Appendix 4D

Half year report
Period ended on 31 December 2014
VDM Group Limited

ABN 95 109 829 334
ASX Code: VMG

The information contained in this report relates to the following years:
Current half year ended – 31 December 2014
Previous half year ended – 31 December 2013

Results for announcement to the market	$'000	Up/Down	% Movement
Revenue from continuing operations	826	Down	95.9%
Loss from continuing operations after tax attributable to members	(7,634)	Up	11.0%
Net loss for the period attributable to members	(7,634)	Down	36.0%

Dividend Payments

VDM does not propose to pay an interim dividend for the half year ended 31 December 2014.

Net tangible assets

	Current half year	Previous half year
Net tangible (liability) / asset per ordinary security	0.2 cents	(0.1) cents

Additional Appendix 4D disclosure requirements can be found in the notes to the 31 December 2014 half-year financial statements and the Directors' Report.

This report is based on the consolidated 31 December 2014 half-year financial statements which have been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the 31 December 2014 half-year financial statements.

VDM GROUP LIMITED

and its controlled entities

ABN 95 109 829 334

INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2014

CONTENTS

CORPORATE INFORMATION

ABN 95 109 829 334

DIRECTORS

Mr Hiuming Luk	Non-Executive Chairman
Dr Dongyi Hua	Managing Director and Chief Executive Officer
Mr Michael Fry	Non-Executive Director
Mr Velko (Vic) Jakovich	Non-Executive Director

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER
Mr Padraig O'Donoghue

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VDM Group Limited shares are listed on the Australian Securities Exchange (ASX).

The ASX Code is VMG.

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of the directors of VDM Group Limited ("VDM" or "the Company") in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Name	Position	Date of appointment
Mr Luk Hiuming	Non-executive Chairman	21 March 2014 (appointed Chairman on 29 January 2015, previously held the position of Non-executive Director)
Dr Dongyi Hua	Managing Director & CEO	28 August 2013 (appointed Managing Director and CEO on 29 January 2014, previously held the position of Executive Chairman and CEO)
Mr Michael Fry	Non-executive Director	3 June 2011
Mr Velko Jakovich	Non-executive Director	1 February 2014
Mr Michael Perrott	Non-executive Director	2 July 2009 (resigned 7 August 2014)

NATURE AND PRINCIPAL ACTIVITIES

The focus of the Group during the reporting period related to establishment and growth of the four business divisions:

- engineering, procurement and construction ("EPC") (VDM Construction)
- equipment sales, hire, service and parts sales (VDM Equipment)
- import and export of goods to and from Asia (VDM Trading)
- mining exploration, development and operation in Africa and Latin America (VDM Mining)

Construction and equipment hire activities in land development, road construction, and building construction in Western Australia continued to be the principal business activities during the half year ended 31 December 2014, which is consistent with the previous reporting period.

REVIEW AND RESULTS OF OPERATIONS

The Construction division performed minor works to close-out a number of remaining contracts and actively pursued new construction contracts. It also strengthened its capability in modular and steel construction through hiring experienced staff and establishing preferred supplier arrangements with leading international modular and steel manufacturers. VDM Construction's goal is to become a leading modular and steel construction company.

The Equipment division continued to hire and provide equipment services to the construction industry. The new joint venture company, Sany VDM Pty Ltd, (VDM 49%, Sany 51%) was established in the period for purpose of Sany equipment sales, hire, service and parts sales with the benefits of having the direct involvement and support of Sany, a leading international equipment manufacturer. As announced on 3 November 2014, VDM Equipment was also awarded an exclusive distributorship of Changlin equipment (a major international equipment manufacturer) and is progressing similar arrangements with other leading equipment brands. With Sany, Changlin and its other brands, VDM Equipment has positioned itself with the competitive advantages of a highly-quality range of "best-in-class" equipment for sale and hire at extremely attractive prices, and with outstanding customer service and factory support.

The Trading division conducted business development activities to establish an import and export trading business with Asia. It also provided its Asian business knowledge and expertise to assist the Construction and Equipment divisions to put in place preferred supplier and exclusive distributor arrangements.

VDM's Mining division made significant progress towards its goal of establishing mining operations in Africa with the signing of the conditional agreement with Pebric Mining and Consulting, LDA (Pebric) and Seabank Resources, LDA (Seabank) to acquire a 65% participating interest in the Cachoeiras do Binga copper exploration project located in the Republic of Angola. Shareholders resoundingly supported the acquisition at VDM's Annual General Meeting, and negotiations to complete the Mineral Investment Contract with the Angolan State are in the advanced stages.

Half year revenue from continuing operations was $826,000, a decrease of 96% from the comparative period reflecting VDM's substantial completion of work and close-out of most remaining contracts during financial year 2014. The Company did not enter into any new construction contracts since the beginning of the comparative period.

The half year loss after tax of $7,634,000 (2013: $11,919,000 loss) is mainly comprised of $5,816,000 of administration expenses (2013: $8,124,000) and $1,069,000 impairment of development properties (2013: nil). Administration expenses include a non-recurring $2,719,000 liability provision for the Reg Camp contract dispute (2013: nil).

Capital Raisings

On 22 September 2014 VDM entered into a convertible loan agreement with Australia Kengkong Investments Co Pty Ltd (Kengkong) for $10,000,000 and was subsequently advanced $10,000,000. On 6 May 2014 VDM was previously advanced $4,500,000 from Kengkong under a separate convertible loan agreement. Shareholder approval of the conversion was obtained on 29 November 2014, and Kengkong subsequently exercised its conversion rights and VDM issued 1,450,000,000 ordinary shares to Kengkong at $0.01 per share in repayment of both loans on 1 December 2014.

On 3 December 2014 VDM issued 250,000,000 shares to a sophisticated investor under a private placement agreement at the price of $0.012 per share raising $3,000,000.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares of the Company were:

Director	Ordinary shares	Options
Mr Hiuming Luk	2,070,000,000	-
Dr Dongyi Hua	1,085,110,976	-
Mr Vic Jakovich	24,219,720	-
Mr Michael Fry	1,000,000	-

DIVIDENDS

There were no dividends declared or paid during the half year ended 31 December 2014.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 29 September 2014, VDM announced its entry into a conditional agreement with Pebric Mining and Consulting, LDA (Pebric) and Seabank Resources, LDA (Seabank) to acquire a 65% participating interest in the Cachoeiras do Binga copper exploration project located in the Republic of Angola. At the Company's annual general meeting on 29 November 2014, all shareholder approvals related to the agreement were obtained, which satisfies one of the conditions of the agreement. The remaining unsatisfied condition relates to VDM executing a Mineral Investment Agreement (MIC) with the Angolan State, Pebric and Seabank, which is in the advanced stages of negotiations. Upon satisfaction of this condition, VDM will issue 650,000,000 ordinary shares and pay $4,785,000 to Seabank to acquire its 65% interest in the project.

VDM has established a joint venture company with Sany (SANY VDM Pty Ltd). VDM holds a 49% interest in the share capital and Sany holding a 51% interest. The joint venture has started hiring Sany equipment to customers and has ordered significantly more equipment from the Sany factory to offer for hire and sale in Australia in the in the coming months.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 29 January 2015, Non-executive Director Mr. Hiuming Luk was appointed as Non-executive Chairman. Dr Hua continues with VDM as Managing Director and CEO.

On 29 January 2015, the VDM Directors agreed to an overall 18% reduction in Board and CEO remuneration to demonstrate their commitment to cost savings measures. Subsequent to this announcement, the Company has undertaken a review of staff remuneration and sought to align individuals remuneration with current market conditions, resulting in a significant reduction in payroll related costs. These and other cost savings measures are being implemented to lower the overhead costs of the Company.

On 18 February 2015, BHP Billiton Iron Ore Pty Ltd (BHP) cashed $2,730,000 of security bonds in relation to the Central Reg Camp Bulk Earthworks Contract dated 15 August 2011. The security bonds were 100% cash-backed with funds held in security deposits. Prior to BHP cashing of the bonds, on 20 January 2015, VDM increased the security deposits by $250,000.

DIRECTORS' REPORT

AUDITOR INDEPENDENCE DECLARATION

The Auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2014.

ROUNDING

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Dr Dongyi Hua
Managing Director and CEO
Perth, Western Australia
27 February 2015

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Auditor's Independence Declaration to the Directors of VDM Group Limited

In relation to our review of the financial report of VDM Group Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
27 February 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2014

	Note	**Consolidated 31 Dec 2014 $'000**	Consolidated 31 Dec 2013 $'000
Continuing operations			
Rendering of services		696	19,883
Other revenue	3(a)	130	154
Revenue		**826**	20,037
Cost of sales		**(1,317)**	(19,741)
Gross (loss) / profit		**(491)**	296
Administration expenses		**(5,816)**	(8,124)
Finance costs	3(d)	**(319)**	(143)
Impairment losses	3(e)	**(1,069)**	(101)
Share of equity accounted profit	3(g)	**(22)**	-
Loss from continuing operations before income tax		**(7,717)**	(8,072)
Income tax benefit	4	**83**	1,196
Loss from continuing operations after income tax		**(7,634)**	(6,876)
Discontinued operations			
Loss from discontinued operations after income tax	9	**-**	(5,043)
Loss for the period		**(7,634)**	(11,919)
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(7,634)**	(11,919)
Total comprehensive loss for the period attributable to the:			
Members of VDM Group Limited		**(7,634)**	(11,919)
Loss per share from continuing operations:			
Basic loss per ordinary share (cents per share)		(0.2)	(0.6)
Diluted loss per ordinary share (cents per share)		(0.2)	(0.6)
Loss per share:			
Basic loss per ordinary share (cents per share)		(0.2)	(1.0)
Diluted loss per ordinary share (cents per share)		(0.2)	(1.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	Consolidated 31 December 2014 $'000	Consolidated 30 June 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**8,421**	3,366
Security deposits	6	**3,292**	1,242
Trade and other receivables		**443**	990
Contracts in progress		**74**	49
Inventory		**148**	150
Development properties	7	**-**	3,389
Other assets		**268**	36
Total current assets		**12,646**	9,222
Non-current assets			
Security deposits	6	**1,052**	3,584
Investments accounted for using the equity method	8	**958**	-
Development properties	7	**2,080**	-
Property, plant and equipment	10	**2,977**	3,320
Intangible assets	11	**48**	99
Total non-current assets		**7,115**	7,003
TOTAL ASSETS		**19,761**	16,225
LIABILITIES			
Current liabilities			
Trade and other payables	12	**2,953**	5,506
Amounts due to customers for contract work		**18**	49
Current tax liabilities	13	**433**	858
Interest-bearing loans and other borrowings	14	**146**	4,760
Provisions	15	**5,249**	3,066
Total current liabilities		**8,799**	14,239
Non-current liabilities			
Interest-bearing loans and other borrowings	14	**-**	49
Lease incentive liability		**162**	175
Provisions	15	**853**	1,128
Total non-current liabilities		**1,015**	1,352
TOTAL LIABILITIES		**9,814**	15,591
NET ASSETS		**9,947**	634
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	16	**285,456**	268,509
Reserves	17	**457**	457
Accumulated losses	17	**(275,966)**	(268,332)
TOTAL EQUITY		**9,947**	634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

	Issued capital $'000	Accumulated losses $'000	Equity reserve $'000	Other capital reserve $'000	Total $'000
Balance at 1 July 2014	**268,509**	**(268,332)**	**457**	**-**	**634**
Loss for the period	-	(7,634)	-	-	(7,634)
Total comprehensive loss for the half-year	-	(7,634)	-	-	(7,634)
Transactions with owners in their capacity as owners					
Conversion of Kengkong convertible loans to shares at conversion price of $0.01 per share on 1 December 2014	14,500	-	-	-	14,500
Private placement of shares issued at $0.012 per share on 3 December 2014	3,000	-	-	-	3,000
Capital raising costs	(553)	-	-	-	(553)
Balance at 31 December 2014	**285,456**	**(275,966)**	**457**	**-**	**9,947**
Balance at 1 July 2013	**248,286**	**(247,133)**	**457**	**427**	**2,037**
Loss for the period	-	(11,919)	-	-	**(**11,919**)**
Total comprehensive loss for the half-year	-	(11,919)	-	-	(11,919)
Transactions with owners in their capacity as owners					
Shares issued	8,593	-	-	-	8,593
Capital raising costs	(1,362)	-	-	-	(1,362)
Balance at 31 December 2013	**255,517**	**(259,052)**	**457**	**427**	**(2,651)**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2014

	Note	**Consolidated 31 Dec 2014 $'000**	Consolidated 31 Dec 2013 $'000
Cash flows from operating activities			
Receipts from customers		**795**	44,538
Payments to suppliers and employees		**(7,876)**	(64,840)
Interest received		**63**	82
Interest paid		**(553)**	-
GST (paid) / collected		**278**	(61)
Income tax paid		**(342)**	-
Net cash flows (used in) / from operating activities		**(7,635)**	(20,281)
Cash flows from investing activities			
Release of security deposits		**475**	1,684
Purchase of property, plant and equipment		**-**	(1,042)
Proceeds from sale of property, plant and equipment		**323**	1,624
Purchase of intangibles		**-**	(12)
Repayment of external loans		**124**	947
Net inflow / (outflow) from sale of subsidiaries		**58**	(916)
Proceeds from sale of development property		**309**	-
Investment in associate	8	**(980)**	-
Net cash flows from investing activities		**309**	2,285
Cash flows from financing activities			
Proceeds from borrowings		**10,000**	4,000
Repayment of borrowings		**(102)**	(997)
Proceeds from issue of shares		**3,000**	7,153
Transaction costs on issue of shares		**(517)**	(1,362)
Net cash flows from / (used in) financing activities		**12,381**	8,794
Net (decrease) / increase in cash and cash equivalents		**5,055**	(9,202)
Cash and cash equivalents at beginning of period		**3,366**	11,857
Cash and cash equivalents at end of period	5	**8,421**	2,655

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Corporate information

The consolidated financial statements of VDM Group Limited ("VDM" or the "Company") for the half year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 24 February 2015.

VDM is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The activities of the Group related to establishment and growth of the following business divisions:

- engineering, procurement and construction (Construction Division)
- equipment sales, hire, service and parts sales (Equipment Division)
- import and export of goods to and from Asia (Trading Division)
- mining exploration, development and operation in Africa (Mining Division)

Construction and equipment-hire activities in land development, road construction, and building construction in Western Australia continued to be the principal business activities during the half year ended 31 December 2014, which is consistent with the previous reporting period.

(b) Basis of preparation

The interim consolidated financial statements for the six months ended 31 December 2014, represents a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at 30 June 2014 and any public announcements made by VDM during the interim reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

(c) New and amended accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014, except for the adoption of the following new standards and interpretations effective as of 1 July 2014:

- AASB 2011-4 Amendments to Remove Individual key Management Personnel Disclosure Requirements
- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities Interpretation 21 Levies (IFRIC 21)
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]
- AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – Part B

The adoption of these amendments did not have any material impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) Going Concern

VDM has incurred a loss of $7,634,000 and had cash outflows from operating activities of $7,635,000. As at 31 December 2014, VDM's current assets exceeded current liabilities by $3,847,000 and the Company had cash and cash equivalents of $8,421,000, with a further $4,344,000 of security deposits.

The Directors believe it is appropriate to prepare the consolidated financial report on a going concern basis, which contemplates realisation of assets and settlement of liabilities in the normal course of business. In forming this view, the Directors have taken into consideration:

- Cost savings measures including director fees and employee salary reductions have been implemented to significantly reduce overhead costs.
- The capabilities and competitive advantages of the Construction and Equipment divisions have been significantly improved, and these changes are expected to result in revenue growth.
- VDM will continue to receive the support of investors to provide funding for Company growth.

Should VDM not achieve the matters set out above, there is material uncertainty as to whether VDM will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments to assets and liabilities that may be necessary if VDM is unable to continue as a going concern.

2. OPERATING SEGMENTS

In the reporting periods subsequent to the sale of the Construction Eastern Operations and the Consulting businesses in the first half of financial year 2014, VDM reported as a single operating segment consisting of Construction Western Operations and therefore no comparative period segment information is provided.

Under the new business strategy VDM is now arranged under four operating divisions: Construction, Equipment, Trading and Mining. Refer to the "Review and Results of Operations" in the Directors' Report for an overview of the four operating divisions. The Construction and Equipment divisions have been identified as reportable segments. The Trading and Mining divisions are not considered reportable segments due to the relatively small scale of their operations during the period and accordingly they have been combined with the corporate functions as unallocated. The following table represents revenue, profit and selected balance sheet information for the reportable segments for the half-year ended 31 December 2014.

The accounting policies adopted for the reportable segment are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014,

	Construction $'000	Equipment & Service $'000	Un-allocated $'000	Total $'000
Revenue				
External sales	371	282	43	696
Other external revenue	17	-	113	130
Total segment revenue	388	282	156	826
Results				
Segment results after tax	(3,028)	(526)	(4,080)	(7,634)
Assets	355	1,866	17,540	19,761
Liabilities	2,489	230	7,095	9,814
Net Assets	**(2,134)**	**1,636**	**10,445**	**9,947**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

	Consolidated 31 Dec 2014 $'000	Consolidated 31 Dec 2013 $'000
3. REVENUE AND EXPENSES		
(a) Other revenue		
Interest	**69**	80
Gain on sale of development property	**60**	-
Other	**1**	74
Total other revenue	**130**	154
(b) Other expenses		
Provision for onerous leases	**110**	1,374
Redundancy costs	**75**	732
Provision for contract dispute (Note 18(b))	**2,719**	-
Total other expenses included in administrative expenses	**2,904**	2,106
(c) Other Income		
Net gain on disposal of property, plant and equipment	**88**	874
Total other income included in administration expenses	**88**	874
(d) Finance costs		
Finance charges under HP and insurance premium funding and tax accounts	**37**	26
Bank loans and shareholders' convertible loans	**282**	117
Total finance costs	**319**	143
(e) Impairment losses		
Impairment of leasehold improvements	**-**	101
Impairment of development property (Note 7(b))	**1,069**	-
Total impairment losses	**1,069**	101
(f) Depreciation and amortization		
Depreciation of property, plant and equipment	**309**	641
Amortization of software	**51**	56
Total depreciation and amortization	**360**	697
Depreciation included in cost of sales	**283**	522
Depreciation included in administration expenses	**77**	175
(g) Share of equity accounted income		
Share of net loss of Sany VDM Pty Ltd (Note 8)	**22**	-
Total share of equity accounted income	**22**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

	Consolidated 31 Dec 2014 $'000	Consolidated 31 Dec 2013 $'000

4. INCOME TAX

Numerical reconciliation between tax expense and the product of accounting profit before income tax multiplied by VDM's applicable income tax rate is as follows:

	Consolidated 31 Dec 2014 $'000	Consolidated 31 Dec 2013 $'000
Loss before income tax from continuing operations	**(7,717)**	(8,072)
Loss before income tax from disposal group	**-**	(5,043)
	(7,717)	(13,115)
At VDM's statutory income tax rate of 30% (2013: 30%)	**(2,315)**	(3,935)
Adjustments in respect of previous years	**(83)**	(1,196)
Tax adjustment for non-deductible expenses	**351**	97
Non-recognition of tax asset for carry forward losses	**-**	3,838
Unrecognised deductible temporary differences	**1,964**	-
Income tax (benefit) / expense	**(83)**	(1,196)
Attributable to:		
Continuing operations	**(83)**	(1,196)
Discontinued operations	**-**	-

(a) Tax losses

VDM has estimated tax losses of $126,017,000 (2014: $119,524,000). Utilisation of the carried forward tax losses by the Company is subject to satisfaction of the Continuity of Ownership Test ("COT") or, failing that, the Same Business Test ("SBT"). It is likely that VDM has failed COT during the 2014 financial year, therefore in order to be able to utilise the losses in the future, VDM will be required to satisfy the SBT. Where VDM derives assessable income in a future income year, an assessment of whether the same business has been carried on between just before the COT failure and the intervening period will determine whether the losses are available for utilisation.

5. CASH AND CASH EQUIVALENTS

For the purposes of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

	Consolidated 31 Dec 2014 $'000	Consolidated 30 Jun 2014 $'000
Cash at bank and in hand	**8,421**	3,366
Total cash and cash equivalents	**8,421**	3,366

6. SECURITY DEPOSITS

	Consolidated 31 Dec 2014 $'000	Consolidated 30 Jun 2014 $'000
Current security deposits	**3,292**	1,242
Non-current security deposits	**1,052**	3,584
Total security deposits	**4,344**	4,826

	Consolidated 31 Dec 2014 $'000	Consolidated 30 Jun 2014 $'000
7. DEVELOPMENT PROPERTIES		
Current development properties	**-**	3,389
Non-current development properties	**2,080**	-
Total development properties	**2,080**	3,389
(a) **Reconciliation of carrying amounts**		
At 1 July	**3,389**	4,061
Additions	**8**	3
Disposals	**(248)**	-
Discontinued operations	**-**	(675)
Impairment of development properties (Note 7(b))	**(1,069)**	-
At 31 December	**2,080**	3,389

(b) Impairment of development properties

The 31 December 2014 balance represents VDM's interest in a single development property located in Western Australia. The recoverable amount of the property was estimated based on its expected fair value less costs to sell, which resulted in recognition of a $1,069,000 impairment to its carrying value (2013: nil).

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment carrying amount

Sany VDM Pty Ltd	**958**	-
Total	**958**	-

Sany VDM Pty Ltd was established during the reporting period as a jointly-owned Australian company with Sany, a major international equipment manufacturer, for purpose of sales, hire, service and parts sales of equipment in Australia. During the reporting period, VDM contributed $980,000 to Sany VDM Pty Ltd for a 49% ownership interest in its share capital.

Reconciliation of carrying amount

At 1 July		
Investment in share capital	**980**	-
Share of equity accounted profit	**(22)**	-
At 31 December	**958**	-

9. **DISCONTINUED OPERATIONS**

There were no discontinued operations during the reporting period. The comparative discontinued operations relate to the sale of 100% of issued share capital of VDM Construction (Eastern Operations) Pty Ltd on 7 October 2013 and the sale of consulting businesses via a series of management buy outs as announced on 28 November 2013.

	Consolidated 31 Dec 2014 $'000	Consolidated 31 Dec 2013 $'000
(a) Financial performance of discontinued operations		
Revenue	-	20,178
Expenses	-	(23,506)
Finance costs	-	(4)
Loss recognised on re-measurement to fair value less cost to sell- Plant and equipment	-	(1,711)
Loss before tax from discontinued operation	-	(5,043)
Tax expense	-	-
Loss after tax for the period from a discontinued operation	-	(5,043)
Loss per share		
Basic, from discontinued operations (cents per share)	-	(0.4)
Diluted, from discontinued operations (cents per share)	-	(0.4)

(b) Cash flow of discontinued operations		
Sale proceeds	-	3,079
Less cash and cash equivalents included in sale	-	(3,666)
		(587)
Less consideration receivable at 31 December	-	(329)
Net outflows from discontinued operations	-	(916)
Net cash flows of the discontinued operations	-	
Operating	-	(1,708)
Investing	-	731
Financing	-	(1,080)
Net cash outflow	-	(2,057)

	Consolidated 31 Dec 2014 $'000	Consolidated 30 Jun 2014 $'000
***(c)* Assets and liabilities of disposed entity / businesses**		
Assets		
Cash and cash equivalents	-	3,666
Development properties	-	675
Plant and equipment	-	765
Intangible assets	-	80
Contracts in progress	-	6,181
Trade receivables	-	1,472
Other assets	-	387
	-	13,226
Liabilities		
Trade and other liabilities	-	8,714
Interest bearing debt	-	159
Provision for employee entitlements	-	1,274
	-	10,147
Net assets attributable to discontinued operations	-	3,079

10. PROPERTY, PLANT AND EQUIPMENT

Leasehold improvement at cost	**674**	683
Accumulated depreciation and impairment	**(169)**	(177)
	505	506
Freehold land and buildings at cost	**900**	900
Accumulated depreciation	**(14)**	-
	886	900
Plant and equipment under lease at cost	**611**	611
Accumulated depreciation	**(160)**	(124)
	451	487
Plant and equipment at cost	**8,110**	8,582
Accumulated depreciation	**(6,975)**	(7,155)
	1,135	1,427
Total property, plant and equipment	**2,977**	3,320

(a) Reconciliation of carrying amount	**Consolidated 31 Dec 2014 $'000**	Consolidated 30 Jun 2014 $'000
Leasehold improvements		
At 1 July net of accumulated depreciation	**506**	908
Additions	**-**	173
Disposals	**-**	(11)
Write down	**-**	(14)
Impairment	**-**	(101)
Depreciation	**(1)**	(221)
Discontinued operations	**-**	(840)
Transferred from plant and equipment under lease and plant and equipment	**-**	612
At 31 December net of accumulated depreciation	**505**	506
Freehold land and buildings		
At 1 July net of accumulated depreciation	**900**	-
Depreciation	**(14)**	-
Transferred from non-current assets held for sale	**-**	900
At 31 December net of accumulated depreciation	**886**	900
Plant and equipment under lease		
At 1 July net of accumulated depreciation	**487**	1,114
Disposals	**-**	(19)
Depreciation	**(36)**	(133)
Transferred to plant and equipment & leasehold improvements	**-**	(7)
Discontinued operation	**-**	(468)
At 31 December net of accumulated depreciation	**451**	487
Plant and equipment		
At 1 July net of accumulated depreciation	**1,427**	4,337
Additions	**-**	889
Disposals	**(34)**	(811)
Depreciation	**(258)**	(1,114)
Transferred to plant and equipment under lease and leasehold improvements	**-**	(605)
Write down	**-**	(100)
Discontinued operation	**-**	(1,169)
At 31 December net of accumulated depreciation	**1,135**	1,427
Total property, plant and equipment	**2,977**	**3,320**

(b) Impairment losses

There was no impairment loss recognised in the half year which reduces the carrying amount of property, plant and equipment. There was no reversal of impairment losses recognised in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

	Consolidated 31 Dec 2014 $'000	Consolidated 30 Jun 2014 $'000
11. INTANGIBLE ASSETS		
Software	**3,025**	3,025
Accumulated depreciation and impairment	**(2,977)**	(2,926)
Total intangible assets	48	99
(a) Reconciliation of carrying amount		
Software		
At 1 July	**99**	307
Additions	**-**	12
Amortization	**(51)**	(140)
Discontinued operation	**-**	(80)
At 31 December net of amortization	**48**	99
12. TRADE AND OTHER PAYABLES		
Current		
Trade payable and accruals	**1,708**	3,004
Employee related payables	**83**	59
Sundry creditors	**1,068**	2,361
GST payables	**94**	82
Total current payables	**2,953**	5,506
13. CURRENT TAX LIABLITY		
Income tax payable	**433**	858
Total income tax payable	**433**	858
14. INTEREST-BEARING LOANS AND OTHER BORROWINGS		
Current		
Kengkong convertible loan (Note 20)	**-**	4,569
Hire purchase liabilities	**146**	191
Total current interest-bearing loans and borrowings	**146**	4,760
Non-Current		
Hire purchase liabilities	-	49
Total non-current interest-bearing loans and borrowings	-	49

Subsequent to shareholder approval of the conversion on 29 November 2014, Kengkong exercised its right to convert the $4,500,000 convertible loan into 450,000,000 ordinary shares at a conversion price of $0.01 per share.

	Consolidated 31 Dec 2014 $'000	Consolidated 30 Jun 2014 $'000
15. PROVISIONS		
Current		
Provision for employee entitlements	**359**	457
Provision for insurance excess	**147**	170
Provision for warranty	**672**	765
Provision for onerous contracts	**1,348**	1,666
Provision for loss making contracts	**4**	8
Provision for contract dispute (Note 18(b))	**2,719**	-
Total current provisions	**5,249**	3,066
Non-Current		
Provision for employee entitlements	**13**	10
Provision for onerous contracts	**840**	1,118
Total non-current provisions	**853**	1,128

16. CONTRIBUTED EQUITY

Ordinary shares issued and fully paid	**285,456**	268,509

(a) Movement in ordinary shares on issue

		No. of shares	Value ($'000)
Balance at 30 June 2014		**3,127,660,952**	268,509
Conversion of Kengkong convertible loan to shares at $0.01 per share (Note 20)	1 December 2014	1,450,000,000	14,500
Shares issued to sophisticated investor at $0.012 per share (Note 20)	3 December 2014	250,000,000	3,000
Capital raising costs		-	(553)
Balance at 31 December 2014		**4,827,660,952**	285,456

17. RETAINED EARNINGS AND RESERVES	**Accumulated Losses**	**Other capital reserve $'000**
Previously reported balance 1 July 2014	**(268,511)**	179
Adjustment	**179**	(179)
Restated balance 1 July 2014	**(268,332)**	-

The other capital reserve is used to record the value of share based payments provided to employees as part of their remuneration. The $179,000 opening balance of the reserve was adjusted to nil to reflect that the employee share options were forfeited before 30 June 2014, with a corresponding $179,000 adjustment to the opening balance of accumulated losses.

18. COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below:

(a) Bank Guarantees and Security Bonds

As at 31 December 2014 VDM had bank guarantees with Bankwest of $1,480,067 (30 June 2014: $1,957,000) given to various clients for satisfactory contract performance.

As at 31 December 2014 VDM had security bonds with Assetinsure Pty Ltd of $3,133,100 (30 June 2014: $5,287,000) given to various clients for satisfactory contract performance.

(b) Legal claims

Reg Camp
VDM has recognised a $2,719,000 (30 June 2014: nil) current liability provision related to the Central Reg Camp Bulk Earthworks Contract (Contract) dispute with BHP Billiton Iron Ore Pty Ltd (BHP). Subsequent to the period end, BHP cashed $2,730,000 of security bonds held under the contract (refer to note 19). As a consequence of this action, VDM understands that BHP has fully collected on all of its claims in relation to the Contract, some of which are disputed by VDM. VDM understands that BHP has no further unpaid claims remaining under the contract subsequent to cashing the bonds. BHP cashing the security bonds does not prejudice any of VDM's claims under the Contract. VDM will continue to actively pursue those claims.

19. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 29 January 2015, Non-executive Director Mr. Hiuming Luk was appointed as Non-executive Chairman. Dr Hua continues with VDM as Managing Director and CEO.

On 29 January 2015, the VDM Directors agreed to an overall 18% reduction in Board and CEO remuneration to demonstrate their commitment to cost savings measures. Subsequent to this announcement, the Company has undertaken a review of staff remuneration and sought to align individuals remuneration with current market conditions, resulting in a significant reduction in payroll related costs. These and other cost savings measures are being implemented to lower the overhead costs of the Company.

On 18 February 2015, BHP Billiton Iron Ore Pty Ltd (BHP) cashed $2,730,000 of security bonds in relation to the Central Reg Camp Bulk Earthworks Contract dated 15 August 2011. The security bonds were 100% cash-backed with funds held in security deposits. Prior to BHP cashing of the bonds, on 20 January 2015, VDM increased the security deposits by $250,000.

20. RELATED PARTY TRANSACTIONS

On 22 September 2014, VDM executed a $10,000,000 unsecured convertible loan and facility agreement with Kengkong and the loan was subsequently fully drawn. VDM had previously on 5 May 2014 executed a $4,500,000 unsecured convertible loan and facility agreement with Kengkong that was fully drawn. Following shareholder approvals obtained on 29 November 2014, Kengkong exercised its conversion rights on both loans and on 1 December 2014 VDM issued 1,450,000,000 ordinary shares to Kengkong resulting in repayment of the loans. On 2 December 2014 VDM paid $339,000 of interest to Kengkong that was due under the loan agreements after conversion of the loans. Kengkong is a company controlled by Mr Hiuming Luk, Non-executive Chairman of VDM. At 31 December 2014, Kengkong held 2,070,000,000 VDM shares representing 42.88% of the issued share capital.

On 18 November 2014, VDM paid $173,000 of interest to H&H Holdings Australia Pty Ltd (H&H) that was due under the 29 October 2013 unsecured loan facility with H&H. H&H is a company controlled by Dr Dongyi Hua, Managing Director and CEO of VDM. At 31 December 2014, H&H held 1,085,110,976 VDM shares representing 22.48 of the issued share capital.

21. FAIR VALUE

As at 31 December 2014 there are no assets or liabilities which are accounted for at fair value. There is no difference between the carrying amount and fair value of financial assets and financial liabilities presented in the Consolidated Statement of Financial Position.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of VDM Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) subject to the satisfactory achievement of the matters described in note 1(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dr Dongyi Hua
Managing Director and CEO
Perth, Western Australia
27 February 2015

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Independent review report to members of VDM Group Limited

Report on the 31 December 2014 Half-Year Financial Report

We have reviewed the accompanying half-year financial report of VDM Group Limited, which comprises the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act* 2001. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*. As the auditor of VDM Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of VDM Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
27 February 2015