granted/ Issued	Exercised/ Forfeited	Consolidated	Held at 31 Dec 2016
Class E options	23 May 2018	40 cents	500,000	-	-	-	500,000
Class F options	23 May 2018	80 cents	500,000	-	-	-	500,000
Class G options	21 May 2019	50 cents	100,000	-	-	-	100,000
Class H options	21 May 2019	75 cents	100,000	-	-	-	100,000
Class I options	21 May 2019	$1.00	200,000	-	-	-	200,000
Class J options	31 December 2017	75 cents	719,981	-	-	-	719,981
Total			2,119,981	-	-	-	2,119,981

15. ISSUED CAPITAL AND RESERVES (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 during the year ended 31 December 2016 were:

Performance Rights series	Balance at 1 Jan 2016	Granted	Vested/Expired	Held at 31 Dec 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	-	(1,466,668)	1,000,000

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

Number of Performance Rights	Class	Performance Conditions	Time of vesting	Status
200,000	F	- The VWAP exceeds 40 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 40 cents	Vested
266,668	I	- The VWAP exceeds 50 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 50 cents	Vested
1,000,000	J	- The volume weighted average price of the Shares for 10 consecutive trading days on ASX (VWAP) exceeds 65 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 65 cents	Expired
1,000,000	K	- The VWAP exceeds 85 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 85 cents	Unvested

15. ISSUED CAPITAL AND RESERVES (cont'd)

	31 December 2016 $	31 December 2015 $
Reserves		
Reserves at the beginning of the period	872,866	(140,519)
Movements in share-based payment reserve		114,068
Transfer expired options reserve to accumulated losses	(276,000)	(26,951)
Transfer exercised options and vested performance rights reserves to issued capital	(2,167)	(77,933)
Movements in foreign currency translation reserve	(1,438,823)	1,004,201
Reserves at the end of the period	(844,124)	872,866
Comprises of:		
Share-based payment reserve	328,206	606,373
Foreign currency translation reserve	(1,172,330)	266,493
Reserves at the end of the period	(844,124)	872,866

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 recognise exchange differences arising from the translation of the financial statements of foreign operations.

16. NON-CONTROLLING INTERESTS

	31 December 2016 $	31 December 2015 $
Balance at the beginning of the period	-	-
Share of loss for the year	(486,267)	-
Non-controlling interests arising on acquisition of Jiye	1,095,310	-
Balance at the end of the period	609,043	-

17. 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 (debt/total capital). During the year ended 31 December 2016, the Consolidated Entity's strategy is to utilise lowest cost of the capital from the capital markets and continuously negotiating lower interest cost with provider of its operating facility to achieve its expansion program. The gearing ratios at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016 $	31 December 2015 $
Total borrowings	2,107,943	2,107,837
Total equity	20,828,661	34,097,020
Total capital	22,936,604	36,204,857
Gearing ratio	9.2%	5.8%

The gearing ratio of the Company has increased from 5.8% to 9.2% during the year ended 31 December 2016.

18. ACCUMULATED LOSSES

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Accumulated losses at the beginning of the period	(37,052,340)	(36,325,978)
Profit/(Loss) for the period	(13,606,636)	(753,313)
Transfer from share-based payment reserve	276,000	26,951
Accumulated losses at the end of the period	(50,382,976)	(37,052,340)

19. 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.

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 twelve month periods ended 31 December 2016 and 31 December 2015:

19. SEGMENT REPORTING (cont'd)

Continuing Operations	Australia $A		Nanjing, China $A		Shanghai, China $A		Intersegment elimination $A		Consolidated $A	
	Year ended 31/12/2016	Year ended 31/12/2015	Year ended 31/12/2016	Year ended 31/12/2015	Year ended 31/12/2016	Year ended 31/12/2015	Year ended 31/12/2016	Year ended 31/12/2015	Year ended 31/12/2016	Year ended 31/12/2015
Revenue										
Segment revenue	62,518	27,483	17,208,227	47,585,530	18,997,178	-	-	-	36,267,923	47,613,013
Result										
Segment profit/(loss)	(1,130,964)	(1,948,919)	(9,395,891)	4,956,657	(3,566,048)	-	-	-	(14,092,903)	3,007,738
Assets										
Segment assets	1,872,185	2,954,009	43,629,806	57,411,878	6,516,069	-	(21,892,997)	(21,685,086)	30,125,063	38,680,801
Liabilities										
Segment liabilities	(1,129,134)	(207,924)	(25,308,271)	(26,060,943)	(4,751,994)	-	21,892,997	21,685,086	(9,296,402)	(4,583,781)
Depreciation of fixed assets	(6,425)	(4,867)	(600,789)	(697,968)	(112,600)	-	-	-	(719,814)	(702,835)
Impairment of intangible assets	(78,314)	-	(7,722,765)	-	(2,556,477)	-	-	-	(10,357,556)	-
Amortisation of intangible assets	-	-	(228,705)	(63,118)	(217,716)	-	-	-	(446,421)	(63,118)

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

20. 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 2016		31 December 2015	
	Carrying amount $	Fair Value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents	4,361,855	4,361,855	6,657,529	6,657,529
Trade and other receivables	2,877,295	2,877,295	9,413,278	9,413,278
Other financial assets	222,438	222,438	1,370,094	1,370,094
Total financial assets	7,461,588	7,461,588	17,440,901	17,440,901
Financial liabilities				
Trade and other payables	5,687,070	5,687,070	2,233,642	2,233,642
Borrowings	2,107,943	2,107,943	2,107,837	2,107,837
Current tax liabilities	11,529	11,529	242,302	242,302
Other liabilities	1,000,000	1,000,000	-	-
Total financial liabilities	8,806,542	8,806,542	4,583,781	4,583,781
Net financial assets / (liabilities)	(1,344,954)	(1,344,954)	12,857,120	12,857,120

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.

20. 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 2.1%, depending on account balances.

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

Bank operating facility	5.08% 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 2016 $	31 December 2015 $
Financial assets		
Cash and cash equivalents	4,361,855	6,657,529
Financial liabilities		
Bank operating facility	(994,313)	(2,107,837)
Net exposure	3,367,542	4,549,692

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:

Judgements of reasonable possible movements:	31 December 2016 $	31 December 2015 $
+1% (100 basis points)		
Pre-tax profit increase/(decrease)	33,675	45,497
Equity increase/(decrease)	33,675	45,497
-1% (100 basis points)		
Pre-tax profit increase/(decrease)	(33,675)	(45,497)
Equity increase/(decrease)	(33,675)	(45,497)

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 US dollars and Chinese RMB.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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

	31 December 2016 $AUD	31 December 2015 $AUD
Financial assets		
Cash and cash equivalents (USD)	1,434,581	1,823,031
Cash and cash equivalents (RMB)	1,330,232	2,304,103
	2,764,813	4,127,134
Trade and other receivables (USD)	280,126	283,975
Trade and other receivables (RMB)	2,553,843	10,322,112
	2,833,969	10,606,087
Financial liabilities		
Trade and other payables (USD)	(363,065)	(554,023)
Trade and other payables (GBP)	-	(16,143)
Trade and other payables (RMB)	(5,206,400)	(1,713,997)
	(5,569,465)	(2,284,163)
Borrowings (RMB)	(2,107,943)	(2,107,837)
Net exposure	(2,078,626)	10,341,221

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

At 31 December 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

Judgements of reasonable possible movements:	31 December 2016 $	31 December 2015 $
AUD/USD and AUD/RMB +20%		
Equity increase/(decrease)	346,438	(1,723,537)
AUD/USD and AUD/RMB -20%		
Equity increase/(decrease)	(415,725)	2,068,244

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.

20. 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	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Consolidated Group	$000	$000	$000	$000	$000	$000	$000	$000
Financial liabilities due for payment								
Bank operating facility and loans	2,108	2,108	-	-	-	-	2,108	2,108
Trade and other payables	5,687	2,234	-	-	-	-	5,687	2,234
Current tax liabilities	12	242	-	-	-	-	12	242
Other liabilities	-	-	-	-	-	-	-	-
Total contractual outflows	**7,807**	**4,584**	**-**	**-**	**-**	**-**	**7,807**	**4,584**
Total expected outflows	**7,807**	**4,584**	**-**	**-**	**-**	**-**	**7,807**	**4,584**
Financial assets – cash flows realisable								
Cash and cash equivalents	4,362	6,658	-	-	-	-	4,362	6,658
Trade and other receivables	2,877	9,413	-	-	-	-	2,877	9,413
Total anticipated inflows	**7,239**	**16,071**	**-**	**-**		**-**	**7,239**	**16,071**
Net (outflow)/ inflow on financial instruments	**(568)**	**11,487**		**-**	**-**	**-**	**(568)**	**11,487**

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.

21. COMMITMENTS AND CONTINGENT LIABILITES

	31 December 2016 $	31 December 2015 $
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	244,796	-
Later than one year but not later than five years	734,390	-
	979,186	-
Other commitments		
Other commitment not provided for in the financial statements and payable:		
Not later than one year	-	1,438,430
Later than one year but not later than five years	-	1,000,000
	-	2,438,430

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.

22. EARNINGS PER SHARE

	Year ended 31 Dec 2016 Cents per share	Year ended 31 Dec 2015 Cents per share
Basic earnings per share		
From continuing operations	(8.61)	2.09
From discontinued operations	-	(2.61)
Total earnings/(loss) per share	(8.61)	(0.52)

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.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $
Profit/(Loss) for the year attributable to owners of the Consolidated Entity	(13,606,636)	(753,313)
Earnings used in the calculation of basic earnings per share	(13,606,636)	(753,313)
(Profit)/Loss for the year from discontinued operations used in the calculation of basic earnings/loss per share from discontinued operations	-	3,761,051
Earnings used in the calculation of basic earnings/loss per share from continuing operations	(13,606,636)	3,007,738
Weighted average number of ordinary shares for the purposes of basic earnings/loss per share	158,042,830	143,902,299

The Company completed the consolidation of its share capital through the conversion of every ten shares in the capital of the Company into one share ("Share Consolidation") on 4 June 2015. The weighted average number of ordinary shares for the purposes of basic earnings per share are disclosed on a post Share Consolidation basis.

23. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 31 December 2016	Entity interest 31 December 2015
Parent entity			
Vmoto Limited	Australia		
Controlled entities			
Vmoto Australia Pty Ltd	Australia	100%	100%
Vmoto 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%
Shanghai Jiye Electric Vehicle Co, Ltd	China	51%	-

24. 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
Ms Shannon Coates	Director (Non-Executive) – appointed 23 May 2014

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(ii) Executives

Mr Shuguang Han	General Manager - appointed 1 May 2014
Mr Fei Wu	Sales Manager - appointed 1 May 2014
Mr Zhengjie Wu	Vice General Manager - appointed 5 October 2009, resigned 31 October 2016
Mr Leon Wan	Vice General Manager - appointed 31 July 2016
Ms Susan Xie	Sales Manager - appointed 1 March 2010

The total remuneration paid to Key Management Personnel of the Company and the Consolidated Entity during the period ended 31 December 2016 was as follows:

	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $
Short-term employee benefits	758,952	761,207
Share-based payments	33,750	127,100
Total KMP compensation	792,702	888,307

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 2016.

25. 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%	$5,327,987
				$5,327,987

The controlling interests in Shanghai Jiye Electric Vehicle Co, Ltd ("Jiye") was acquired so as to secure and expand the Group's electric two-wheel vehicle operations in China.

Consideration

	Jiye
Cash	$442,712
Stocks	$4,467,761
Debt forgiveness (a)	$417,514
	$5,327,987

a) Prior to the acquisition of controlling interests in Jiye, Jiye had a debt of $417,514 payable to the Group. As part of the acquisition, this debt has been forgiven.

25. BUSINESS COMBINATIONS (cont'd)

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
Stocks	$4,690,851
Non-current assets	
Fixed assets	$506,957
Customer base	$2,177,155
Current liabilities	
Trade and other payables	($2,517,924)
Deposits/advance from customers	($1,659,456)
Non-current liabilities	
Deferred tax liabilities	($544,289)
Fair value of identifiable net assets acquired	$3,865,502

The fair value of plant and equipment acquired is determined based on vendors' best estimate of the likely fair value. The fair value of customer base intangible asset acquired are calculated based on ten year cash flow projections using the pre-tax, risk free discount rate of 8.4%.

Goodwill arising on acquisition

	Jiye
Consideration	$5,327,987
Less: Fair value of identifiable net assets acquired	($3,865,502)
Add: Non-controlling interests	$1,093,992
Goodwill arising on acquisition	$2,556,477

Goodwill arose in the acquisition of controlling interest in Jiye 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 and future market development in EV markets. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow/outflow on acquisition of subsidiary

	Year ended 31 Dec 2016
Consideration paid in cash	$442,712
Less: Cash and cash equivalents balances acquired	($1,133,183)
Net cash (inflow)/outflow on acquisition of subsidiary	($690,471)

Impact of acquisitions on the results of the Group

Included in the loss for the year ended 31 December 2016 is $908,454 attributable to the operation of Jiye. Revenue for year ended 31 December 2016 includes $19 million in respect of Jiye.

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
26. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit/(Loss) for the year	(14,092,903)	(753,313)
Adjustments for:		
- Depreciation and amortisation	1,166,235	765,953
- Discontinued operations	-	3,577,493
- Impairments	12,952,060	-
- Share based payment expenses	154,082	593,503
- Expenses recognised in profit or loss	244,892	-
- Income tax (benefit)/expenses	(42,900)	299,152
Operating loss before changes in working capital and provisions	381,466	4,482,788
(Increase)/decrease in receivables	5,869,845	(4,322,407)
(Increase)/decrease in inventories	(2,439,771)	1,397,131
(Increase)/decrease in other assets	(911,821)	474,925
(Decrease)/ increase in payables	(2,852,638)	(2,016,554)
Net cash (used in) operating activities	47,081	15,883

27. 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 23. 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 2016 $	Year ended 31 Dec 2015 $
Non-current		
Unsecured loans to controlled entities	22,173,416	26,601,046
Provision for non-recovery	(22,173,416)	(26,601,046)
	-	-

28. SUBSEQUENT EVENTS

Issue Tranche 2 Shares to Acquire PowerEagle Trademark

On 31 January 2017, the Company issued 11,764,706 fully paid ordinary shares at an issue price of $0.085 per share to nominees of PowerEagle as Tranche 2 consideration to acquire 100% of PowerEagle trademark as announced on 23 December 2015.

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.

29. PARENT ENTITY DISCLOSURES

Financial position	31 Dec 2016 $	31 Dec 2015 $
Assets		
Current assets	1,623,141	2,628,201
Non-current assets	16,302,109	14,503,848
Total assets	17,925,250	17,132,049
Liabilities		
Current liabilities	1,125,755	143,322
Non-current liabilities	-	-
Total Liabilities	1,125,755	143,322
Net assets	**16,799,495**	**16,988,727**
Equity		
Issued capital	71,446,718	70,276,494
Accumulated losses	(54,975,429)	(53,894,138)
Reserves		
Share based payment premium reserve	328,206	606,373
Total equity	16,799,495	16,988,727

Financial performance	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $
Loss for the period	1,081,290	2,123,927
Other comprehensive income	-	-
Total comprehensive income	1,081,290	2,123,927

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 2016.

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.

30. 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. Refer Note 11, for details of fair value measurement on investments.

DIRECTORS' DECLARATION

In the opinion of the Directors of Vmoto Limited:

(a) the financial statements and notes, set out on pages 24 to 66, 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 2016 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 2016.

Signed in accordance with a resolution of the Directors:

Yiting (Charles) Chen
Managing Director

Dated at Western Australia, this 31st day of March 2017.

Bentleys
THINKING AHEAD

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 2016, 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

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

DATED at PERTH this 31st day of March 2017

Independent Auditor's Report

To the Members of Vmoto Limited

Bentleys
THINKING AHEAD

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vmoto Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of Cash Generating Units inclusive of goodwill, other intangible assets and property, plant and equipment.	
As disclosed in note 10 of the consolidated financial statements, the Group has goodwill and other intangible assets and property plant and equipment of $11.7m after impairment charges of $10.3m, which is included in the following Cash Generating Units (CGU); Shanghai and Nanjing. Impairment of intangible assets is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, the Group's current year's performance and due to the judgement involved in determining the key assumptions used in the recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of each CGU is based on certain key assumptions, such as cash flow projections covering a five-year period and a further 9 year period based on a zero percentage growth rate and discount rate.	Our procedures amongst others included: • Obtaining an understanding of the value in use model and assumptions used; • Critically evaluating management's methodologies and their documented basis for key assumptions utilised in the valuation models which are described in Note 10; • We compared growth rates against observable external market data; • We checked the mathematical accuracy of the cash flow models and assessed the historical accuracy of forecasting by the Group; • We performed sensitivity analyses around the key drivers of growth rates used in the cash flow forecasts and the discount rate used; and • We assessed the appropriateness of the disclosures included in Notes 1(ab), 9 and 10 to the financial report.
Accounting for Business Combination	
The acquisition of Shanghai Jiye as disclosed in note 25 of the consolidated financial statements is a key audit matter due to the size of the acquisition (purchase consideration of $5.3m) and complexities inherent in a business acquisition. Management has completed a process to allocate the purchase consideration to tangible assets, goodwill and separately identifiable intangible assets including a customer base. This process involved estimation and judgement of future performance of the business and discount rates applied to future cash flows forecasted.	Our procedures amongst others included: • Reviewing the acquisition agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Assessed the deemed consideration with the terms of the acquisition agreement; • Reviewed acquisition date balance sheet to acquisition agreement and underlying supporting documentation; • Assessed the fair value of assets and liabilities acquired to the fair value assessment conducted

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>by management, which included a discounted cash flow model calculating the value of customer relationship intangible assets recorded at the date of acquisition.
For the customer relationship intangible assets we performed the following:
Assessed the underlying assumptions used in the models including customer attrition rate and discount rate;
Assess whether the cash flow inputs used in the model were reasonable compared to actual results; and
Recalculated the mathematical accuracy of the models.
We assessed the appropriateness of the disclosures included in Notes 1(ab), 10, 25 to the financial report.</td></tr>
<tr><td>Existence and recoverability of Inventory</td><td></td></tr>
<tr><td>The Group's core operations are located in China, (Nanjing and Shanghai). At year end the Consolidated Entity had $6.99m of inventory on hand. Existence and valuation of inventory were considered key audit matters due to:
The quantum of inventory on hand
The location of the inventory
Risk of stock obsolescence from changing technology
The importance of inventory in relation to generating positive operating cashflows.</td><td>Our procedures amongst others included:
Attending stock takes conducted at year end and performing sample counts;
Observing for damaged or obsolete stock on hand whilst on site;
Reviewing gross margins on inventory sales during the year on a monthly basis;
Reviewing unit cost of inventory items and related sales of that item to supporting documentation on a sample basis to assess assumption of inventory being held at the lower of cost or net realisable value;
Review of inventory line items on a sample basis to identify slow moving or obsolete stock items on hand;
Reviewing margins and inventory turnover via analytical procedures;</td></tr>
<tr><td>Accounting for capitalised development costs</td><td></td></tr>
<tr><td>The capitalised development costs of $4.3m (pre impairment) as disclosed in Note 10 of the consolidated financial statements is considered to be a key audit matter due to the significance to the consolidated statement of financial position and the</td><td>Our procedures amongst others included:
Assessing the recognition criteria for internally generated intangible assets;
Evaluating the key assumptions used for</td></tr>
</table>

Key Audit Matter	How our audit addressed the key audit matter
specific criteria that are required to be met for capitalisation. This involves management judgement such as with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably. In addition, management judgement is also required in estimation of useful lives of the completed projects. As part of the impairment assessment of the Nanjing CGU, all capitalised development costs were impaired.	estimates made in capitalising development costs, including assessment of whether capitalised costs related to the development phase of the project, the generation of probable future economic benefits and the useful economic life attributed to the asset. • We performed audit procedures over the recognition and accuracy of the amounts capitalised in the period. • We considered whether any impairment was required. • We assessed the adequacy of the disclosures in Note 1 (ab) and 10.
Recoverability of Loan to Jiangsu Kaiyang	
The Consolidated Entity provided loans of RMB5 million ($994,313) to Jiangsu Kaiyang in FY2015 which was interest free and repayable in two years. Due to the quantum of the loan, the recoverability of the loan was considered a key audit matter. The consolidated Entity provided for the loan in full.	Our procedures amongst others included: • Review of terms and conditions to the loan agreement; • Discussions held with management over recoverability of the loan; • Assessment of the Jiangsu Kaiyang's financial statements for its capacity to repay the loan;

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Vmoto Limited, for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 31st day of March 2017

The following information is current as at 17 March 2017:

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:

Name of Substantial Shareholder	*Date Notice provided to the Company*	*Number of Shares*
Mr Yiting (Charles) Chen	20 August 2012	6,049,372

On-Market Buy Back

There is no current on-market buy back.

Distribution Schedules

Distribution schedules for each class of security as at 17 March 2017 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

Range			Holders	Units	%
1	-	1,000	391	238,483	0.14
1,001	-	5,000	1,362	3,873,141	2.24
5,001	-	10,000	652	5,362,060	3.11
10,001	-	100,000	1,267	43,939,309	25.47
100,001	-	Over	207	119,120,719	69.04
Total			3,879	172,533,712	100.00

Class E unlisted options exercisable at $0.40 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[1]	500,000	100.00
Total			1	500,000	100.00

[1] Newcove International Inc holds 500,000 options comprising 100.0% of this class.

Class F unlisted options exercisable at $0.80 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[1]	500,000	100.00
Total			1	500,000	100.00

[1] Newcove International Inc holds 500,000 options comprising 100.0% of this class.

Class G unlisted options exercisable at $0.50 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[1]	100,000	100.00
Total			1	100,000	100.00

[1] Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 100,000 options comprising 100.0% of this class.

Class H unlisted options exercisable at $0.75 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[1]	100,000	100.00
Total			1	100,000	100.00

[1] Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 100,000 options comprising 100.0% of this class.

Class I unlisted options exercisable at $1.00 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[1]	200,000	100.00
Total			1	200,000	100.00

[1] Silverlight Holdings Pty Ltd <Cairns Investment A/C> holds 200,000 options comprising 100.0% of this class.

Class J unlisted options exercisable at $0.75 each, expiring 31 December 2017

Range			Holders	Units	%
1	-	1,000	-	-	-
1,001	-	5,000	-	-	-
5,001	-	10,000	-	-	-
10,001	-	100,000	2	88,888	12.35
100,001	-	Over	1[1]	631,093	87.65
Total			3	719,981	100.00

[1] Pershing Australia Nominees Pty Ltd <Blue Ocean Equities A/C> holds 613,093 options comprising 87.65% of this class.

Class K Incentive Performance Rights, subject to vesting criteria

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

[1] 250,000 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.

Unmarketable Parcels

Holdings of less than a marketable parcel of ordinary shares (being 6,757 as at 17 March 2017):

Holders	Units
1,947	5,259,238

Top Holders

The 20 largest registered holders of quoted securities as at 17 March 2017 were:

Fully paid ordinary shares

	Name	No. Shares	%
1	PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	10,213,040	5.92
2	XIAORUI DING	8,823,529	5.11
3	XIAONA ZHAO	6,374,510	3.69
4	TRESDAM PTY LTD	4,276,003	2.48
5	MR RAYMOND EDWARD MUNRO & MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C>	3,880,000	2.25
6	CITICORP NOMINEES PTY LIMITED	3,667,222	2.13
7	MR BRENDAN DAVID GORE <THE GORE FAMILY A/C>	3,245,000	1.88
8	XIAONA ZHAO	2,977,439	1.73
9	MR ANDREW STEWART CARNEGIE HARRISON & MRS LINDEN MARGARET HARRISON	2,925,001	1.70
10	VANFULL INVESTMENTS LIMITED	2,588,866	1.50
11	MR THOMAS JOSEPH FALVEY	2,437,540	1.41
12	SILVERLIGHT HOLDINGS PTY LTD <CAIRNS INVESTMENT A/C>	2,436,365	1.41
13	BNP PARIBAS NOMS PTY LTD <DRP>	2,121,360	1.23
14	MR STEPHEN COLBECK	2,000,000	1.16
15	OUTRIGHT INTERNATIONAL BUSINESS GROUP LIMITED	2,000,000	1.16
16	YANG PTY LTD <YANG FAMILY A/C>	1,920,500	1.11
17	BEAUFORT NOMINEES LIMITED <SSLNOMS>	1,597,000	0.93
18	MR JAMES MICHAEL SCOTT	1,500,000	0.87
19	MR YAO TIEMING	1,492,000	0.86
20	PROF ANTHONY CRAIG WATSON & MRS STEPHANIE GAIL WATSON <PAILI SUPER FUND A/C>	1,300,000	0.75
		67,775,374	**39.82**

Corporate Governance

The Company's Corporate Governance Statement for the 2016 financial year can be accessed at www.vmoto.com/investors.