



CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

ANNOUNCEMENT

22 MAY 2018

Good morning ladies and gentlemen. My name is Phillip Campbell and I have had the privilege of being your Chairman since the 2017 Annual General Meeting. It is my pleasure to Chair today's 2018 Annual General Meeting of Vmoto Limited.

Joining me here today is our Managing Director, Mr Charles Chen, Finance Director, Ivan Teo, and Non-Executive Director and Company Secretary, Shannon Coates. We also have Non-Executive Director Mr Jacky Chen on the phone and a representative from our Auditors here today.

This time last year, I had only just joined the Board and I spoke about the differences between the Chinese domestic market and, for that matter, the market in many parts of Asia, and the market in the likes of Europe, North America, Australia and on.

Firstly, let me comment on the Chinese domestic market. The two-wheel electric vehicle market in China at this time last year was largely unregulated versus the international market. That is to say, there were many manufacturers operating in unlicensed factories, producing low cost, low specification products that were finding their way onto the roads unregistered. Products that would not meet the technical and safety specifications required in the broader international market. It was a challenge in these circumstances for the Shanghai Jiye JV to turn a profit in a way consistent with the rules and regulations that apply to Vmoto as an Australian listed company. Further, the authorities were foreshadowing their intentions to start regulating the market -- a good thing, but one that would have required considerable reinvestment into the JV. We are confident that our decision to exit was the right one, at the right time.

Despite this, the changing regulatory environment in China did open up opportunities during the year. New entrant in the Business to Consumer (B2C) market, Super Soco, backed in part by MI Group, had invested heavily in advanced product development to meet the emerging Chinese domestic regulatory requirements, but with an eye on the international market. Vmoto presented itself at the right time as a business partner to Super Soco, with licenced manufacturing facilities and established distribution channels into the international market.



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As you will know from our previous announcements, Super Soco now lease part of Vmoto's manufacturing facilities in Nanjing and Vmoto and Super Soco products are produced together on the same production line. I will have more to say about this relationship and the opportunities it presents shortly.

Turning to the international market and especially Europe, I spoke to you last year about Vmoto's strategy to focus on the Business to Business, or "B2B" market. Vmoto's Emax product is ideally suited to delivery applications and use by standard last mile delivery businesses as well as police, post offices and even paramedics. That focus paid dividends in 2017, especially for our business partners in Europe who are offering leasing and rental options to fast food franchises and last mile delivery services. The first quarter of 2018 has seen a continued growth in this market sector.

The second half of the 2017 financial year saw a significant shift in the European market and elsewhere and a real inflection point was reached in the acceptance of two-wheel electric vehicles, especially post the EICMA exhibition in Milan in November 2017. The B2C market that had always been tentative in its acceptance of electric alternatives to motorbikes suddenly came to life. The electric two-wheeler was now cool and fun -- great to own and great to share rent at holiday destinations. The relationship with Super Soco to market their "fun machines" internationally came precisely at the right time. Demand for the Super Soco product is developing rapidly in Europe and other B2C markets.

Let's recap -- Vmoto now has the international B2B market product -- the Emax -- and the international market B2C product via Super Soco. So where to next? Obviously, as I said last year, the key to growth is distribution, sales and marketing. This is and will continue to be our focus in 2018. We undertook a small capital raising of approximately \$2.2 million in early 2018 and these funds have and will be used towards the expansion of our European distribution network and warehouse to accelerate the sales into European markets and expansion of the international B2B leasing business.

But the world cannot stand still in terms of product development. Super Soco has just unveiled its next generation of B2C fun machine, the Model CU, and its first serious performance electric two wheeler, the Model TC Max. Reaction in the Chinese domestic market, which is rapidly growing in sophistication, has been very strong. These products will be available for Vmoto to distribute in the international market in 2019, with particular interest shown already in the Model CU.

Vmoto is also busy expanding its own electric vehicle product range, with the design and development of its next B2B Emax model well underway, -- let's call it Emax Mark II for now. It is being designed to be produced on the same production line as the Super Soco models and to utilise as many of the same component suppliers as possible. This is expected to simplify the supply chain, exploit economies of scale, reduce costs of components and spare parts and further cement the working relationship between Vmoto and Super Soco. We expect to be able to start delivery of the Emax Mark II towards the end of 2019.

While the demand for electric vehicles of all shapes and sizes has never been more positive across all market segments, we should not forget that the electric vehicle industry is still in its infancy and challenges are likely to arise from time to time that are difficult to predict. As an example, the growth in world-wide interest in all things electric -- vehicles two wheel and four, big batteries for power grid back-up, home solar system batteries and so on, is placing demands on the supply of lithium-based cells at the heart of all contemporary batteries. The world's production capacity is being stretched. Delivery times are increasing despite major investment world-wide in new production capacity by Panasonic and others. We are keeping a close eye on these developments and working closely with our business partners to more accurately forecast sales and delivery requirements. Production planning, supply chain management and logistics are going to be as integral to our success in future as sales and marketing are right now.

As we continue to implement our strategy, we are seeing continued improvement in unit sales numbers into the international markets and we are quietly confident of a positive EBITDA result year in 2018. We have the products, B2B and B2C, we have shed distractions such as the Shanghai Jiye JV and we have continued to expand the distribution channels internationally.

Thank you for the opportunity to address you today and we will now move to the formal part of the business, after which Charles will have a few words to say.

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About Vmoto

Vmoto Limited (ASX: VMT) is a global scooter manufacturing and distribution group. The Company specialises in high quality "green" electric powered two wheel vehicles and manufactures a range of western designed electric scooters from its low cost manufacturing facilities in Nanjing, China. Vmoto combines low cost Chinese manufacturing capabilities with European design. The group operates through three primary brands: Vmoto (aimed at the value market in Asia), E-Max (targeting the Western B2B markets, with a premium end product) and Super Soco (targeting the Western B2C markets). As well as operating under these brands, the Company also sells to a number of customers on an original equipment manufacturer ("OEM") basis.