OPERATIONS REVIEW
12 MONTH PERIOD ENDED 31 DECEMBER 2013

ANNOUNCEMENT **27 February 2014**

HIGHLIGHTS

1. **Vmoto achieves first profitable financial year with a net profit of A$404,460 (unaudited)**
2. **Total unit production from facility of approximately 60,500 units, a significant increase in comparison to 2012**
3. **PowerEagle 2013 production schedule met, with production of 44,235 units pursuant to cooperation agreement**
4. **Ten retail stores opened in China during the 2nd half of the year, with over 3,700 units sold in the financial year from Vmoto's Chinese stores**
5. **Eleven new models of electric two wheel vehicles launched for the Chinese domestic market**
6. **Other joint ventures, tenders, trials and collaborations within China and other countries in motion and being assessed**
7. **A$6.8 million raised (before costs) from institutional and sophisticated investors to assist the Company in meeting the electric two wheel vehicle market demand and continued expansion into China**

OVERVIEW

Vmoto Limited (ASX:VMT, AIM:VMT), the global scooter manufacturing and distribution group specialising in "green" electric powered scooters, provides the following commentary on its Appendix 4E - Preliminary Final Report to the ASX for the financial year ended 31 December 2013. The Appendix 4E follows.

During the 2013 financial year, Vmoto continued with its strategy of designing, manufacturing and distributing high quality "green" electric powered two wheel scooters from its manufacturing facilities in Nanjing, China.

The Company's extensive sales pipeline began delivering rewards as customers such as PowerEagle continued to ramp up orders under its cooperation agreement as announced on 3 July 2012. From mid-way through the year, after the launch of eleven specifically designed low cost models, the Company also began to focus on the huge domestic Chinese market, the

ABN 36 098 455 460

Suite 1, Ground Floor,
83 Havelock Street,
WEST PERTH WA 6005

Telephone: (61-8) 9226 3865

www.vmoto.com

world's largest electric two wheel vehicle market, with 30 million units produced in 2012 and expected to increase to 40 million units in 2015[1].

As a result of the significant increase in production from factory, the opening of new retail stores, and more streamlined processes the Company is pleased to report a maiden net profit of A$404,460 (unaudited) on a turnover of A$25.2 million (unaudited) for the 2013 financial year.

Cash, facility and inventory

As at 31 December 2013, the Company had cash of A$4.4 million.

The Company's total operating facility drawn down was RMB29.9 million (approximately A$5.5 million) and the total undrawn operating facility was RMB4.1 million (approximately A$757,000). As at 31 December 2013 the inventory at the factory stood at A$5.2 million.

EXISTING MARKETS AND SALES

Sales for the year were predominantly made in China. In particular, PowerEagle production ramped up which was complimented by the launch of the Company's own models and retail stores.

ASIA

China: During the year ended 31 December 2013, the Company fulfilled Shanghai PowerEagle International Co Ltd's (PowerEagle) forecast production of 42,000 units for the year, with a total of 44,235 units produced and 42,051 units sold to end of December 2013.

In June 2013, Vmoto opened its first Chinese flagship retail store in Lishui District, Nanjing. Following this, the Company opened a further nine retail stores in various locations around Nanjing, Jurong, Shanghai and Kunshan.

The Company sold over 3,700 units of electric two wheel vehicles through its ten Chinese retail stores during the financial year and has shown that Vmoto's electric two wheel vehicle products have been well received by retail customers in China. Given the lead time each store requires for sales to start being generated the number of units sold has been encouraging and in line with management's expectations.

The opening of Vmoto's retail stores in China is a key milestone for the Company and is one of the strategies of the Company to further penetrate into the world's largest electric two wheel vehicles market. The Company is assessing a number of other locations and expects to open more retail stores in 2014.

Vmoto's own retail stores also give customers a direct buying opportunity where they can test ride, touch and feel Vmoto's electric two wheel vehicles. Vmoto's retail stores are also a one-stop shop as it offers a wide range of Vmoto electric two wheel vehicle products that can meet the different requirements and budgets of customers, and supply parts and accessories and provide requisite after sales services.

[1] Source: China Electric Two Wheel Vehicle Industry Research Report, 13 November 2012

The Company also intends to seek collaborations and distribution agreements with other electric scooter companies within China where a direct Vmoto retail outlet is not appropriate.

Indonesia: In November 2013, the Company signed an exclusive distribution agreement with the Indonesian company PT. Garansindo Technologies to distribute, stock and market the Company's Vmoto and E-Max range of electric scooter products in Indonesia. The Company is in discussions with the Indonesian distributor to determine specific requirements for their electric scooter products for the Indonesian market.

Malaysia: The Company sold 72 units of its delivery electric scooters in completely knocked down ("CKD") form to its Malaysian Original Equipment Manufacturer ("OEM") customer during the year, with a further 72 units sold after the end of the period.

The Company also shipped units to distributors in Thailand and South Korea and started discussions with potential distributors in India.

EUROPE

Sales in Europe during 2013 were generally slower due to economic conditions.

Germany: The Company commenced the production of E-Tropolis electric scooters during the period. While orders remained slow due to Europe's economic conditions, by 31 December 2013, the Company had delivered 232 units to the customer.

Netherlands: The Company secured B.V Nimag as its new exclusive distributor in the Netherlands. 38 units were shipped to the Netherlands during the year.

The Company also shipped units to distributors in Cyprus, Italy and Slovenia.

NORTH AMERICA

USA: The Company delivered its first order of 75 units to KLD Energy in the USA where KLD will install their own Samsung lithium battery packs and drive systems into the Vmoto "120" model. KLD's engineers are performing further tests on the drive system and visited Vmoto's Nanjing Facility at the end of July 2013 for the required system update.

The Company also shipped units to distributors in Canada.

SOUTH AMERICA

Brazil: As announced on 24 April 2013, the Company signed a joint venture ("JV") agreement with Riba Motors Industria e Comercio Ltda ("Riba"), providing Vmoto access to Riba's assembly facility with direct distribution to Latin America, the world's second fastest growing electric scooter market[2].

The JV with Riba as a local partner offers significant cost savings for the Company and the opportunity for Vmoto to leverage Riba's expertise in the Latin American market.

Due to the unprecedented social turmoil and unrest in Brazil and the significant interest received in the domestic Chinese market by Vmoto, the Company opted to defer its

[2] Source: Pike Research

marketing efforts in Brazil and focus on the world's biggest market, China, which the Company anticipates will generate better returns in the short to medium term.

OTHER COUNTRIES

During the year, the Company also shipped to distributors in South Africa.

LAUNCH OF NEW MODELS/VERSIONS IN CHINA

In June 2013, Vmoto launched the first batch of five new models of electric two wheel vehicles in China. These new models are updated versions of Vmoto's E-Max classic 80S and 120S electric scooters and newly developed electric two wheel vehicle models. The new models have been developed specifically to target the Chinese market, the design being modern and fashionable and at a reasonable price point.

The Company now has a total of eleven models of electric two wheel vehicles and will be developing more models in 2014 to keep up with demand.

COLLABORATIONS, TENDERS AND JOINT VENTURE OPPORTUNITIES

Joint Venture

Vmoto continued to progress toward execution of the necessary Chinese regulation agreements required to implement the proposed joint venture with a private Chinese electronic technology company, as announced on 2 October 2013. While formal operations have been delayed as a result of the collation of these agreements, Vmoto's joint venture partner is currently in situ at Vmoto's Nanjing facility and both parties remain committed to formalising the joint venture.

Electric cleaning vehicles

Also, as announced on 13 August 2013, the Company delivered two trial electric four-wheel vehicles for the district government in Jianye District, Nanjing for trial. Trials and discussions with the Nanjing Government are ongoing.

During the year, the Company received many leads within China and internationally from parties who have expressed interest in cooperating with Vmoto. The Company is continuously evaluating these collaborations and opportunities to expand sales in China and globally.

CORPORATE

During the year, the Company raised a total of A$6.8 million (before costs) with institutional and sophisticated investors in Australia and the UK to assist the Company in meeting the electric two wheel vehicle market demand and continuing expansion into China.

On 29 January 2013, the Company announced the appointment of Mr Simon Farrell and Mr Ivan Teo as Non-Executive Chairman and Finance Director respectively.

Vmoto's Australian registered office relocated to Suite 1, Ground Floor, 83 Havelock Street, West Perth, Western Australia in March 2013 and Vmoto's European after sales service, marketing and distribution centre moved from Barcelona, Spain to Bremen, Germany in February 2013 in order to provide a more efficient after sales service to the Company's distributors and customers in Europe.

OUTLOOK

2013 was a significant year for Vmoto as production at the factory started ramping up leading to its maiden profit. The Company continues to deliver on its existing OEM contract with PowerEagle and this has been complemented by the launch of its own models and opening of its own stores in China. China is a huge market for the Company and there is still significant room for growth with the current factory infrastructure, which is still below 20% capacity.

The Company is very excited about the opportunities in China and is executing a number of strategies to gain a stronger foothold in China to further consolidate its position as a premium, quality brand for the Chinese market electric scooter market.

Vmoto certainly does not ignore the rest of the world and this is demonstrated by the global sales, albeit much smaller than China, in more than 20 countries. The Board remains focussed on increasing sales outside of China and is excited by the opportunities and discussions presenting themselves, amongst others, in Indonesia, India, Brazil, Europe and the US.

The Company has also been approached by a number of parties operating in the electric vehicles sector for collaborations or joint ventures. Discussions with these parties are continuing and the Company is looking forward to progressing these to see if any agreements can be secured to add long term value to the Company.

The continuous interest in Vmoto's manufacturing capacity and electric scooters by customers has demonstrated their confidence in Vmoto's infrastructure, capabilities and products.

2014 is expected to be another year of growth for Vmoto as production at the factory increases for both domestic China and overseas markets. It is an exciting time for the global electric scooter market and the Board consider Vmoto is now well positioned to be at the forefront of it.

AUTHORISED BY:

Charles Chen
Managing Director

For further enquiries, please contact:

Vmoto

Charles Chen, Managing Director +61 (8) 9226 3865
Olly Cairns, Non-Executive Director +61 (8) 9226 3865

finnCap Ltd +44 20 7220 0500
Ed Frisby/Christopher Raggett (corporate finance)
Tony Quirke (corporate broking)

About Vmoto

Vmoto is a global two wheel vehicle manufacturing and distribution group and is listed on the Australian Securities Exchange (ASX) and on the AIM market of the London Stock Exchange. The Company specialises in high quality "green" two wheel electric powered vehicles and manufactures a range of western designed electric (and some petrol) two wheel vehicles from its low cost manufacturing facilities in Nanjing, China, marketed in Europe through its operation in Bremen, Germany and marketed outside Europe through its operations in Australia. Vmoto combines low cost Chinese manufacturing capabilities with European design. The group operates through two primary brands: Vmoto (aimed at the market in Asia) and E-Max (targeting the Western markets, with a premium end product). As well as operating under its own brands, the Company also sells to a number of customers on an original equipment manufacturer ("OEM") basis.

Appendix 4E

Preliminary Final Report
to the Australian Stock Exchange

Part 1

Name of Entity	Vmoto Limited
ABN	36 098 455 460
Financial Year Ended	12 months ended 31 December 2013
Previous Corresponding Reporting Period	6 months ended 31 December 2012

Part 2 – Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from ordinary activities	25,175	447%
Profit from ordinary activities after tax attributable to members	404	133%
Net profit attributable to members	404	133%

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

This report relates to the year ended 31 December 2013. Comparatives are for the 6 months period ended 31 December 2012 as a result of the change in the Company's financial year end from 30 June to 31 December, effective 31 December 2012.

Refer to the above Operations Review for further commentary on the results for the year ended 31 December 2013.

Part 3 – Contents of ASX Appendix 4E

Part 4 – Consolidated Statement of Profit or Loss

	Year Ended 31 December 2013 $	6 months Ended 31 December 2012 $
Continuing Operations		
Sales revenue	25,174,809	4,603,010
Cost of goods sold	(21,409,686)	(3,530,274)
Gross profit	3,765,123	1,072,736
Other revenue from ordinary activities	453,418	194,923
Operational expenses	(1,398,897)	(720,290)
Marketing and distribution expenses	(660,342)	(692,335)
Corporate and administrative expenses	(1,337,819)	(849,550)
Occupancy expenses	(43,175)	(43,186)
Other expenses from ordinary activities	(1,002)	-
Profit/(Loss) before finance costs and income tax	**777,306**	**(1,037,702)**
Finance costs	(372,846)	(181,879)
Income tax	-	-
Loss after tax from continuing operations	**404,460**	**(1,219,581)**
Loss after tax from discontinued operations	-	-
Total loss for the period	**404,460**	**(1,219,581)**
Loss attributable to members of the parent entity	**404,460**	**(1,219,581)**

Part 5 – Consolidated Accumulated losses

	Year Ended 31 December 2013 $	6 months Ended 31 December 2012 $
Accumulated losses at the beginning of the period	(37,862,747)	(37,512,457)
Profit (loss) for the period	404,460	(1,219,581)
Transfer expired options reserve to accumulated losses	173,745	869,291
Prior period adjustment	(56,000)	-
Accumulated losses at the end of the period	(37,340,542)	(37,862,747)

Part 6 – Consolidated Statement of Financial Position

	31 December 2013 $	31 December 2012 $
CURRENT ASSETS		
Cash and cash equivalents	4,426,994	1,834,894
Trade and other receivables	3,639,758	1,802,176
Inventories	5,180,807	3,150,650
Other	2,449,680	593,700
Total Current Assets	15,697,239	7,381,420
NON CURRENT ASSETS		
Property, plant and equipment	5,473,184	5,614,796
Intangible assets	3,592,983	3,588,532
Total Non Current Assets	9,066,167	9,203,328
TOTAL ASSETS	24,763,406	16,584,748
CURRENT LIABILITIES		
Trade and other payables	1,509,999	2,027,334
Interest bearing loans	5,522,005	4,158,486
Total Current Liabilities	7,032,004	6,185,820
TOTAL LIABILITIES	7,032,004	6,185,820
NET ASSETS	**17,731,402**	**10,398,928**
EQUITY		
Issued capital	57,725,955	51,060,622
Reserves	(2,654,011)	(2,798,947)
Accumulated losses	(37,340,542)	(37,862,747)
TOTAL EQUITY	**17,731,402**	**10,398,928**

Part 7 – Consolidated Statement of Cash Flows

	Year Ended 31 December 2013 $	6 months Ended 31 December 2012 $
Cash flows from operating activities		
Receipts from customers	27,835,244	4,686,933
Payments to suppliers and employees	(31,324,457)	(6,639,288)
Interest received	8,542	3,301
Interest paid	(375,681)	(181,738)
Other cash receipts	30,955	29,853
Net cash used in operating activities	(3,825,397)	(2,100,939)
Cash flows from investing activities		
Payments for property, plant and equipment	(402,528)	(280,847)
Payments for intangible assets	(5,486)	(40,593)
Net cash used in investing activities	(408,014)	(321,440)
Cash flows from financing activities		
Proceeds from issue of equity shares	6,540,660	2,836,883
Payments for share issue costs	(438,298)	(63,976)
Proceeds from borrowings	6,527,726	1,349,176
Repayment of borrowings	(6,043,162)	(1,066,021)
Net cash generated by financing activities	6,586,926	3,056,062
Net increase in cash held	2,353,515	633,683
Cash at the beginning of the financial year	1,834,894	1,231,258
Effects of exchange rate changes on cash	238,585	(30,047)
Cash at the end of the financial year	**4,426,994**	**1,834,894**

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

The profit (loss) from ordinary activities before income tax includes the following items of revenue and expense:

	Year Ended 31 December 2013 $	6 months Ended 31 December 2012 $
2. REVENUES AND EXPENSES OF CONTINUING OPERATIONS		
(a) Other income		
Interest income	8,514	3,374
Contributions from customers	351,189	102,066
Government subsidies	29,660	-
Net foreign exchange gain	-	22,813
Other	64,055	66,670
	453,418	194,923

(b) Other expenses		
Net foreign exchange loss	1,002	-
	1,002	-

(c) Employee benefits expense		
Wages and salaries costs	1,423,329	681,932
	1,423,329	681,932

(d) Depreciation and amortisation		
Depreciation	484,112	254,360
	484,112	254,360

Part 10 – Commentary on Results

Refer to the above Operations Review for commentary on the results for the year ended 31 December 2013.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	Year Ended 31 December 2013 $	6 months Ended 31 December 2012 $
(a) Reconciliation of cash:		
For the purposes of the Statement of Cashflows, cash includes cash on hand, and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	4,426,994	1,834,894
Cash at bank	4,426,994	1,834,894
(b) Reconciliation of net cash used in operating activities to loss after income tax		
Profit (loss) after income tax	404,460	(1,219,581)
Add non-cash items:		
Depreciation and impairment	484,112	254,360
Share based payment expenses	159,596	27,724
	1,048,168	(937,497)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(1,837,582)	(85,858)
(Increase) /decrease in inventories	(2,030,159)	(666,090)
(Increase)/decrease in other assets	(1,855,979)	34,554
Increase/(decrease) in payables	850,155	(446,048)
Net cash used in operating activities	(3,825,397)	(2,100,939)

Part 12 – Details Relating to Dividends

Date the dividend is payable	**N/A**
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 13 – Loss per Share

	Consolidated	
	Year Ended 31 December 2013	**6 months Ended 31 December 2012**
Basic earnings (loss) per share	0.04 cents	(0.16 cents)

The Company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.

Weighted average number of ordinary shares for the purpose of basic loss per share	959,249,954	751,746,826

Part 14 – Net Tangible Assets per Security

	31 December 2013	**31 December 2012**
Net tangible asset backing per ordinary security (cents)	1.16	0.76

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	Nil
Date deregistered	Nil
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
Name of entity	31/12/13 %	31/12/12 %	Year ended 31/12/13 $A'000	Year ended 31/12/12 $A'000
	N/A	N/A	N/A	N/A
Associate	N/A	N/A	N/A	N/A
Joint Venture Entities	N/A	N/A	N/A	N/A
Aggregate Share of Losses	N/A	N/A	N/A	N/A

Part 17 – Issued Securities

	31 December 2013 $	31 December 2012 $
Share capital		
1,221,196,804 (31 December 2012: 896,087,712) fully paid ordinary shares	57,725,955	51,060,622

The following movements in issued capital occurred during the period:

	Year Ended 31 December 2013 Number of Shares	6 months Ended 31 December 2012 Number of Shares
Balance at beginning of the period	896,087,712	720,938,456
Issue of shares at 4.0 cents each	-	3,600
Issue of shares at 1.2 cents each	-	54,070,654
Issue of shares at 2.0 cents each	-	121,075,002
Issue of shares at 2.0 cents each	75,000,000	-
Issue of shares at nil consideration	2,000,000	-
Issue of shares at 2.2 cents each	54,545,455	-
Issue of shares at 2.2 cents each	186,363,637	
Issue of shares at nil consideration	5,200,000	
Issue of shares at nil consideration	2,000,000	-
	1,221,196,804	896,087,712

Options

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

- 8,500,000 ESOP options exercisable at 2.5 cents each on or before 1 September 2014;
- 145,392,230 listed options exercisable at 4 cents each on or before 31 December 2014;
- 11,500,000 ESOP options exercisable at 3 cents each on or before 23 November 2015.
- 5,000,000 options exercisable at 4 cents each on or before 23 May 2018; and
- 5,000,000 options exercisable at 8 cents each on or before 23 May 2018.

Performance Rights

The following performance rights are outstanding at balance date:

- 4,000,000 incentive performance rights convertible to shares on or before 31 December 2013 (subject to performance vesting conditions);
- 6,000,000 incentive performance rights convertible to shares on or before 31 December 2014 (subject to performance vesting conditions);
- 8,000,000 incentive performance rights convertible to shares on or before 31 December 2015 (subject to performance vesting conditions).

Part 18 – Segment Information

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 scooter including electric and petrol scooters, ATV and engine manufacture and distribution industry.

In prior years, reported segments were based on the geographical segments of the Group, being Australia, Spain and China. This assessment of identifiable segments has not changed in the current period, as 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 same components.

The scooter, ATV and engine segments are managed on a worldwide basis, but operate in three principal geographical areas: Australia, China and Spain. In China, manufacturing facilities are operated in Nanjing.

Continuing Operations	Australia $A		China $A		Spain $A		Intersegment elimination $A		Consolidated $A	
	Year ended 31/12/13	6 months ended 31/12/12	Year ended 31/12/13	6 months ended 31/12/12	Year ended 31/12/13	6 months ended 31/12/12	Year ended 31/12/13	6 months ended 31/12/12	Year ended 31/12/13	6 months ended 31/12/12
Revenue										
Segment revenue	-	2,184	25,174,809	4,596,391	-	4,435	-	-	25,174,809	4,603,010
Result										
Segment result	(911,751)	(395,262)	1,338,744	(803,201)	(22,533)	(21,118)	-	-	404,460	(1,219,581)
Assets										
Segment assets	2,754,810	511,340	42,182,395	32,773,829	114,302	278,010	(20,288,101)	(16,978,431)	24,763,406	16,584,748
Liabilities										
Segment liabilities	(85,465)	(320,325)	(26,354,897)	(21,956,384)	(879,743)	(887,542)	20,288,101	16,978,431	(7,032,004)	(6,185,820)

The principal activity of the continuing Consolidated Entity is the manufacture, marketing and distribution of:

- Scooter including electric and petrol scooters; and
- All terrain vehicles.

Part 19 – Subsequent Events

Vesting of Performance Rights

On 21 January 2014, the Company issued 1,000,000 fully paid ordinary shares to Mr Yiting Chen and 1,000,000 fully paid ordinary shares to Mr Oliver Cairns as a result of vesting of Class D incentive performance rights as approved by shareholders on 31 July 2012.

Exercise of Options

On 13 February 2014, the Company issued 40,400 fully paid ordinary shares following the exercise of 40,400 listed options exercisable at $0.04 on or before 31 December 2014.

Apart from the above, there were no other significant events subsequent to year ended 31 December 2013 and prior to the date of this report that have not been dealt with elsewhere in this report.

Part 20 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:
Not applicable
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:
Not applicable