



**VMOTO LIMITED**  
ABN 36 098 455 460

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**ANNUAL REPORT**  
for the year ended 31 December 2019



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

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### Directors

Mr Phillip Campbell – Non-Executive Chairman  
Mr Charles Chen – Managing Director  
Mr Ivan Teo – Finance Director  
Mr Kaijian Chen – Non-Executive Director  
Ms Shannon Coates – Non-Executive Director

### Company Secretary

Ms Shannon Coates

### Principal and Registered Office

Suite 5, 62 Ord Street  
West Perth, Western Australia 6005  
Australia  
Telephone: +61 8 9226 3865  
Facsimile: +61 8 9322 5230

### Share Registry

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth, Western Australia 6000  
Australia  
Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### Website and Email

Website:  
[www.vmoto.com](http://www.vmoto.com)  
[www.vmosoco.com](http://www.vmosoco.com)

Email: [info@vmoto.com](mailto:info@vmoto.com)

### Auditor

Bentleys Audit & Corporate (WA) Pty Ltd  
Level 3, 216 St Georges Terrace  
Perth, Western Australia 6000  
Australia

### Banker

National Australia Bank  
1238 Hay Street  
West Perth, Western Australia 6005  
Australia

### Solicitors

Squire Patton Boggs  
Level 21, 300 Murray Street  
Perth, Western Australia 6000  
Australia  
Accuro Legal  
Suite 2602, Level 26, 56 Pitt Street  
Sydney, New South Wales 2000  
Australia  
Austin Haworth & Lexon Legal  
Level 12, 87-89 Liverpool Street  
Sydney, New South Wales 2000  
Australia

### Securities Exchanges

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

### ASX Code: VMT

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



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## C H A I R M A N ' S L E T T E R

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Dear Shareholders,

It is with a great deal of satisfaction that I present the Annual Report of Vmoto Limited for the year ended 31 December 2019. The strategy we have been executing since 2017 has directly lead to a record financial performance (EBITDA \$2.9m) in FY2019, following on from an inaugural positive EBITDA result (\$18k) in FY2018.

The year was one that delivered a number of firsts for Vmoto. The first new E-Max model for many years, the VS1, designed in response to demand for our B2B customers for a more sophisticated product offering, was launched at EICMA in Milan in November 2019. At the same international motorcycle show, we unveiled the new and exciting Super Soco CPx for the B2C and ride sharing markets.

In another first, Vmoto signed a worldwide licensing agreement with iconic Italian manufacturer Ducati to release the CUX special edition Ducati two-wheel electric vehicle. This luxury product, marketed at a premium price, put paid to the sceptics who for too long have doubted the quality and reliability of Chinese manufactured product. It positions Vmoto, and its partner Super Soco, as the industry's leading manufacturers and distributors of two-wheeled electric vehicles.

In 2020 we will continue to pursue our strategy of selling high value, high performance electric two-wheeled vehicles into international markets and now find ourselves in the fortunate position of having distributors seek us out, rather than vice versa.

On behalf of the Board, I would like to thank Managing Director, Charles Chen, his dedicated leadership team, including Finance Director, Ivan Teo, and all Vmoto employees on a very solid performance.

Finally, to those shareholders, who have supported us through thick and thin, you should now feel vindicated by your decision to continue to back the management team. We thank you for your continued support.

Yours faithfully

**Phillip Campbell**  
Non-Executive Chairman

PS:

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. We have not seen a significant impact on our business to date, other than some delays in delivery into Europe. However, the outbreak and the response of various governments in dealing with the pandemic is likely to interfere with general activity levels within the community, the global economy and potentially the operations of our business. The scale and duration of these impacts remain uncertain as at the date of this report. Fortunately, we have low fixed costs and the ability to implement aggressive cost reduction initiatives quickly if necessary. We will update the market in the event there is likely to be a material impact on our earnings, cash flow and financial condition.



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## OPERATIONS REVIEW

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### OVERVIEW

#### Highlights

- **19,971 electric two-wheel vehicles sold globally representing an 84% increase on FY2018**
- **Strong growth in sales in European and non-European markets with 131% and 53% growth respectively**
- **Worldwide licencing agreement signed with Ducati and strong demand receiving. Units sold 80% above the minimum requirement**
- **Successful execution of expanded strategy to ride sharing providers and increase global footprint**
- **Two extremely successful new product launches *E-Max VS1* and *Super Soco CPx*, both unveiled at the EICMA. Sales delivered above expectations**
- **The Company expects its strong sales network and ongoing marketing activities will continue to increase brand and product awareness and continue to drive a strong and growing pipeline of sales leads**

FY2019 represented a transformational year for Vmoto Limited as the Company delivered strong performance across all operations.

The Company's record financial and operational performance was driven by the launch of two new electric scooter models and strong demand from its existing distributors and ride sharing customers. Growth was also propelled by the signing of a number of new commercial and distributor agreements that significantly increased product sales and delivered strong revenue growth.

The Company successfully delivered on its expanded growth strategy to capitalise on the rapidly growing electric vehicle market by partnering with industry leading distributors and automotive brands.

### OPERATIONAL SUCCESS DELIVERS STRONG FINANCIAL GROWTH AND INCREASED PROFIT

During FY2019, the Company sold 19,971 electric two-wheel vehicles globally representing an 84% increase compared to the previous financial year. Sales into European markets grew significantly to 9,873 units, up 131% on FY2018 and sales into non-European markets grew to 10,098 units, up 53% on FY2018.

During FY2019, the Company delivered:

- Total revenue of \$45.7 million, a 133% increase on FY2018
- Strong EBITDA of \$2.9 million, compared to EBITDA of \$18k in FY2018
- Net profit after tax of \$1.3 million, in line with profit guidance released on 11 December 2019
- Strong positive cash flows from operating activities of \$1.7 million, compared to FY2018 positive cash flows from operating activities of \$0.3 million
- Strong cash position of \$6.6 million as at 31 December 2019, up \$2.5 million in total since 31 December 2018
- Net tangible assets of \$16.1 million at 31 December 2019, which excludes \$6.9 million valuation increment for Nanjing land and buildings, currently carried at cost of \$5.8 million but independently valued at \$12.7 million in FY2019

Over the 12-month period to 31 December 2019, the Consolidated Entity's net assets increased 11% to \$17 million (31 December 2018: \$15.3 million).

As at 31 December 2019, the Company's operating facility was drawn down by RMB10 million (approximately \$2 million), with a total RMB15 million (approximately \$3.1 million) remaining undrawn.

### LICENSING AGREEMENT SIGNED WITH DUCATI

In May 2019, Vmoto signed a worldwide licensing agreement with Italian motorcycle manufacturer Ducati Motor Holding S.p.A. (Ducati) to release the *CUX special edition Ducati* two-wheel electric vehicle.

Under the agreement, Vmoto agreed to supply and release its CUX two-wheel electric vehicles bearing the Ducati brand and label, to be sold as official products under the licence of Ducati. Vmoto's two-wheel electric vehicles *CUX special edition Ducati* is marketed as a high-end, luxury product to consumers at a premium price, delivering high-margins to VMT.



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## OPERATIONS REVIEW (cont'd)

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Following the signing of the Ducati agreement, the Company sold and delivered 720 units of the *CUX Special Edition Ducati* two-wheel electric vehicle to its international distributors.

Units sold in 2019 exceeded minimum contracted unit numbers by 80%, a significant achievement and strong endorsement of Vmoto's global distribution network. The Company expects its *CUX Special Edition Ducati* two-wheel electric vehicle to continue to generate strong customer demand from retail consumers.

### FURTHER EXPANSION INTO INTERNATIONAL MARKETS

During FY2019, the Company received increasing demand from its existing international distributors.

To grow sales and further deliver on its growth strategy to work with leading distribution partners globally, Vmoto signed agreements with multiple additional distributors in Argentina, Brazil, Croatia, France, Mexico, Mongolia, Netherlands, Nepal, Portugal, Romania, Vietnam and almost all Eastern European countries. To date these agreements have proven fruitful and VMT continues to explore additional distribution partners to expand its global distribution network.

In addition to this, Vmoto extended its strategy to also partner with ride-sharing companies to increase sales and increase brand exposure within international markets. Execution of this strategy has been very successful, and the Company has now partnered with Go-Sharing Netherlands, Zig Zag Italy, GoKube Taiwan and eMoped Australia. The Company has received strong and increasing demand from ride sharing companies and expects to continue to grow sales in the B2B ride sharing sector.

### NEW PRODUCT LAUNCHES TO DRIVE SALES

Vmoto expanded its product offering with the launch of two new electric scooter models, *E-Max VS1* and *Super Soco CPx*, both unveiled at the 2019 Esposizione Internazionale Ciclo Motociclo e Accessori ("EICMA") Motorcycle Show held in Milan, Italy in November 2019.

#### E-Max VS1

The E-Max VS1 is the Company's latest B2B electric two-wheel vehicle product and will be targeting commercial customers, including food and parcel delivery companies. E-Max VS1 is specifically designed for use in delivery operations. Vmoto has already received significant interest from existing and potential B2B customers to purchase this product for distribution internationally, including into Europe, South America, Asia Pacific and Africa.

#### Super Soco CPx

The new Super Soco CPx electric scooter is designed to target the B2C sector and will be distributed internationally by Vmoto directly to customers via the Company's existing B2C distribution channels in over 40 countries including in Europe, South America, Asia Pacific and Africa.

The Company also took the opportunity to introduce and showcase its newer/upgraded versions for its existing B2C models.

The Company expects that the new products launched and newer/upgraded versions for its existing B2C models, will continue to increase international sales in FY2020.

### CORPORATE

During the year, 3,746,963 shares were issued, comprising 2,281,106 shares issued on conversion of options and 1,465,857 shares to Directors Mr Phillip Campbell and Mr Kaijian Chen in lieu of director fees, as approved by Shareholders. In addition, 2,050,000 shares were released from voluntary escrow and 400,000 options expired unexercised.

Post the end of the financial year, on 17 March 2020, 2.85 million shares were granted to Key Management Personnel as an incentive and to recognise their efforts in the year ended 31 December 2019. The shares granted to Key Management Personnel are subject to a three-year voluntary escrow period.



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## OPERATIONS REVIEW (cont'd)

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### OUTLOOK

Vmoto continues to execute its strategy of selling high value, high performance electric two-wheel vehicles into international markets and continues to actively expand its distribution network worldwide. To this end, the Company has identified significant potential in the B2B market for its high performance electric two-wheel vehicle delivery products and is in discussions with a number of groups regarding cooperation agreements to secure orders. The Company also sees increasing demand from its B2B sharing customers and is in discussions with a number of new potential B2B sharing operators.

The Company expects its strong sales network and ongoing marketing activities will continue to increase brand and product awareness and continue to drive a strong and growing pipeline of sales leads.

With the launch of the new B2B and B2C products, and newer/upgraded versions of its existing B2C models, the management team remains confident and increasingly focused on securing further firm orders from new and existing customers. The Company also remains confident in its ability to continue to increase international sales and further consolidate its position as a leading electric two-wheel vehicle manufacturer and provider to the international markets.

The Company notes the current uncertainty and volatility in global markets arising from the impact of COVID-19. At the time of this Annual Report, the Company's manufacturing facility in Nanjing, China, is fully operational and manufacturing has been unaffected. Some short-term delays have been experienced to delivery schedules into Europe in order to adhere to European guidance and restrictions around managing COVID-19 however these are not expected to materially impact the Company's FY2020 outlook. The Company does acknowledge the significant uncertainty arising from COVID-19 and will continue to monitor and update the market if and when any material impacts are identified.



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## DIRECTORS' REPORT

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The Directors present their report together with the consolidated financial statements of Vmoto Limited ("Vmoto" or the "Company") and its controlled entities (the "Consolidated Entity") for the financial period 1 January 2019 to 31 December 2019.

### Directors

The Directors of the Company at any time during or since the end of the financial year are set out below. Directors were in office for the entire year unless otherwise stated:

| <b>Name</b>                                   | <b>Experience and responsibilities</b>  |
|---|---|
| <b>Phillip Campbell</b>                       | Mr Campbell was appointed as Non-Executive Chairman on 31 May 2017.   |
| <b>Independent<br/>Non-Executive Chairman</b> | Mr Campbell's career spans 35 years and includes national and international postings across a range of industries including resources, construction, manufacturing, food, and engineering services. Phillip is currently Chairman of ASX listed Fleetwood Corporation (ASX: FWD) and has previously been a director of mining services company Pearl-Street Limited; energy and technical services business, HRL Limited; agricultural company, Fodder King Limited; and Chairman of FMCG business, Farm Pride Foods Limited. He is currently also a director and advisor to a number of unlisted public, private and not-for-profit organisations across Australia including Chairman of the leading manufacturer of modular accommodation for government and industry, Fleetwood Corporation Limited. |
| <b>Charles Chen</b>                           | Mr Chen was appointed as Executive Director on 5 January 2007 and Managing Director of the Company on 1 September 2011.   |
| <b>Managing Director</b>                      | <p>Mr Chen founded Freedomotor Corporation Limited in 2004, through a management buyout of key assets, which were subsequently acquired by Vmoto. He holds a Bachelor of Automobile Engineering from Wuhan University of Automobile Technology (China) and a postgraduate Diploma of Business Administration from South Wales University (UK).</p> <p>From 1993 to 2002, Mr Chen held senior executive roles with Hainan Sundiro Motorcycle Co, Ltd, the largest publicly listed industrial company in Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001.</p> <p>Mr Chen is based in Nanjing, China, and oversees all of the Company's operations and activities.</p>   |
| <b>Ivan Teo</b>                               | 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.  |
| <b>Finance Director</b>                       | <p>Mr Teo is a qualified Chartered Accountant and has over 17 years' experience in accounting, audit, corporate finance and international business serving private and public companies in a diverse range of industries including automobile, manufacturing, mining and retail.</p> <p>Mr Teo holds a BCom degree from the University of Adelaide and is based in Nanjing, China.</p> <p>Mr Teo will be seeking re-election by shareholders at the Company's 2020 Annual General Meeting.</p>  |





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## DIRECTORS' REPORT (cont'd)

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|   |  |
|---|--|
| <b>Kaijian Chen</b>                           | Mr Chen was appointed as Non-Executive Director of the Company on 1 September 2011.  |
| <b>Independent<br/>Non-Executive Director</b> | <p>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.</p> <p>Mr Chen also served as vice president for Xinri E-Vehicle Co. Ltd, which is one of the largest electric two-wheel vehicle manufacturers in China at present and the first electric two-wheel vehicle enterprise in China that listed on securities exchange. Currently, Mr Chen is vice president of Changzhou Supaiqi E-Vehicle Co, Ltd, which is one of the most renowned electric vehicle manufacturers in China at present.</p> <p>Mr Chen holds a degree from the Beijing Institute of Technology and is based in Changzhou, China.</p> |
| <b>Shannon Coates</b>                         | Ms Coates was appointed as Non-Executive Director of the Company on 23 May 2014.   |
| <b>Independent<br/>Non-Executive Director</b> | <p>Ms Coates completed a Bachelor of Laws through Murdoch University 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 &amp; Administrators and Governance Institute Australia. She is also a graduate of the Australian Institute of Company Directors.</p> <p>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.</p>  |
| <b>Company Secretary</b>                      | Ms Coates was appointed as Company Secretary on 10 May 2007.   |
| <b>Shannon Coates</b>                         | A summary of Ms Coates' qualifications and experience appears above.   |



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

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### 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 2019 are as follows:

| Director            | Company                | Period of directorship |         |
|---------------------|------------------------|------------------------|---------|
|                     |                        | From                   | To      |
| Mr Phillip Campbell | Fleetwood Corp Limited | 2016                   | Current |
| Mr Charles Chen     | -                      | -                      | -       |
| Mr Ivan Teo         | -                      | -                      | -       |
| Mr Kaijian Chen     | -                      | -                      | -       |
| Ms Shannon Coates   | Flinders Mines Limited | 2018                   | 2019    |
|                     | Kopore Metals Limited  | 2015                   | 2020    |

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### 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 2019 are:

| Director            | Board Meetings      |          |
|---------------------|---------------------|----------|
|                     | Held while Director | Attended |
| Mr Phillip Campbell | 6                   | 6        |
| Mr Charles Chen     | 6                   | 6        |
| Mr Ivan Teo         | 6                   | 6        |
| Mr Kaijian Chen     | 6                   | 4        |
| Ms Shannon Coates   | 6                   | 6        |

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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 2019 was the development and manufacture, marketing and distribution of electric powered two-wheel 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" style electric two-wheel vehicles from its own manufacturing facilities in Nanjing, China. Vmoto combines low cost Chinese manufacturing capabilities with European design. The Group operates through two primary brands: E-Max (targeting international B2B markets, with a premium high-end product) and Super Soco (targeting the international B2C markets).



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## DIRECTORS' REPORT (cont'd)

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Total consolidated sales of \$45.7 million were recorded for the Consolidated Entity for the year ended 31 December 2019 (FY2018: \$19.6 million). The revenue of the Consolidated Entity has increased 133% compared to the year ended 31 December 2018, largely due to increased international sales into the electric two-wheel vehicle market as the Company capitalised on new government policies and regulation in Europe supporting electric vehicle transport and the growth of vehicle leasing and logistics projects. During the year ended 31 December 2019, the Consolidated Entity recorded a net profit of \$1,300,836 after income tax (FY2018: net loss after income tax of \$917,563). The earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 31 December 2019 was \$2,889,707 (FY2018: \$18,437).

The following table provides a reconciliation between the EBITDA and statutory net loss after tax for the year ended 31 December 2019 and 31 December 2018:

|  | FY2019             | FY2018             |
|--|--------------------|--------------------|
| Earnings before interest, tax, depreciation and amortisation | \$2,889,707        | \$18,437           |
| Depreciation and amortisation                                | (\$1,629,293)      | (\$967,128)        |
| Profit/(Loss) before interest and tax                        | \$1,260,414        | (\$948,691)        |
| Interest income  | \$109,157          | \$95,990           |
| Interest expense   | (\$68,735)         | (\$64,862)         |
| Income tax revenue/(expense)                                 | -                  | -                  |
| <b>Net profit/(loss) after tax</b>                           | <b>\$1,300,836</b> | <b>(\$917,563)</b> |

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 2019 is set out in the Operations Review preceding the Directors' Report.

### *Review of Financial Position*

The Consolidated Entity's net assets increased by approximately \$1.7 million during the year ended 31 December 2019.

Cash balances increased by approximately \$2.5 million during the year ended 31 December 2019 due to increased sales and orders from customers. During the year, the Consolidated Entity has continued to receive significant deposits from customers for growing orders and to invest further into stock for the Consolidated Entity's expanding European distribution operations, with an aim to reduce the lead time to deliver the products to the European customers and provide greater efficiency in after sales services.

Trade and other receivables stayed at \$2.1 million, which is consistent with the year ended 31 December 2018. This represents improvements in managing trade and other receivables as there were significant increased sales in FY2019 in comparison with FY2018.

Inventories decreased by approximately \$1.3 million largely due to more efficient processes in preparation of stocks for delivering to customers.

Prepayments increased by approximately \$2.3 million largely due to ordering for more stocks from suppliers as a result of increased sales orders from customers.

Intangible assets decreased by approximately \$149k due to amortisation of the PowerEagle trademark.

Trade and other payables decreased by approximately \$517k during the period primarily due to more efficient payments to trade payables due to improved cash flows from operations.



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## DIRECTORS' REPORT (cont'd)

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Issued capital increased by \$539k during the year ended 31 December 2019, primarily due to the exercise of options, vesting of shares previously issued to employees following release from escrow during the year and issue shares to Directors in lieu of their Director fees.

No dividend has been declared or paid by the Company to the date of this Annual Report in respect of the year ended 31 December 2019.

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

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

- Continue to execute on its five-year strategic plan (FY2017-FY2021) to focus on higher value and higher margin international markets and to become worldwide leading electric vehicle manufacturer and provider to B2C and B2B customers and markets internationally;
- Continue to improve the Company's electric two-wheel vehicle products to attract high quality international business group customers;
- Expand its European distribution network and warehouse in Europe to accelerate sales into European B2C markets; and
- Expand its international B2B business.

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.
- Business relationship with Super Soco – During the financial year, Vmoto distributed Super Soco's range of products to the international B2C markets under agreement. Post the end of FY2019, Vmoto signed a joint investment agreement with Super Soco, to establish a new jointly owned Chinese registered manufacturing company, Nanjing Vmoto Soco Intelligent Technology Co, Ltd. Vmoto and Super Soco will each own 50% of the issued capital. The joint investment agreement reduced the risk however changes in business cooperation and circumstances of Super Soco could have an impact on our financial results.

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

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

### Clean Energy Legislative Package

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

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 2019.

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.



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## DIRECTORS' REPORT (cont'd)

### Events Subsequent to Balance Date

On 24 February 2020, the Company signed a joint investment agreement with Super Soco Intelligent Technology (Shanghai) Co, Ltd ("Super Soco"), to establish a new jointly owned Chinese registered manufacturing company, Nanjing Vmoto Soco Intelligent Technology Co, Ltd. The Company and Super Soco will each own 50% of the issued capital. Vmoto will contribute RMB 30 million (~A\$6.1 million) in cash and/or assets by end of June 2020 to provide the initial working capital for Vmoto Soco. Super Soco will contribute RMB 30 million (~A\$6.1 million) in cash and/or assets progressively by no later than June 2025, based on the commercial requirements of the new company.

In early 2020, COVID-19 was identified as a global pandemic. On 16 March 2020, the Company provided an update on the impact of COVID-19 on its operations, noting that its manufacturing facility in Nanjing, China was fully operational and manufacturing unaffected following a successful inspection by the Nanjing government, in which all health and virus precautionary requirements were met. The Company continues to manage this risk by implementing rigorous health and safety measures at the facility. The Company is also continually monitoring sales performance and has the ability to implement aggressive cost reductions if required.

Apart from noted above, there has not arisen in the interval between the end of the financial period and the date of this Annual 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 Annual Report are as follows:

| Director                         | Ordinary shares | Options | Performance Rights |
|----------------------------------|-----------------|---------|--------------------|
| Mr Phillip Campbell <sup>1</sup> | 1,999,721       | -       | -                  |
| Mr Charles Chen <sup>2</sup>     | 21,107,383      | -       | -                  |
| Mr Ivan Teo <sup>3</sup>         | 720,873         | -       | -                  |
| Mr Kaijian Chen <sup>4</sup>     | 2,670,115       | -       | -                  |
| Ms Shannon Coates <sup>5</sup>   | 347,728         | -       | -                  |

- 431,819 shares are held indirectly by Mr Phillip Ashley Campbell & Ms Jeanette Riakos as trustee for the P & J Super Fund. Mr Campbell is a beneficiary of the P & J Super Fund. 1,567,902 shares are held indirectly by Transform Management Pty Ltd. Mr Campbell is a sole director and shareholder of the company.
- 21,107,383 shares are held directly by Mr Charles Chen.
- 720,873 shares are held directly by Mr Ivan Teo.
- 2,670,115 shares are held directly by Mr Kaijian Chen.
- 347,728 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 Annual Report, options over unissued ordinary shares of the Company are:

| Grant Date  | Vesting Date | Expiry Date | Exercise Price | Number    |
|-------------|--------------|-------------|----------------|-----------|
| 22 May 2018 | 22 May 2018  | 22 May 2021 | 6.5 cents      | 1,982,174 |
| 22 May 2018 | 22 May 2018  | 22 May 2021 | 8.5 cents      | 282,174   |

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



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## DIRECTORS' REPORT (cont'd)

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### **Performance Rights**

At the date of this Annual Report, there are no Performance Rights over unissued ordinary shares of the Company on issue.

### **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 Annual Report, a Directors and Officers insurance policy has been secured. The insurance premium for this policy paid during the year ended 31 December 2019 was A\$59,270.

### **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 60 and forms part of the Directors' Report for the year ended 31 December 2019.



VMOTO LIMITED  
ABN 36 098 455 460

## REMUNERATION REPORT

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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 Phillip Campbell
- Mr Charles Chen
- Mr Ivan Teo
- 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 Marcel Koper (Europe After Sales & Service Director, appointed 1 April 2019)
- Mr Jeffrey Wu (International Sales Manager)
- Ms Susan Xie (International Sales Manager)
- Mr Xiaoliang Wan (Purchasing Manager)
- Mr Chaohui Li (Technical 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 offer Performance Rights which will convert 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.





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## REMUNERATION REPORT (cont'd)

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

|                                   | 31 Dec 2019 | 31 Dec 2018   | 31 Dec 2017   | 31 Dec 2016   | 31 Dec 2015   |
|-----------------------------------|-------------|---------------|---------------|---------------|---------------|
|                                   | 12 months   | 12 months     | 12 months     | 12 months     | 12 months     |
| <i>In AUD</i>                     | \$'000      | \$'000        | \$'000        | \$'000        | \$'000        |
| Revenue                           | 45,672      | 19,578        | 15,079        | 17,271        | 47,613        |
| Net profit / (loss) before tax    | 1,301       | (918)         | (8,097)       | (14,081)      | 116           |
| Net profit / (loss) after tax     | 1,301       | (918)         | (8,097)       | (14,093)      | (753)         |
|                                   |             |               |               |               |               |
| <i>In AUD</i>                     | 31 Dec 2019 | 31 Dec 2018   | 31 Dec 2017   | 31 Dec 2016   | 31 Dec 2015   |
|                                   | 12 months   | 12 months     | 12 months     | 12 months     | 12 months     |
| Share price at start of period    | \$0.056*    | \$0.058*      | \$0.099*      | \$0.33*       | \$0.04        |
| Share price at end of period      | \$0.245*    | \$0.056*      | \$0.058*      | \$0.099*      | \$0.33*       |
| Dividend                          | -           | -             | -             | -             | -             |
| Basic earnings/(loss) per share   | 0.58 cents* | (0.43 cents)* | (4.68 cents)* | (8.61 cents)* | (0.52 cents)* |
| Diluted earnings/(loss) per share | 0.57 cents* | (0.43 cents)* | (4.68 cents)* | (8.61 cents)* | (0.52 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.



## REMUNERATION REPORT (cont'd)

### Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the named officers of the Company and the Consolidated Entity for the years ended 31 December 2019 and 31 December 2018 are:

| <i>In AUD</i>                    |                       | SHORT-TERM           |                      | POST-EMPLOYMENT               | SHARE BASED PAYMENTS |             | Proportion of remuneration shares related | Proportion of remuneration performance related |
|----------------------------------|-----------------------|----------------------|----------------------|-------------------------------|----------------------|-------------|---|--|
|                                  |                       | Salary & fees<br>\$  | STI cash bonus<br>\$ | Superannuation benefits<br>\$ | Shares<br>\$         | Total<br>\$ |   |  |
| <b>Executive Directors</b>       |                       |                      |                      |                               |                      |             |   |  |
| Mr Charles Chen                  | 12 months to Dec 2019 | 350,000 <sup>1</sup> | -                    | -                             | -                    | 350,000     | -   | -  |
|                                  | 12 months to Dec 2018 | 350,000              | -                    | -                             | -                    | 350,000     | -   | -  |
| Mr Ivan Teo                      | 12 months to Dec 2019 | 152,480 <sup>2</sup> | -                    | -                             | -                    | 152,480     | -   | -  |
|                                  | 12 months to Dec 2018 | 152,446              | -                    | -                             | -                    | 152,446     | -   | -  |
| <b>Non-Executive Directors</b>   |                       |                      |                      |                               |                      |             |   |  |
| Mr Phillip Campbell <sup>3</sup> | 12 months to Dec 2019 | 55,000               | -                    | -                             | 106,367              | 161,367     | 66%                                       | -  |
|                                  | 12 months to Dec 2018 | 55,000               | -                    | -                             | 50,000               | 105,000     | 48%                                       | -  |
| Mr Kaijian Chen <sup>4</sup>     | 12 months to Dec 2019 | -                    | -                    | -                             | 69,566               | 69,566      | 100%                                      | -  |
|                                  | 12 months to Dec 2018 | -                    | -                    | -                             | 40,000               | 40,000      | 100%                                      | -  |
| Ms Shannon Coates <sup>5</sup>   | 12 months to Dec 2019 | 50,000               | -                    | -                             | -                    | 50,000      | -   | -  |
|                                  | 12 months to Dec 2018 | 50,000               | -                    | -                             | -                    | 50,000      | -   | -  |
| Total, all Directors             | 12 months to Dec 2019 | 607,480              | -                    | -                             | 175,933              | 783,413     | 22%                                       | -  |
|                                  | 12 months to Dec 2018 | 607,446              | -                    | -                             | 90,000               | 697,446     | 13%                                       | -  |



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

1. Mr Chen's Director fees for the year ended 31 December 2019 is USD256,666.66.
2. Mr Teo's Director fees for the year ended 31 December 2019 are USD88,000 and RMB156,000.
3. Mr Campbell was appointed as Non-Executive Chairman on 31 May 2017. For the year ended 31 December 2019, Mr Campbell is entitled to \$50,000 of his Director fees in shares and the Company will seek for shareholders' approval at the 2020 Annual General Meeting for issuing the shares.
4. Mr Kaijian Chen was appointed as Non-Executive Director on 1 September 2011. Mr Chen has agreed to receive his Director fees in shares and the Company will seek shareholders' approval for this issue at the 2020 Annual General Meeting. Mr Chen's FY2018 Director fees were also paid in shares.
5. 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 2019 financial year, the Company paid Evolution Corporate Services Pty Ltd \$66,000 for these services, which is not included in the amount above.

| <i>In AUD</i>  |                       | SHORT-TERM          |                      | POST-EMPLOYMENT               | SHARE BASED PAYMENTS |             | Proportion of remuneration shares related | Proportion of remuneration performance related |
|--|-----------------------|---------------------|----------------------|-------------------------------|----------------------|-------------|---|--|
|  |                       | Salary & fees<br>\$ | STI cash bonus<br>\$ | Superannuation benefits<br>\$ | Shares<br>\$         | Total<br>\$ |   |  |
| <b>Executives</b>  |                       |                     |                      |                               |                      |             |   |  |
| Mr Marcel Koper<br>(Europe After Sales &<br>Service Director,<br>appointed 1 April 2019) | 12 months to Dec 2019 | 171,690             | -                    | -                             | -                    | 171,690     | -   | -  |
|  | 12 months to Dec 2018 | -                   | -                    | -                             | -                    | -           | -   | -  |
| Mr Jeffrey Wu<br>(Sales Manager)   | 12 months to Dec 2019 | 84,477              | 20,821               | -                             | 14,558               | 119,856     | 12%                                       | 17%  |
|  | 12 months to Dec 2018 | 52,466              | -                    | -                             | 6,271                | 58,737      | 11%                                       | -  |
| Ms Susan Xie<br>(Sales Manager)  | 12 months to Dec 2019 | 56,466              | 29,149               | -                             | 7,886                | 93,501      | 8%  | 31%  |
|  | 12 months to Dec 2018 | 28,260              | -                    | -                             | 2,855                | 31,115      | 9%  | -  |
| Mr Xiaoliang Wan<br>(Purchasing Manager)   | 12 months to Dec 2019 | 50,490              | 23,007               | -                             | 8,025                | 81,522      | 10%                                       | 28%  |
|  | 12 months to Dec 2018 | 22,423              | -                    | -                             | 8,233                | 30,656      | 27%                                       | -  |
| Mr Chaohui Li<br>(Technical Manager)   | 12 months to Dec 2019 | 32,368              | 7,287                | -                             | 2,386                | 42,041      | 6%  | 17%  |
|  | 12 months to Dec 2018 | 28,961              | -                    | -                             | 2,678                | 31,639      | 9%  | -  |
| Total, all Executives  | 12 months to Dec 2019 | 395,491             | 80,264               | -                             | 32,855               | 508,610     | 6%  | 16%  |
|  | 12 months to Dec 2018 | 132,110             | -                    | -                             | 20,037               | 152,147     | 13%                                       | -  |

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

### Share-based payment arrangements

#### Shares

On 17 March 2020, 2.85 million shares were granted to Key Management Personnel as an incentive and to recognise their efforts in the year ended 31 December 2019. The shares granted to Key Management Personnel are subject to a three-year voluntary 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 ESOP, executives and senior employees may be granted options to purchase ordinary shares at an exercise price to be determined by the Board with regard to the market value of the shares when it resolves to offer the options. The options may only be granted to eligible persons after the Board considers the person's seniority, position, length of service, record of employment, potential contribution and any other matters which the Board considers relevant.

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

The number of options granted is determined by the Board.

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

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 2019, no options were granted to Key Management Personnel under the ESOP.

### Share holdings and transactions of Key Management Personnel

The movement during the year ended 31 December 2019 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<br>1 Jan 2019 | Held at<br>date of<br>appointment | Net change <sup>1</sup> | Granted as<br>remuneration | Received on<br>vest of<br>performance<br>rights | Held at<br>date of<br>resignation<br>/cessation | Held at<br>31 Dec 2019 |
|-------------------|-----------------------|-----------------------------------|-------------------------|----------------------------|---|---|------------------------|
| <b>Directors</b>  |                       |                                   |                         |                            |   |   |                        |
| Mr P Campbell     | 1,113,583             | N/A                               | -                       | 886,138                    | -   | N/A   | 1,999,721              |
| Mr C Chen         | 15,646,726            | N/A                               | 5,460,657               | -                          | -   | N/A   | 21,107,383             |
| Mr I Teo          | 720,873               | N/A                               | -                       | -                          | -   | N/A   | 720,873                |
| Mr K Chen         | 2,090,396             | N/A                               | -                       | 579,719                    | -   | N/A   | 2,670,115              |
| Ms S Coates       | 347,728               | N/A                               | -                       | -                          | -   | N/A   | 347,728                |
| <b>Executives</b> |                       |                                   |                         |                            |   |   |                        |
| Mr M Koper        | N/A                   | -                                 | -                       | -                          | -   | N/A   | -                      |
| Mr J Wu           | 750,000               | N/A                               | -                       | -                          | -   | N/A   | 750,000                |
| Ms S Xie          | 450,000               | N/A                               | -                       | -                          | -   | N/A   | 450,000                |
| Mr X Wan          | 460,000               | N/A                               | -                       | -                          | -   | N/A   | 460,000                |
| Mr C Li           | 160,000               | N/A                               | -                       | -                          | -   | N/A   | 160,000                |

1. Net change represents the acquisition and disposal of shares on market and exercise of options by the Key Management Personnel.



VMOTO LIMITED  
ABN 36 098 455 460

## REMUNERATION REPORT (cont'd)

### Option holdings of Key Management Personnel

The movement during the year ended 31 December 2019 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<br>1 Jan 2019 | Held at<br>date of<br>appointment | Additions | Granted as<br>remuneration | Exercised/<br>Expired | Held at<br>date of<br>resignation<br>/cessation | Held at<br>31 Dec 2019 |
|-------------------|-----------------------|-----------------------------------|-----------|----------------------------|-----------------------|---|------------------------|
| <b>Directors</b>  |                       |                                   |           |                            |                       |   |                        |
| Mr P Campbell     | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Mr C Chen         | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Mr I Teo          | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Mr K Chen         | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Ms S Coates       | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| <b>Executives</b> |                       |                                   |           |                            |                       |   |                        |
| Mr M Koper        | N/A                   | -                                 | -         | -                          | -                     | N/A   | -                      |
| Mr J Wu           | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Ms S Xie          | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Mr X Wan          | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |
| Mr C Li           | -                     | N/A                               | -         | -                          | -                     | N/A   | -                      |

### Other Key Management Personnel Transactions

During the year ended 31 December 2019, 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 2019.

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 30th day of March 2020.



VMOTO LIMITED  
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

|  | Notes | Year ended<br>31 December 2019<br>\$ | Year ended<br>31 December 2018<br>\$ |
|--|-------|--------------------------------------|--------------------------------------|
| Revenue from sale of goods                                 |       | 45,672,354                           | 19,578,395                           |
| Cost of sales  |       | (36,018,789)                         | (16,129,230)                         |
| <b>Gross Profit</b>  |       | <b>9,653,565</b>                     | <b>3,449,165</b>                     |
| Other income   | 2     | 1,652,353                            | 995,858                              |
| Operational expenses                                       |       | (5,116,299)                          | (2,846,217)                          |
| Marketing and distribution expenses                        |       | (1,389,552)                          | (617,746)                            |
| Corporate and administrative expenses                      |       | (2,561,260)                          | (1,700,496)                          |
| Occupancy expenses   |       | (271,949)                            | (92,509)                             |
| Other expenses   | 2     | (28,753)                             | (40,756)                             |
| Finance costs  |       | (68,735)                             | (64,862)                             |
| Impairment of prepayments                                  | 8     | (568,534)                            | -                                    |
| <b>Profit/(Loss) from continuing operations before tax</b> |       | <b>1,300,836</b>                     | <b>(917,563)</b>                     |
| Income tax revenue/(expense)                               | 4     | -                                    | -                                    |
| <b>Profit/(Loss) after tax from continuing operations</b>  |       | <b>1,300,836</b>                     | <b>(917,563)</b>                     |



VMOTO LIMITED  
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (c o n t ' d )  
FOR THE YEAR ENDED 31 DECEMBER 2019

|   | Notes | Year ended<br>31 December 2019<br>\$ | Year ended<br>31 December 2018<br>\$ |
|---|-------|--------------------------------------|--------------------------------------|
| <b>Other comprehensive income</b>                               |       |                                      |                                      |
| Foreign currency translation differences                        |       | (111,406)                            | 676,177                              |
|   |       | <hr/>                                | <hr/>                                |
| Other comprehensive income for the year, net of income tax      |       | (111,406)                            | 676,177                              |
|   |       | <hr/>                                | <hr/>                                |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                  |       | <b>1,189,430</b>                     | <b>(241,386)</b>                     |
|   |       | <hr/>                                | <hr/>                                |
| <b>Profit/(Loss) for the year attributable to:</b>              |       |                                      |                                      |
| Owners of the Company   |       | 1,366,768                            | (917,563)                            |
| Non-controlling interests                                       |       | (65,932)                             | -                                    |
|   |       | <hr/>                                | <hr/>                                |
|   |       | 1,300,836                            | (917,563)                            |
|   |       | <hr/>                                | <hr/>                                |
| <b>Total comprehensive income for the year attributable to:</b> |       |                                      |                                      |
| Owners of the Company   |       | 1,255,362                            | (241,386)                            |
| Non-controlling interest  |       | (65,932)                             | -                                    |
|   |       | <hr/>                                | <hr/>                                |
|   |       | 1,189,430                            | (241,386)                            |
|   |       | <hr/>                                | <hr/>                                |
| <b>Earnings per share</b>                                       | 21    |                                      |                                      |
| <br>  |       |                                      |                                      |
| Basic earnings/(loss) per share                                 |       | 0.58 cents                           | (0.43 cents)                         |
| Diluted earnings/(loss) per share                               |       | 0.57 cents                           | (0.43 cents)                         |

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



VMOTO LIMITED  
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION  
AS AT 31 DECEMBER 2019

|                                | Notes | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--------------------------------|-------|------------------------|------------------------|
| <b>CURRENT ASSETS</b>          |       |                        |                        |
| Cash and cash equivalents      | 5     | 6,648,039              | 4,193,790              |
| Trade and other receivables    | 6     | 2,129,988              | 2,098,447              |
| Inventories                    | 7     | 4,367,766              | 5,638,169              |
| Other assets                   | 8     | 4,032,493              | 1,749,024              |
| Total Current Assets           |       | 17,178,286             | 13,679,430             |
| <b>NON-CURRENT ASSETS</b>      |       |                        |                        |
| Property, plant and equipment  | 9     | 7,244,484              | 8,556,335              |
| Right-of-use assets            | 13    | 589,949                | -                      |
| Intangible Assets              | 10    | 297,766                | 446,650                |
| Total Non-Current Assets       |       | 8,132,199              | 9,002,985              |
| <b>TOTAL ASSETS</b>            |       | 25,310,485             | 22,682,415             |
| <b>CURRENT LIABILITIES</b>     |       |                        |                        |
| Trade and other payables       | 11    | 5,632,650              | 6,149,449              |
| Loans and borrowings           | 12    | 2,045,994              | 1,235,890              |
| Lease liabilities              | 13    | 95,312                 | -                      |
| Total Current Liabilities      |       | 7,773,956              | 7,385,339              |
| <b>NON-CURRENT LIABILITIES</b> |       |                        |                        |
| Lease liabilities              | 13    | 510,809                | -                      |
| Total Non-Current Liabilities  |       | 510,809                | -                      |
| <b>TOTAL LIABILITIES</b>       |       | 8,284,765              | 7,385,339              |
| <b>NET ASSETS</b>              |       | 17,025,720             | 15,297,076             |
| <b>EQUITY</b>                  |       |                        |                        |
| Issued capital                 | 14    | 75,353,596             | 74,814,382             |
| Reserves                       | 14    | (720,969)              | (513,144)              |
| Accumulated losses             | 17    | (57,662,374)           | (59,125,561)           |
| Non-controlling interests      | 15    | 55,467                 | 121,399                |
| <b>TOTAL EQUITY</b>            |       | 17,025,720             | 15,297,076             |

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



VMOTO LIMITED  
ABN 36 098 455 460

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019

|   | Notes | Year ended<br>31 December 2019<br>\$ | Year ended<br>31 December 2018<br>\$ |
|---|-------|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>             |       |                                      |                                      |
| Receipts from customers                                 |       | 46,543,105                           | 21,414,094                           |
| Payments to suppliers and employees                     |       | (46,023,578)                         | (21,580,606)                         |
| Interest received                                       |       | 109,156                              | 95,990                               |
| Interest paid   |       | (60,881)                             | (64,862)                             |
| Other cash receipts                                     |       | 1,119,281                            | 402,267                              |
| <b>Net cash generated by operating activities</b>       | 24    | <u>1,687,083</u>                     | <u>266,883</u>                       |
| <b>Cash flows from investing activities</b>             |       |                                      |                                      |
| Payments for property, plant & equipment                |       | <u>(195,748)</u>                     | <u>(734,167)</u>                     |
| <b>Net cash used in investing activities</b>            |       | <u>(195,748)</u>                     | <u>(734,167)</u>                     |
| <b>Cash flows from financing activities</b>             |       |                                      |                                      |
| Proceeds from issue of equity shares                    |       | 188,083                              | 2,212,500                            |
| Payments for share issue costs                          |       | -                                    | (33,874)                             |
| Proceeds from borrowings                                |       | 3,116,719                            | 1,208,531                            |
| Repayment of borrowings                                 |       | <u>(2,290,280)</u>                   | <u>(2,056,023)</u>                   |
| <b>Net cash generated by financing activities</b>       |       | <u>1,014,522</u>                     | <u>1,331,134</u>                     |
| Net (decrease)/increase in cash and cash equivalents    |       | 2,505,857                            | 863,850                              |
| Cash and cash equivalents at the beginning of the year  |       | 4,193,790                            | 3,172,792                            |
| Effect of exchange rate fluctuations on cash held       |       | (51,608)                             | 157,148                              |
| <b>Cash and cash equivalents at the end of the year</b> |       | <u><u>6,648,039</u></u>              | <u><u>4,193,790</u></u>              |

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





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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

|  | Issued Capital<br>\$ | Reserves<br>\$   | Accumulated<br>Losses<br>\$ | Non-controlling<br>Interests | Total<br>\$       |
|--|----------------------|------------------|-----------------------------|------------------------------|-------------------|
| <b>Balance as at 1 January 2018</b>                              | 72,431,566           | (1,140,601)      | (58,256,718)                | -                            | 13,034,247        |
| Loss for the year  | -                    | -                | (917,563)                   | -                            | (917,563)         |
| Other comprehensive income for the year                          | -                    | 676,177          | -                           | -                            | 676,177           |
| Total comprehensive income for the year                          | -                    | 676,177          | (917,563)                   | -                            | (241,386)         |
| Issue of ordinary shares   | 2,413,611            | -                | -                           | -                            | 2,413,611         |
| Share issue costs  | (30,795)             | -                | -                           | -                            | (30,795)          |
| Transfer expired options reserve to accumulated losses           | -                    | (48,720)         | 48,720                      | -                            | -                 |
| Non-controlling interests arising on incorporation of subsidiary | -                    | -                | -                           | 121,399                      | 121,399           |
| <b>Balance as at 31 December 2018</b>                            | <b>74,814,382</b>    | <b>(513,144)</b> | <b>(59,125,561)</b>         | <b>121,399</b>               | <b>15,297,076</b> |
| <b>Balance as at 1 January 2019</b>                              | 74,814,382           | (513,144)        | (59,125,561)                | 121,399                      | 15,297,076        |
| Profit for the year  | -                    | -                | 1,366,768                   | (65,932)                     | 1,300,836         |
| Other comprehensive income for the year                          | -                    | (111,406)        | -                           | -                            | (111,406)         |
| Total comprehensive income for the year                          | -                    | (111,406)        | 1,366,768                   | (65,932)                     | 1,189,430         |
| Issue of ordinary shares   | 539,214              | -                | -                           | -                            | 539,214           |
| Transfer expired options reserve to accumulated losses           | -                    | (96,419)         | 96,419                      | -                            | -                 |
| <b>Balance as at 31 December 2019</b>                            | <b>75,353,596</b>    | <b>(720,969)</b> | <b>(57,662,374)</b>         | <b>55,467</b>                | <b>17,025,720</b> |

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



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## NOTES TO THE FINANCIAL STATEMENTS

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Vmoto Limited (“Vmoto” or “the Company”) is a limited company incorporated in Australia. The consolidated financial report of the Company as at and for the year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the “Consolidated Entity”).

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.

#### (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 30th March 2020.

##### (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)*

#### **Accounting Standards that are mandatorily effective for the current reporting year**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 Leases

##### *AASB 16 Leases*

In the current year, the Group has applied AASB 16 Leases that are effective for an annual period that begins on or after 1 January 2019.

#### The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e., a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as operating expenses on a straight-line basis over the term of the lease.



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

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Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The financial impact from the adoption of this standard is disclosed in note 13.

### The Group as lessor

Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease. Initial direct costs incurred in entering into an operating lease (for example, legal cost, costs to set up equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.

Based on the assessment by the Group, it was determined there was no impact on the Group. As such, the Group has not recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable. The Group's incremental borrowing rate as at 1 January 2019 was used to discount the lease payments.



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

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(v) *Going concern basis*

The Consolidated Entity has recorded a profit after tax for the year ended 31 December 2019 of \$1,300,836 (loss after tax for the year ended 31 December 2018: \$917,563). At 31 December 2019, the Consolidated Entity had a working capital surplus of \$9,404,330 (31 December 2018: \$6,294,091).

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 and the Super Soco range (which are manufactured in Vmoto's Nanjing manufacturing facility and for which Vmoto holds international sales and marking rights outside of China) is increasing;
- the Consolidated Entity has the ability to 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 Annual Report, RMB 15 million (approximately \$3.6 million) of the operating facility is still available for draw down if required;
- the Consolidated Entity achieved positive operating cash flows of \$1.7 million for the year ended 31 December 2019;
- the Consolidated Entity's manufacturing facility in Nanjing, China was fully operational and manufacturing unaffected following a successful inspection by the Nanjing government, in which all health and virus precautionary requirements were met in relation to COVID-19. The Company continues to manage this risk by implementing rigorous health and safety measures at the facility. The Company is also continually monitoring sales performance and has the ability to implement aggressive cost reductions if required;
- the Consolidated Entity has sufficient working capital and is able to further draw down its operating facility to contribute RMB 30 million (~A\$6.1 million) in cash and/or assets by end of June 2020 to provide the initial working capital for the new Nanjing Vmoto Soco Intelligent Technology Co, Ltd; and
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be cash flow positive for the year ending 31 December 2020 and will enable the Consolidated Entity to pay its debts as and when they fall due. Furthermore, the Directors are confident in the Company's ability to raise capital if required.

At the date of this Annual 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.

**(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.

Investments in subsidiaries are carried at cost and recoverable amount. Refer to Note 1(n).

*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.



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

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### (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 or equivalent) payable to the taxation authority.

#### *Sale of goods*

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise (and in most instances), revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price which are generally based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

If a customer pays consideration before the Company transfers the goods to the customer, the Company presents the contract liability (referred to as advance and deposits from customers) when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration.

#### *Interest income*

Interest income is recognised using the effective interest method.



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

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### (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 acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

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

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



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

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

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

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

### (h) 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               | 4 years      |
| Office furniture & equipment | 5 years      |
| Building                     | 20 years     |
| Leasehold improvements       | 5 years      |
| Moulds                       | 5 years      |

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





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

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- *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.

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.





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

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### (m) 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.

### (n) 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.

### (o) 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.

### (p) 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").



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

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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.

### (q) 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.

### (r) Income tax

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

#### *Current tax*

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

#### *Deferred tax*

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

Deferred tax is not recognised for the following temporary differences:

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

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



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

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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on a different tax 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.

### (s) Intangibles

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

Trademarks, licenses and production rights are recognised at cost of acquisition. Licenses and production rights have an indefinite life and are carried at cost less any accumulated impairment losses. Trademark is estimated to have a useful life of five years and is amortised over a five-year period. The carrying values of trademark are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *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.

#### *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.

### (t) 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.

### (u) 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.

### (v) 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.



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

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### (w) Comparative figures

This Annual Report relates to the year ended 31 December 2019. Comparatives are for the year ended 31 December 2018.

### (x) 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.



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

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### *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.

### **(y) 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.

The carrying amount of goodwill at 31 December 2019 was nil (31 December 2018: nil).



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

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

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 trademarks are deemed to be no change.

### *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 equipment, 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.



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

|   | Year ended<br>31 December 2019<br>\$ | Year ended<br>31 December 2018<br>\$ |
|---|--------------------------------------|--------------------------------------|
| <b>2. REVENUES AND EXPENSES</b>   |                                      |                                      |
| <b>(a) Other income</b>   |                                      |                                      |
| Interest income   | 109,156                              | 95,990                               |
| Contributions from customers  | 832,026                              | 439,332                              |
| Government subsidies  | 150,376                              | 170,908                              |
| Net foreign exchange gain   | 110,874                              | 56,385                               |
| Rent income   | 448,987                              | 215,655                              |
| Other income  | 934                                  | 17,588                               |
|   | <u>1,652,353</u>                     | <u>995,858</u>                       |
| <b>(b) Other expenses</b>   |                                      |                                      |
| Doubtful debts  | 28,753                               | 19,491                               |
| Loss on sale of obsolete stocks   | -                                    | 21,265                               |
|   | <u>28,753</u>                        | <u>40,756</u>                        |
| <b>(c) Employee benefits expense</b>                                    |                                      |                                      |
| Wages and salaries costs  | 2,192,552                            | 1,495,894                            |
|   | <u>2,192,552</u>                     | <u>1,495,894</u>                     |
| <b>(d) Depreciation and amortisation</b>                                |                                      |                                      |
| Depreciation of property, plant and equipment                           | 1,480,410                            | 818,245                              |
| Amortisation of intangibles   | 148,884                              | 148,883                              |
|   | <u>1,629,294</u>                     | <u>967,128</u>                       |
| <b>3. AUDITOR'S REMUNERATION</b>  |                                      |                                      |
| <b>Audit services:</b>  |                                      |                                      |
| - Audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd | 85,482                               | 87,451                               |
|   | <u>85,482</u>                        | <u>87,451</u>                        |



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

|   | Year ended<br>31 December 2019<br>\$ | Year ended<br>31 December 2018<br>\$ |
|---|--------------------------------------|--------------------------------------|
| <b>4. INCOME TAX</b>  |                                      |                                      |
| <b>(a) Income tax credit / (expense)</b>  |                                      |                                      |
| Current tax   | -                                    | -                                    |
| Deferred tax  | -                                    | -                                    |
|   | <u>-</u>                             | <u>-</u>                             |
| <b>(b) Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)</b>               |                                      |                                      |
| Profit/(Loss) before income tax benefit   | <u>1,300,836</u>                     | <u>(917,563)</u>                     |
| Income tax credit/(expense) calculated at 27.5%   | (357,730)                            | 252,330                              |
| Effect on amounts which are not tax deductible:   |                                      |                                      |
| Deductible amount from sale of subsidiary   | -                                    | -                                    |
| Non-deductible items  | (4,003)                              | (4,226)                              |
| Effect of different tax rates of subsidiaries operating in other jurisdictions                                | 162,605                              | (15,757)                             |
| Deferred tax not brought to account   | <u>199,128</u>                       | <u>(232,347)</u>                     |
| Income tax credit / (expense)   | <u>-</u>                             | <u>-</u>                             |
| <b>(c) Tax losses</b>   |                                      |                                      |
| Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable) |                                      |                                      |
| Potential at 27.5% (31 December 2018: 27.5%)  | <u>7,143,516</u>                     | <u>6,462,253</u>                     |
| All tax losses relate to Australian based entities.   |                                      |                                      |
| <b>(d) Unrecognised temporary differences</b>   |                                      |                                      |
| Temporary differences for which deferred tax assets have not been recognised:                                 |                                      |                                      |
| Provision for doubtful receivables  | -                                    | -                                    |
| Provision for loan to other entity  | -                                    | -                                    |
| Provision for impairment loss on investments  | -                                    | -                                    |
| Accrued expenses  | 15,125                               | 15,125                               |
| Unrecognised deferred tax assets relating to the above temporary differences                                  | <u>15,125</u>                        | <u>15,125</u>                        |





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

### (e) Current tax liabilities

|                    | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--------------------|------------------------|------------------------|
| Income tax payable | -                      | -                      |

### (f) Deferred tax balances

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

|                          |   |   |
|--------------------------|---|---|
| Deferred tax liabilities | - | - |
|--------------------------|---|---|

### (g) Tax Rates

The potential tax benefit at 31 December 2019 in respect of tax losses not brought into account has been calculated at 27.5% for Australian entities. The tax rate applied for the year ended 31 December 2018 was 27.5%. The tax benefit and expense at 31 December 2019 in respect of tax effect brought into account in relation to China operations has been calculated at 15% for China entities. The tax benefit and expense at 31 December 2019 in respect of tax effect brought into account in relation to Europe operations has been calculated at 19% for the Netherlands entities and 24% for Italy entities.

|                                       | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|---------------------------------------|------------------------|------------------------|
| <b>5. CASH AND CASH EQUIVALENTS</b>   |                        |                        |
| Cash and bank balances                | 6,648,039              | 4,193,790              |
| <b>6. TRADE AND OTHER RECEIVABLES</b> |                        |                        |
| <i>Current</i>                        |                        |                        |
| Trade receivables                     | 1,221,225              | 914,964                |
| Less: Provision for impairment loss   | -                      | -                      |
|                                       | 1,221,225              | 914,964                |
| Other receivables                     | 1,200,096              | 1,474,816              |
| Less: Provision for impairment loss   | (291,333)              | (291,333)              |
|                                       | 2,129,988              | 2,098,447              |

#### Impaired trade receivables – Expected credit losses

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for expected credit losses is by reference to past default experience and an analysis of the ageing and known financial position of the debtor. The Company writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.



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

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

|  | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--|------------------------|------------------------|
| At beginning of the period                 | 291,333                | 291,333                |
| Provision for impairment during the period | 28,753                 | 19,491                 |
| Disposal of subsidiaries                   | -                      | -                      |
| Write off                                  | (28,753)               | (19,491)               |
| At end of the period                       | <u>291,333</u>         | <u>291,333</u>         |

At 31 December 2019, the ageing analysis of trade and other receivables is as follows:

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| 0 - 30 Days                        | 948,835          | 1,519,979        |
| 31 - 60 Days                       | 709,862          | 53,098           |
| 61 - 90 Days past due not impaired | 115,746          | 26,419           |
| +90 Days past due not impaired     | 355,545          | 498,951          |
| +90 Days considered impaired       | 291,333          | 291,333          |
| Provision for impairment           | <u>(291,333)</u> | <u>(291,333)</u> |
|                                    | <u>2,129,988</u> | <u>2,098,447</u> |

As of 31 December 2019, trade and other receivables of \$471,291 (31 December 2017: \$525,370) were past due but not impaired. \$102,781 of the \$471,291 past due relates to deferred payment arrangement with a B2B customer. The customer has been making payments on time in full. The remaining trade and other receivables relate to a number of independent customers for whom there is no recent history of default.

### 7. INVENTORIES

|                     |                  |                  |
|---------------------|------------------|------------------|
| Raw materials       | 1,770,813        | 1,692,779        |
| Semi-finished goods | 324,953          | 295,843          |
| Finished goods      | <u>2,272,000</u> | <u>3,649,547</u> |
|                     | <u>4,367,766</u> | <u>5,638,169</u> |

### 8. OTHER ASSETS

|             |                  |                  |
|-------------|------------------|------------------|
| Prepayments | <u>4,032,493</u> | <u>1,749,024</u> |
|             | <u>4,032,493</u> | <u>1,749,024</u> |

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. During the year, \$568,534 of prepayments were impaired on the basis that the Consolidated Entity no longer utilises the components from the supplier in its current models.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PROPERTY, PLANT & EQUIPMENT

|  | Plant & equipment | Motor vehicles | Land      | Building    | Total       |
|--|-------------------|----------------|-----------|-------------|-------------|
| <b>Year ended 31 December 2018</b>                   |                   |                |           |             |             |
| At 1 January 2018, net of accumulated depreciation   | 1,902,815         | 48,473         | 1,000,603 | 4,863,052   | 7,814,943   |
| Additions  | 653,622           | -              | -         | 548,407     | 1,202,029   |
| Depreciation for the period                          | (484,386)         | (37,869)       | -         | (295,990)   | (818,245)   |
| Exchange differences                                 | 83,483            | 1,522          | 47,280    | 225,323     | 357,608     |
| At 31 December 2018, net of accumulated depreciation | 2,155,534         | 12,126         | 1,047,883 | 5,340,792   | 8,556,335   |
| <b>At 31 December 2018</b>                           |                   |                |           |             |             |
| Cost   | 4,036,766         | 166,804        | 1,047,883 | 6,931,028   | 12,182,481  |
| Accumulated depreciation                             | (1,881,232)       | (154,678)      | -         | (1,590,236) | (3,626,146) |
| Net carrying amount                                  | 2,155,534         | 12,126         | 1,047,883 | 5,340,792   | 8,556,335   |
| <b>Year ended 31 December 2019</b>                   |                   |                |           |             |             |
| At 1 January 2019, net of accumulated depreciation   | 2,155,534         | 12,126         | 1,047,883 | 5,340,792   | 8,556,335   |
| Additions  | 163,977           | 46,536         | -         | -           | 210,513     |
| Depreciation for the period                          | (948,513)         | (15,197)       | -         | (488,191)   | (1,451,901) |
| Exchange differences                                 | (3,293)           | (684)          | (7,031)   | (59,455)    | (70,463)    |
| At 31 December 2019, net of accumulated depreciation | 1,367,705         | 42,781         | 1,040,852 | 4,793,146   | 7,244,484   |
| <b>At 31 December 2019</b>                           |                   |                |           |             |             |
| Cost   | 2,422,137         | 121,888        | 1,040,852 | 6,863,521   | 10,448,398  |
| Accumulated depreciation                             | (1,054,432)       | (79,107)       | -         | (2,070,375) | (3,203,914) |
| Net carrying amount                                  | 1,367,705         | 42,781         | 1,040,852 | 4,793,146   | 7,244,484   |

1. During 2019, an independent external property valuation company valued the Company's Nanjing land and Stage 1 & Stage 2 buildings at \$12.7 million AUD.

*Assets pledged as security*

Land and buildings with a carrying amount of approximately \$5.8 million have been pledged to secure borrowings of the Group (see Note 12). The freehold land and buildings have been pledged as security for the bank operating facility under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. INTANGIBLES

|                                    | Goodwill    | Licences, trademarks<br>and production rights | Development<br>Costs | Customer base | Total       |
|------------------------------------|-------------|---|----------------------|---------------|-------------|
| <b>Year ended 31 December 2018</b> |             |   |                      |               |             |
| Balance at 1 January 2018          | -           | 595,533                                       | -                    | -             | 595,533     |
| Amortisation for the period        | -           | (148,883)                                     | -                    | -             | (148,883)   |
| Balance at 31 December 2018        | -           | 446,650                                       | -                    | -             | 446,650     |
| <b>At 31 December 2018</b>         |             |   |                      |               |             |
| Cost                               | 3,971,428   | 2,015,687                                     | 4,836,105            | -             | 10,823,220  |
| Accumulated amortisation           | -           | (350,452)                                     | (565,657)            | -             | (916,109)   |
| Accumulated impairment             | (3,971,428) | (1,218,585)                                   | (4,270,448)          | -             | (9,460,461) |
| Net carrying amount                | -           | 446,650                                       | -                    | -             | 446,650     |
| <b>Year ended 31 December 2019</b> |             |   |                      |               |             |
| Balance at 1 January 2019          | -           | 446,650                                       | -                    | -             | 446,650     |
| Amortisation for the period        | -           | (148,884)                                     | -                    | -             | (148,884)   |
| Balance at 31 December 2019        | -           | 297,766                                       | -                    | -             | 297,766     |
| <b>At 31 December 2019</b>         |             |   |                      |               |             |
| Cost                               | 3,971,428   | 2,015,687                                     | 4,836,105            | -             | 10,823,220  |
| Accumulated amortisation           | -           | (499,336)                                     | (565,657)            | -             | (1,064,993) |
| Accumulated impairment             | (3,971,428) | (1,218,585)                                   | (4,270,448)          | -             | (9,460,461) |
| Net carrying amount                | -           | 297,766                                       | -                    | -             | 297,766     |



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

### 11. TRADE AND OTHER PAYABLES

|                                     | 31 December 2019 | 31 December 2018 |
|-------------------------------------|------------------|------------------|
|                                     | \$               | \$               |
| <i>Current – unsecured</i>          |                  |                  |
| Trade creditors                     | 1,224,748        | 2,233,423        |
| Advance and deposits from customers | 3,661,911        | 3,592,630        |
| Other creditors and accruals        | 745,991          | 323,396          |
|                                     | <u>5,632,650</u> | <u>6,149,449</u> |

### 12. LOANS AND BORROWINGS

#### *Current*

#### *Secured – Interest bearing*

|   |                  |                  |
|---|------------------|------------------|
| Bank operating facility   | 2,045,994        | 1,235,890        |
|   | <u>2,045,994</u> | <u>1,235,890</u> |
|   | <u>2,045,994</u> | <u>1,235,890</u> |
| The carrying amounts of non-current assets pledged as security are: |                  |                  |
| Land and buildings  | 5,883,998        | 6,388,675        |
|   | <u>5,883,998</u> | <u>6,388,675</u> |

#### **Financing arrangements**

The Consolidated Entity has access to the following facilities:

#### Total facilities available:

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Bank operating facility | 5,114,985        | 5,149,543        |
|                         | <u>5,114,985</u> | <u>5,149,543</u> |

#### Facilities utilised at end of the period:

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Bank operating facility | 2,045,994        | 1,235,890        |
|                         | <u>2,045,994</u> | <u>1,235,890</u> |

#### Facilities not utilised at end of the period:

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Bank operating facility | 3,068,991        | 3,913,653        |
|                         | <u>3,068,991</u> | <u>3,913,653</u> |

#### *Bank operating facility*

The bank operating facility is secured by the Company's Nanjing manufacturing 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.

#### *Reconciliation of liabilities arising from financing activities*

|   | 31 Dec 2018      | Cash flows     | Non-cash changes<br>Foreign exchange<br>movement | 31 Dec 2019      |
|---|------------------|----------------|--|------------------|
| Short term bank operating facility          | 1,235,890        | 826,439        | (16,335)   | 2,045,994        |
| Total liabilities from financing activities | <u>1,235,890</u> | <u>826,439</u> | <u>(16,335)</u>                                  | <u>2,045,994</u> |



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. LEASES

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019. The Group has adopted AASB 16 modified retrospectively from 1 January 2019, but has not restated comparatives for the 31 December 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

a. Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB117 Leases. The Group has utilised the practical expedients permitted by the standard by excluding short term and low value leases.

|  |          |
|--|----------|
|  | \$       |
| Operating lease commitments disclosed as at 31 December 2018                                   | 66,374   |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | (1,767)  |
| Add/(less): adjustments as a result of a different treatment of:                               |          |
| Short term leases  | (48,181) |
| Low value lease  | (16,426) |
| <hr/>  |          |
| Lease liability recognised as at 1 January 2019  | -        |
| <hr/>  |          |

During the year, the Group entered into two leases commencing in October 2019. The weighted average incremental borrowing rate used was 5.04% resulting in lease liabilities of:

|                               |         |
|-------------------------------|---------|
| Current lease liabilities     | 95,312  |
| Non-current lease liabilities | 510,809 |
| <hr/>                         |         |
|                               | 606,121 |
| <hr/>                         |         |

The recognised right-of-use assets were as follows:

|                           | 31 December 2019 | 1 January 2019 |
|---------------------------|------------------|----------------|
|                           | \$               | \$             |
| Right-of-use assets       | 617,497          | -              |
| Accumulated Amortisation  | (27,548)         | -              |
| <hr/>                     |                  |                |
| Total right-of-use assets | 589,949          | -              |
| <hr/>                     |                  |                |

The change in accounting policy did not affect the financial statements as at 31 December 2018 or 1 January 2019.



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

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### 13. LEASES

#### b. Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 31 December 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

#### c. The group's leasing activities and how these are accounted for

Until the 2019 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

#### d. Key estimates – Extension and termination options

An extension options is included in a property lease of Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension option held is exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.



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

### 14. ISSUED CAPITAL AND RESERVES

|  | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--|------------------------|------------------------|
| <b>Issued capital</b>  |                        |                        |
| 224,762,983 (31 December 2018: 221,016,020) fully paid ordinary shares | 75,353,596             | 74,814,382             |

The following movements in issued capital occurred during the period:

|  | Number of<br>Shares<br>31 Dec 2019 | Number of<br>Shares<br>31 Dec 2018 | Year<br>ended<br>31 Dec 2019<br>\$ | Year<br>ended<br>31 Dec 2018<br>\$ |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Balance at beginning of period             | 221,016,020                        | 176,005,140                        | 74,814,382                         | 72,431,566                         |
| Issue of Shares at 5.5 cents each a)       | -                                  | 22,727,273                         | -                                  | 1,250,000                          |
| Issue of Shares at 5.5 cents each b)       | -                                  | 17,500,089                         | -                                  | 962,500                            |
| Issue of Shares at 5.7 cents each c)       | -                                  | 701,754                            | -                                  | 40,000                             |
| Issue of Shares at 5.6 - 7.1 cents each d) | -                                  | 681,764                            | -                                  | 41,667                             |
| Issue of Shares at nil consideration e)    | -                                  | 3,400,000                          | -                                  | -                                  |
| Issue of Shares at 12 cents each f)        | 579,719                            | -                                  | 69,578                             | -                                  |
| Issue of Shares at 12 cents each g)        | 886,138                            | -                                  | 106,355                            | -                                  |
| Issue of Shares at 6.5 cents each h)       | 290,553                            | -                                  | 18,886                             | -                                  |
| Issue of Shares at 8.5 cents each i)       | 1,990,553                          | -                                  | 169,197                            | -                                  |
| Vesting of share-based expenses            | -                                  | -                                  | 175,198                            | 119,444                            |
| Share issue costs                          | -                                  | -                                  | -                                  | (30,795)                           |
| Balance at end of period                   | 224,762,983                        | 221,016,020                        | 75,353,596                         | 74,814,382                         |

- a) 16 Jan 2018 – Issue 22,727,273 shares at 5.5 cents each for \$1.25 million placement.
- b) 21 Feb 2018 – Issue 17,500,089 shares at 5.5 cents each for \$962,500 share purchase plan.
- c) 22 May 2018 – Issue 701,754 shares at 5.7 cents each to a director in lieu of unpaid director fees.
- d) 22 May 2018 – Issue 681,764 shares between 5.6 & 7.1 cents each to a Director in lieu of unpaid Director fees.
- e) 19 December 2018 – Issue 3,400,000 shares at nil consideration 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.
- f) 16 May 2019 – Issue 579,719 shares at deemed issue price of 12 cents each to a Director in lieu of unpaid Director fees.
- g) 16 May 2019 – Issue 886,138 shares at deemed issue price of 12 cents each to a Director in lieu of unpaid Director fees.
- h) 7 August 2019 – Issue 290,553 shares at 6.5 cents each as a result of exercise of options.
- i) 7 August 2019 – Issue 1,990,553 shares at 8.5 cents each as a result of exercise of options.





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

### Options

The movements of options over unissued ordinary shares of the Company for the year ended 31 December 2019 were:

|                   | Expiry Date | Exercise Price | Balance at 1 Jan 2019 | Granted/ Issued | Exercised/ Forfeited | Expired          | Held at 31 Dec 2019 |
|-------------------|-------------|----------------|-----------------------|-----------------|----------------------|------------------|---------------------|
| 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)        | -                   |
| Tranche A options | 22 May 2021 | 6.5 cents      | 2,272,727             | -               | (290,553)            | -                | 1,982,174           |
| Tranche B options | 22 May 2021 | 8.5 cents      | 2,272,727             | -               | (1,990,553)          | -                | 282,174             |
| <b>Total</b>      |             |                | <b>4,945,454</b>      | <b>-</b>        | <b>(2,281,106)</b>   | <b>(400,000)</b> | <b>2,264,348</b>    |

|  | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--|------------------------|------------------------|
| <b>Reserves</b>  |                        |                        |
| Reserves at the beginning of the period                | (513,144)              | (1,140,601)            |
| Transfer expired options reserve to accumulated losses | (96,419)               | (48,720)               |
| Movements in foreign currency translation reserve      | (111,406)              | 676,177                |
| Reserves at the end of the period                      | <u>(720,969)</u>       | <u>(513,144)</u>       |
| Comprises of:  |                        |                        |
| Share-based payment reserve                            | -                      | 96,419                 |
| Foreign currency translation reserve                   | (720,969)              | (609,563)              |
| Reserves at the end of the period                      | <u>(720,969)</u>       | <u>(513,144)</u>       |

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

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

### 15. NON-CONTROLLING INTERESTS

|  | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--|------------------------|------------------------|
| Balance at the beginning of the period                           | 121,399                | -                      |
| Share of loss for the year                                       | (65,932)               | -                      |
| Non-controlling interests arising on incorporation of subsidiary | -                      | 121,399                |
| Balance at the end of the period                                 | <u>55,467</u>          | <u>121,399</u>         |



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

### 16. CAPITAL RISK MANAGEMENT

The Consolidated Entity manages its capital to ensure its 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 2019, 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 2019 and 31 December 2018 were as follows:

|                  | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|------------------|------------------------|------------------------|
| Total borrowings | 2,652,115              | 1,235,890              |
| Total equity     | 17,025,720             | 15,297,076             |
| Total capital    | <u>19,677,835</u>      | <u>16,532,966</u>      |
| Gearing ratio    | 13.5%                  | 7.5%                   |

The gearing ratio of the Company has increased from 7.5% to 13.5% during the year ended 31 December 2019.

### 17. ACCUMULATED LOSSES

|   | Year ended<br>31 December 2019<br>\$ | Year ended<br>31 December 2018<br>\$ |
|---|--------------------------------------|--------------------------------------|
| Accumulated losses at the beginning of the period | (59,125,561)                         | (58,256,718)                         |
| Profit/(Loss) for the period                      | 1,366,768                            | (917,563)                            |
| Transfer from share-based payment reserve         | 96,419                               | 48,720                               |
| Accumulated losses at the end of the period       | <u>(57,662,374)</u>                  | <u>(59,125,561)</u>                  |

### 18. SEGMENT REPORTING

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

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

Reported segments were based on the geographical segments of the Consolidated Entity, being Australia, China, Europe and Singapore. 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 four principal geographical areas: Australia, China, Europe and Singapore. In China, manufacturing facilities are operated in Nanjing. In Europe, the warehouse and distribution centre are operated in Netherlands and Italy. The following table presents revenue and profit or loss in relation to geographical segments for the twelve-month period ended 31 December 2019 and 31 December 2018:



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. SEGMENT REPORTING (cont'd)

|                                   | Australia<br>\$A       |                        | Nanjing, China<br>\$A  |                        | Europe<br>\$A          |                        | Singapore<br>\$A       |                        | Intersegment elimination<br>\$A |                        | Consolidated<br>\$A    |                        |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------|------------------------|------------------------|------------------------|
|                                   | Year ended<br>31/12/19 | Year ended<br>31/12/18 | Year ended<br>31/12/19 | Year ended<br>31/12/18 | Year ended<br>31/12/19 | Year ended<br>31/12/18 | Year ended<br>31/12/19 | Year ended<br>31/12/18 | Year ended<br>31/12/19          | Year ended<br>31/12/18 | Year ended<br>31/12/19 | Year ended<br>31/12/18 |
| <b>Revenue</b>                    |                        |                        |                        |                        |                        |                        |                        |                        |                                 |                        |                        |                        |
| Segment revenue                   | 18,620                 | 72,758                 | 41,539,690             | 18,752,716             | 4,110,911              | 752,921                | 3,133                  | -                      | -                               | -                      | 45,672,354             | 19,578,395             |
| <b>Result</b>                     |                        |                        |                        |                        |                        |                        |                        |                        |                                 |                        |                        |                        |
| Segment profit/(loss)             | (998,042)              | (842,406)              | 2,672,035              | 83,474                 | (362,508)              | (158,631)              | (10,649)               | -                      | -                               | -                      | 1,300,836              | (917,563)              |
| <b>Assets</b>                     |                        |                        |                        |                        |                        |                        |                        |                        |                                 |                        |                        |                        |
| Segment assets                    | 898,041                | 1,634,657              | 40,572,983             | 42,011,775             | 3,555,728              | 1,310,356              | 1,094,332              | -                      | (20,810,599)                    | (22,274,373)           | 25,310,485             | 22,682,415             |
| <b>Liabilities</b>                |                        |                        |                        |                        |                        |                        |                        |                        |                                 |                        |                        |                        |
| Segment liabilities               | (143,744)              | (141,252)              | (27,064,023)           | (29,429,284)           | (1,172,944)            | (89,176)               | (714,653)              | -                      | 20,810,599                      | 22,274,373             | (8,284,765)            | (7,385,339)            |
| Depreciation of fixed assets      | (56)                   | (3,942)                | (1,443,786)            | (814,211)              | (36,568)               | (92)                   | -                      | -                      | -                               | -                      | (1,480,410)            | (818,245)              |
| Amortisation of intangible assets | (148,884)              | (148,883)              | -                      | -                      | -                      | -                      | -                      | -                      | -                               | -                      | (148,884)              | (148,883)              |

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

*Information about major customers:*

The Consolidated Entity has generated revenue from sales to its largest customer at approximately \$8.6 million (2018: \$2.3 million). No other single customers contributed 15% or more of the Group's revenue for the year.



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

### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

#### Fair values

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

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

|   | 31 December 2019 |            | 31 December 2018 |             |
|---|------------------|------------|------------------|-------------|
|   | Carrying amount  | Fair Value | Carrying amount  | Fair Value  |
|   | \$               | \$         | \$               | \$          |
| <b>Financial assets</b>                     |                  |            |                  |             |
| Cash and cash equivalents                   | 6,648,039        | 6,648,039  | 4,193,790        | 4,193,790   |
| Trade and other receivables                 | 2,129,988        | 2,129,988  | 2,098,447        | 2,098,447   |
| Total financial assets                      | 8,778,027        | 8,778,027  | 6,292,237        | 6,292,237   |
| <b>Financial liabilities</b>                |                  |            |                  |             |
| Trade and other payables                    | 5,632,650        | 5,632,650  | 6,149,449        | 6,149,449   |
| Borrowings                                  | 2,045,994        | 2,045,994  | 1,235,890        | 1,235,890   |
| Lease liabilities                           | 606,121          | 606,121    | -                | -           |
| Total financial liabilities                 | 8,284,765        | 8,284,765  | 7,385,339        | 7,385,339   |
| <b>Net financial assets / (liabilities)</b> | 493,262          | 493,262    | (1,093,102)      | (1,093,102) |

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

#### Sensitivity analysis

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



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

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

#### Interest rate risk

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

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 2.15%, depending on account balances.

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

|                         |                |
|-------------------------|----------------|
| Bank operating facility | 5.04% 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 2019<br>\$ | 31 December 2018<br>\$ |
|------------------------------|------------------------|------------------------|
| <b>Financial assets</b>      |                        |                        |
| Cash and cash equivalents    | 6,648,039              | 4,193,790              |
| <b>Financial liabilities</b> |                        |                        |
| Bank operating facility      | (2,045,994)            | (1,235,890)            |
| Net exposure                 | <u>4,602,045</u>       | <u>2,957,900</u>       |

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

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

| Judgements of reasonable possible movements: | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|--|------------------------|------------------------|
| <u>+1% (100 basis points)</u>                |                        |                        |
| Pre-tax profit increase/(decrease)           | 46,020                 | 29,579                 |
| Equity increase/(decrease)                   | 46,020                 | 29,579                 |
| <u>-1% (100 basis points)</u>                |                        |                        |
| Pre-tax profit increase/(decrease)           | (46,020)               | (29,579)               |
| Equity increase/(decrease)                   | (46,020)               | (29,579)               |

#### 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, Chinese RMB, Europe Euro and Singapore dollars.



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

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

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

|                                   | 31 December 2019<br>AUD | 31 December 2018<br>AUD |
|-----------------------------------|-------------------------|-------------------------|
| <b>Financial assets</b>           |                         |                         |
| Cash and cash equivalents (USD)   | 4,300,882               | 2,491,009               |
| Cash and cash equivalents (RMB)   | 1,046,552               | 398,119                 |
| Cash and cash equivalents (EUR)   | 718,898                 | 304,743                 |
| Cash and cash equivalents (SGD)   | 19,996                  | -                       |
|                                   | 6,086,328               | 3,193,871               |
| Trade and other receivables (USD) | 138,563                 | 253,106                 |
| Trade and other receivables (RMB) | 1,613,555               | 1,525,124               |
| Trade and other receivables (EUR) | 362,686                 | 74,110                  |
| Trade and other receivables (SGD) | 10,768                  | -                       |
|                                   | 2,125,572               | 1,852,340               |
| <b>Financial liabilities</b>      |                         |                         |
| Trade and other payables (USD)    | (1,949,266)             | (2,652,693)             |
| Trade and other payables (RMB)    | (2,973,742)             | (3,266,327)             |
| Trade and other payables (EUR)    | (566,823)               | (89,176)                |
| Trade and other payables (SGD)    | -                       | -                       |
|                                   | (5,489,831)             | (6,008,196)             |
| Borrowings (RMB)                  | (2,045,994)             | (1,235,890)             |
| Net exposure                      | (2,045,994)             | (1,235,890)             |

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

At 31 December 2019, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

|   | 31 December 2019<br>\$ | 31 December 2018<br>\$ |
|---|------------------------|------------------------|
| Judgements of reasonable possible movements:                  |                        |                        |
| <u>AUD/USD and AUD/RMB +20%</u><br>Equity increase/(decrease) | (11,659)               | 366,313                |
| <u>AUD/USD and AUD/RMB -20%</u><br>Equity increase/(decrease) | 13,991                 | (439,575)              |

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

#### Credit risk

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

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



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

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

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

#### Liquidity risk

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

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

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

#### *Financial liability and financial asset maturity analysis*

|   | Within 1 Year |                | 1 to 5 Years |              | Over 5 Years |              | Total        |                |
|---|---------------|----------------|--------------|--------------|--------------|--------------|--------------|----------------|
|   | 31/12/2019    | 31/12/2018     | 31/12/2019   | 31/12/2018   | 31/12/2019   | 31/12/2018   | 31/12/2019   | 31/12/2018     |
| <b>Consolidated Group</b>                             | <b>\$000</b>  | <b>\$000</b>   | <b>\$000</b> | <b>\$000</b> | <b>\$000</b> | <b>\$000</b> | <b>\$000</b> | <b>\$000</b>   |
| <b>Financial liabilities due for payment</b>          |               |                |              |              |              |              |              |                |
| Bank operating facility and loans                     | 2,046         | 1,236          | -            | -            | -            | -            | 2,046        | 1,236          |
| Trade and other payables                              | 5,633         | 6,149          | -            | -            | -            | -            | 5,633        | 6,149          |
| Lease liabilities                                     | 95            | -              | 511          | -            | -            | -            | 606          | -              |
| Current tax liabilities                               | -             | -              | -            | -            | -            | -            | -            | -              |
| Other liabilities                                     | -             | -              | -            | -            | -            | -            | -            | -              |
| <b>Total contractual outflows</b>                     | <b>7,774</b>  | <b>7,385</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>8,285</b> | <b>7,385</b>   |
| <b>Total expected outflows</b>                        | <b>7,774</b>  | <b>7,385</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>8,285</b> | <b>7,385</b>   |
| <b>Financial assets - cash flows realisable</b>       |               |                |              |              |              |              |              |                |
| Cash and cash equivalents                             | 6,648         | 4,194          | -            | -            | -            | -            | 6,648        | 4,194          |
| Trade and other receivables                           | 2,130         | 2,098          | -            | -            | -            | -            | 2,130        | 2,098          |
| <b>Total anticipated inflows</b>                      | <b>8,778</b>  | <b>6,292</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>8,778</b> | <b>6,292</b>   |
| <b>Net (outflow)/ inflow on financial instruments</b> | <b>1,004</b>  | <b>(1,093)</b> | <b>(511)</b> | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>493</b>   | <b>(1,093)</b> |

#### *Financial assets pledged as collateral*

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



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

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### 20. CONTINGENT LIABILITIES

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

### 21. EARNINGS PER SHARE

|                                   | Year ended<br>31 Dec 2019<br>Cents per share | Year ended<br>31 Dec 2018<br>Cents per share |
|-----------------------------------|--|--|
| <b>Basic earnings per share</b>   |  |  |
| From continuing operations        | 0.58   | (0.43)                                       |
| Total earnings/(loss) per share   | <u>0.58</u>                                  | <u>(0.43)</u>                                |
| <b>Diluted earnings per share</b> |  |  |
| From continuing operations        | 0.57   | (0.43)                                       |
| Total earnings/(loss) per share   | <u>0.57</u>                                  | <u>(0.43)</u>                                |

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

|  | Year ended<br>31 Dec 2019<br>\$ | Year ended<br>31 Dec 2018<br>\$ |
|--|---------------------------------|---------------------------------|
| Profit/(Loss) for the year attributable to owners of the Consolidated Entity                             | 1,300,836                       | (917,563)                       |
| Earnings used in the calculation of basic and diluted earnings/loss per share from continuing operations | <u>1,300,836</u>                | <u>(917,563)</u>                |
| Weighted average number of ordinary shares for the purposes of basic earnings/loss per share             | 222,858,403                     | 213,823,446                     |
| Weighted average number of ordinary shares for the purposes of diluted earnings/loss per share           | 226,638,589                     | 213,823,446                     |





VMOTO LIMITED  
ABN 36 098 455 460

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

### 22. CONTROLLED ENTITIES

|  | Country of<br>Incorporation | Entity interest<br>31 December<br>2019 | Entity interest<br>31 December<br>2018 |
|--|-----------------------------|--|--|
| <i>Parent entity</i>   |                             |  |  |
| Vmoto Limited  | Australia                   |  |  |
| <i>Controlled entities</i>   |                             |  |  |
| Vmoto Australia Pty Ltd  | Australia                   | 100%                                   | 100%                                   |
| Vmoto International Limited  | Hong Kong                   | 100%                                   | 100%                                   |
| Nanjing Vmoto Co, Ltd  | China                       | 100%                                   | 100%                                   |
| Nanjing Vmoto Manufacturing Co, Ltd                                    | China                       | 100%                                   | 100%                                   |
| Nanjing Vmoto E-Max Electric Vehicles Development Co, Ltd <sup>1</sup> | China                       | -                                      | 100%                                   |
| Vmoto Europe B.V   | Netherlands                 | 100%                                   | 100%                                   |
| Vmoto Soco Italy srl   | Italy                       | 50%                                    | 50%                                    |
| Vmoto Soco International Pte Ltd <sup>2</sup>                          | Singapore                   | 100%                                   | -                                      |

1. Nanjing Vmoto E-Max Electric Vehicles Development Co, Ltd is a dormant company and is deregistered during the year.
2. Vmoto Soco International Pte Ltd is a new subsidiary incorporated in Singapore during the year.

### 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### Details of Key Management Personnel

##### (i) Directors

|                     |  |
|---------------------|--|
| Mr Phillip Campbell | Chairman (Non-Executive) – appointed 31 May 2017   |
| 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 Kaijian Chen     | Director (Non-Executive) – appointed 1 September 2011  |
| Ms Shannon Coates   | Director (Non-Executive) – appointed 23 May 2014   |

##### (ii) Executives

|                  |  |
|------------------|--|
| Mr Marcel Koper  | Europe After Sales & Service Director - appointed 1 April 2019 |
| Mr Jeffrey Wu    | Sales Manager - appointed 1 May 2014                           |
| Ms Susan Xie     | Sales Manager - appointed 1 March 2010                         |
| Mr Xiaoliang Wan | Purchasing Manager - appointed 31 December 2014                |
| Mr Chaohui Li    | Technical Manager - appointed 1 September 2017                 |



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

### 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

The total remuneration paid to Key Management Personnel of the Company and the Consolidated Entity during the period ended 31 December 2019 was as follows:

|                               | Year ended<br>31 Dec 2019 | Year ended<br>31 Dec 2018 |
|-------------------------------|---------------------------|---------------------------|
|                               | \$                        | \$                        |
| Short-term employee benefits  | 1,083,235                 | 808,478                   |
| Share-based payments          | 208,788                   | 114,839                   |
| <b>Total KMP compensation</b> | <b>1,292,023</b>          | <b>923,317</b>            |

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 2019.

|  | Year ended<br>31 December 2019 | Year ended<br>31 December 2018 |
|--|--------------------------------|--------------------------------|
|  | \$                             | \$                             |
| <b>24. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES</b> |                                |                                |
| <b>Cash flows from operating activities</b>                          |                                |                                |
| Profit/(Loss) for the year   | 1,300,836                      | (917,563)                      |
| Adjustments for:   |                                |                                |
| - Depreciation and amortisation                                      | 1,629,293                      | 967,128                        |
| - Share based payment expenses                                       | 351,131                        | 209,444                        |
|  | <u>1,980,424</u>               | <u>259,009</u>                 |
| (Increase)/decrease in receivables                                   | (31,541)                       | (733,205)                      |
| (Increase)/decrease in inventories                                   | 1,270,403                      | (2,857,387)                    |
| (Increase)/decrease in other assets                                  | (2,283,469)                    | 1,370,659                      |
| (Decrease)/ increase in payables                                     | (549,570)                      | 2,227,807                      |
| Net cash generated by operating activities                           | <u>1,687,083</u>               | <u>266,883</u>                 |



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

### 25. NON-DIRECTOR RELATED PARTIES

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

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

Receivables - Aggregate amounts receivable from non-director related parties:

|  | Year ended<br>31 Dec 2019<br>\$ | Company<br>Year ended<br>31 Dec 2018<br>\$ |
|--|---------------------------------|--|
| <i>Non-current</i>                     |                                 |  |
| Unsecured loans to controlled entities | 20,810,599                      | 23,656,597                                 |
| Provision for non-recovery             | (20,810,599)                    | (23,656,597)                               |
|  | -                               | -  |

### 26. SUBSEQUENT EVENTS

#### *Vmoto and Super Soco to establish new manufacturing company*

On 24 February 2020, the Company signed a joint investment agreement with Super Soco Intelligent Technology (Shanghai) Co, Ltd ("Super Soco"), to establish a new jointly owned Chinese registered manufacturing company, Nanjing Vmoto Soco Intelligent Technology Co, Ltd. The Company and Super Soco will each own 50% of the issued capital. Vmoto will contribute RMB 30 million (~A\$6.1 million) in cash and/or assets by end of June 2020 to provide the initial working capital for Vmoto Soco. Super Soco will contribute RMB 30 million (~A\$6.1 million) in cash and/or assets progressively by no later than June 2025, based on the commercial requirements of the new company.

#### *COVID-19*

In early 2020, COVID-19 was identified as a global pandemic. On 16 March 2020, the Company provided an update on the impact of COVID-19 on its operations, noting that its manufacturing facility in Nanjing, China was fully operational and manufacturing unaffected following a successful inspection by the Nanjing government, in which all health and virus precautionary requirements were met. The Company continues to manage this risk by implementing rigorous health and safety measures at the facility. The Company is also continually monitoring sales performance and has the ability to implement aggressive cost reductions if required.

Apart from the above, there has not arisen in the interval between the end of the financial period and the date of this Annual 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.



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

### 27. PARENT ENTITY DISCLOSURES

| <i>Financial position</i>           | <b>31 Dec 2019</b> | <b>31 Dec 2018</b> |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>\$</b>          | <b>\$</b>          |
| <b>Assets</b>                       |                    |                    |
| Current assets                      | 539,899            | 954,928            |
| Non-current assets                  | 11,715,577         | 11,957,864         |
| Total assets                        | 12,255,476         | 12,912,792         |
| <b>Liabilities</b>                  |                    |                    |
| Current liabilities                 | 142,319            | 140,427            |
| Non-current liabilities             | -                  | -                  |
| Total Liabilities                   | 142,319            | 140,427            |
| <b>Net assets</b>                   | <b>12,113,157</b>  | <b>12,772,365</b>  |
| <b>Equity</b>                       |                    |                    |
| Issued capital                      | 75,353,596         | 74,814,382         |
| Accumulated losses                  | (63,240,439)       | (62,138,436)       |
| <b>Reserves</b>                     |                    |                    |
| Share based payment premium reserve | -                  | 96,419             |
| Total equity                        | 12,113,157         | 12,772,365         |
| <b>Financial performance</b>        | <b>Year ended</b>  | <b>Year ended</b>  |
|                                     | <b>31 Dec 2019</b> | <b>31 Dec 2018</b> |
|                                     | <b>\$</b>          | <b>\$</b>          |
| Loss for the period                 | 1,102,003          | 804,290            |
| Other comprehensive income          | -                  | -                  |
| Total comprehensive income          | 1,102,003          | 804,290            |

#### *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 2019.

#### *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.

### 28. 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.



VMOTO LIMITED  
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## DIRECTORS' DECLARATION

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In the opinion of the Directors of Vmoto Limited:

- (a) the financial statements and notes, set out on pages 19 to 58, 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 2019 and its performance, as represented by the results of its operations and 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 2019.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read "Yiting (Charles) Chen".

**Yiting (Charles) Chen**  
Managing Director

Dated at Western Australia, this 30th day of March 2020.

**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 partner for the audit of the financial statements of Vmoto Limited for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



**BENTLEYS**  
Chartered Accountants



**DOUG BELL CA**  
Partner

Dated at Perth this 30<sup>th</sup> day of March 2020

## Independent Auditor's Report

### To the Members of Vmoto Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Vmoto Limited (“the Company”) and its subsidiaries (“the Consolidated Entity”), which comprises the consolidated statement of financial position as at 31 December 2019, 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 Consolidated Entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity’s financial position as at 31 December 2019 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(a).

#### 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 Consolidated Entity 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.

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# Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



## 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  |
|---|---|
| <b>Existence and valuation of inventory (refer note 7)</b>  |   |
| <p>The Consolidated Entity had an inventory balance of \$4,367,766 at year end.</p> <p>Existence and valuation of inventory were considered key audit matters due to:</p> <ul style="list-style-type: none"><li>– The quantum of inventory on hand;</li><li>– The various locations of the inventory;</li><li>– Risk of stock obsolescence from changing technology; and</li><li>– The importance of inventory in relation to generating positive operating cash flows.</li></ul>   | <p>Our procedures amongst others included:</p> <ul style="list-style-type: none"><li>– Attending stock takes conducted at year end and performing sample counts;</li><li>– During stock takes we observed to consider damaged or obsolete stock on hand;</li><li>– Performed analytical procedures including reviewing margins and inventory turnover; and</li><li>– For a sample of items we tested unit costs of inventory items and related sales to supporting documentation to assess whether the inventory is held at the lower of cost and net realisable value.</li></ul> |
| <b>Existence and recoverability of prepayments (refer note 8)</b>   |   |
| <p>Prepayments predominately relate to payments made by the Consolidated Entity in advance to suppliers for the purchase of raw materials and stock items and have increased from \$1,749,024 to \$4,032,493 as at 31 December 2019.</p> <p>During the year \$568,354 of prepayments were impaired on the basis that the Consolidated Entity no longer utilises the components from the supplier in its current models.</p> <p>Existence and recoverability of prepayments were considered key audit matters due to the size and nature of the balance.</p> | <p>Our procedures amongst others included:</p> <ul style="list-style-type: none"><li>– Reviewing aged prepayments listing and investigating old and/or material balances;</li><li>– On a sample basis, agreeing the outstanding balances to supplier confirmations;</li><li>– Testing of the ageing report to confirm the accuracy of the report; and</li><li>– Assessing the recoverability of the prepayments.</li></ul>  |



# Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <b>Revenue Recognition</b>  |   |
| <p>During the year ended 31 December 2019, the Consolidated Entity generated sales revenue of \$45,672,354 (2018: \$19,578,395).</p> <p>Revenue recognition is considered to be a key audit matter due to its financial significance and the significant increase in revenue during the year.</p> | <p>We reviewed the Consolidated Entity's revenue accounting policy and their contracts with customers and considered how management:</p> <ul style="list-style-type: none"><li>– Identified the contract;</li><li>– Identified the performance obligations within the contracts;</li><li>– Determined the transaction price;</li><li>– Allocated the transaction price to the performance obligations</li><li>– Recognised revenue when the performance obligation was satisfied</li></ul> <p>In addition to the above our procedures amongst others included:</p> <ul style="list-style-type: none"><li>– Understanding the policies and procedures applied to the sales process and their application to revenue recognition;</li><li>– Performing substantive audit procedures on a sample basis by verifying revenue to relevant supporting documentation including approved price lists, delivery/shipping documentation, verification of receipts and ensuring the revenue was recognised at the appropriate time and classified correctly; and</li><li>– Performing a range of substantive analytical and cutoff procedures.</li></ul> |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2019, 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.

## Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



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(a), 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity to cease to continue as a going concern.

## Independent Auditor's Report

To the Members of Vmoto Limited (Continued)



- 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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 2019. 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 the Company, for the year ended 31 December 2019, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Partner

Dated at Perth this 30<sup>th</sup> day of March 2020



VMOTO LIMITED  
ABN 36 098 455 460

## ADDITIONAL SHAREHOLDER INFORMATION

The following information is current as at 10 March 2020:

### 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 do not carry any voting rights.

### Substantial Shareholders

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

| <i>Name of Substantial Shareholder</i>                           | <i>Number of Shares</i> |
|--|-------------------------|
| Yiting (Charles) Chen  | 20,805,383 <sup>1</sup> |
| Raymond and Susan Munro ATF Munro Family Super Fund <sup>2</sup> | 15,000,000 <sup>2</sup> |
| Xiaona Zhao  | 10,606,948 <sup>3</sup> |
| Xiaorui Ding   | 8,823,529 <sup>4</sup>  |

1. As lodged with ASX on 3 July 2019.
2. As lodged with ASX on 24 July 2019.
3. As lodged with ASX on 29 June 2017.
4. As lodged with ASX on 29 June 2017.

### On-Market Buy Back

There is no current on-market buy back.

### Distribution Schedules

Distribution schedules for each class of security as at 10 March 2020 are set out below. Where a person holds 20% or more of the securities in an unquoted class, the name of that holder and number of securities is also provided.

#### *Fully paid ordinary shares*

| <b>Range</b>     | <b>Holders</b> | <b>Units</b>       | <b>%</b>      |
|------------------|----------------|--------------------|---------------|
| 1 - 1,000        | 375            | 216,586            | 0.10          |
| 1,001 - 5,000    | 1,111          | 3,190,282          | 1.42          |
| 5,001 - 10,000   | 524            | 4,312,978          | 1.92          |
| 10,001 - 100,000 | 1,014          | 35,932,086         | 15.99         |
| 100,001 - Over   | 246            | 181,111,051        | 80.58         |
| <b>Total</b>     | <b>3,270</b>   | <b>224,762,983</b> | <b>100.00</b> |



VMOTO LIMITED  
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## ADDITIONAL SHAREHOLDER INFORMATION (cont'd)

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### *Unlisted options exercisable at \$0.065 each, expiring 22 May 2021*

| Range            | Holders          | Units            | %             |
|------------------|------------------|------------------|---------------|
| 1 - 1,000        | -                | -                | -             |
| 1,001 - 5,000    | -                | -                | -             |
| 5,001 - 10,000   | -                | -                | -             |
| 10,001 - 100,000 | 2                | 124,777          | 6.29          |
| 100,001 - Over   | 5 <sup>1,2</sup> | 1,857,397        | 93.71         |
| <b>Total</b>     | <b>7</b>         | <b>1,982,174</b> | <b>100.00</b> |

1. Mr Erchuan Zhou holds 713,013 options comprising 35.97% of this class.
2. Mr Yi Chen holds 427,807 options comprising 21.58% of this class.

### *Unlisted options exercisable at \$0.085 each, expiring 22 May 2021*

| Range            | Holders        | Units          | %             |
|------------------|----------------|----------------|---------------|
| 1 - 1,000        | -              | -              | -             |
| 1,001 - 5,000    | -              | -              | -             |
| 5,001 - 10,000   | -              | -              | -             |
| 10,001 - 100,000 | 2 <sup>2</sup> | 103,921        | 36.83         |
| 100,001 - Over   | 1 <sup>1</sup> | 178,253        | 63.17         |
| <b>Total</b>     | <b>3</b>       | <b>282,174</b> | <b>100.00</b> |

1. Mr Lei Liu holds 178,253 options comprising 63.17% of this class.
2. Mr Zhengjie Wu holds 71,301 options comprising 25.27% of this class.

### **Securities subject to Voluntary Escrow**

- 2,900,000 Fully Paid Ordinary Shares are currently subject to Voluntary Escrow until 1 December 2020.  
3,400,000 Fully Paid Ordinary Shares are currently subject to Voluntary Escrow until 19 December 2021.

### **Unmarketable Parcels**

Holdings of less than a marketable parcel of ordinary shares (being 2,565 Shares as at 10 March 2020):

| Holders | Units     |
|---------|-----------|
| 939     | 1,240,466 |



V MOTO LIMITED  
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## ADDITIONAL SHAREHOLDER INFORMATION (cont'd)

### Top Holders

The 20 largest registered holders of quoted securities as at 10 March 2020 were:

#### Fully paid ordinary shares

| Rank           | Holder  | Units              | % Units      |
|----------------|---|--------------------|--------------|
| 1              | MR YITING CHEN  | 21,107,383         | 9.39         |
| 2              | MR RAYMOND EDWARD MUNRO + MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C> | 18,640,000         | 8.29         |
| 3              | MS XIAONA ZHAO  | 12,433,909         | 5.53         |
| 4              | MR ERCHUAN ZHOU   | 9,250,000          | 4.12         |
| 5              | OUTRIGHT INTERNATIONAL BUSINESS GROUP LIMITED                                   | 8,300,000          | 3.69         |
| 6              | MR YI CHEN  | 4,800,803          | 2.14         |
| 7              | MS MALAKY KAZEM   | 4,396,713          | 1.96         |
| 8              | MR LIANG CHEN   | 3,917,787          | 1.74         |
| 9              | MR TU SHE   | 3,664,872          | 1.63         |
| 10             | CITICORP NOMINEES PTY LIMITED   | 3,281,731          | 1.46         |
| 11             | MR BRENDAN DAVID GORE <GORE FAMILY NO 2 A/C>                                    | 3,245,000          | 1.44         |
| 12             | MR TAO YU   | 2,798,185          | 1.24         |
| 13             | MR KAIJIAN CHEN   | 2,670,115          | 1.19         |
| 14             | EDLINS PROSPERITY PLUS PTY LTD <EDLINS PROSPERITY PLUS A/C>                     | 2,500,000          | 1.11         |
| 15             | MR THOMAS JOSEPH FALVEY   | 2,437,540          | 1.08         |
| 16             | BORRMAN HOLDINGS PTY LTD <THE BROEREN FAMILY A/C>                               | 2,400,000          | 1.07         |
| 17             | SILVERLIGHT HOLDINGS PTY LTD <CAIRNS INVESTMENT A/C>                            | 1,900,000          | 0.85         |
| 18             | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                                       | 1,881,648          | 0.84         |
| 19             | UBS NOMINEES PTY LTD  | 1,872,715          | 0.83         |
| 20             | LEI LIU   | 1,782,531          | 0.79         |
| <b>Totals:</b> |   | <b>113,280,932</b> | <b>50.39</b> |

### Securities Exchange Quotation

The Company's ordinary shares are listed on the Australian Securities Exchange (Code: VMT). The Home Exchange is Perth.

### Corporate Governance

The Company's Corporate Governance Statement for the 2019 financial year can be accessed at [www.vmoto.com/Download/Index?typeId=16](http://www.vmoto.com/Download/Index?typeId=16)