



SECURES ASSEMBLY CAPABILITY IN CHINA

ANNOUNCEMENT

31 MAY 2007

Vmoto Limited ("Vmoto") is pleased to announce that it has reached agreement whereby it has secured a 67% interest in an engine assembly plant and separately, a motorcycle/scooter assembly plant with accompanying government sanctioned manufacturing licence.

The move to vertically integrate the business is viewed by the Board as a significant milestone in the long term strategic plans of the Group and comes at least 2 years ahead of schedule.

Effective 1 June 2007, the agreement with Shanghai Haiya Power Manufacturing Co. Ltd ("**Haiya Power**") and its senior management, most of which are ex-senior Honda Sundiro executives lead by Mr Ligang, one my China's most respected mechanical engineers and former General Manager of the China based Honda JV that was producing some 700,000 units per annum.

Haiya Power is a Shanghai based engine assembly factory producing between 1,000 and 2,000 high performance, environmentally efficient, 4 stroke 50cc and 125cc engines per month, half of which are currently being exported to a leading scooter manufacturer based in Korea.

The agreement also includes the leasing of an existing motorcycle/scooter factory with an attached government approved manufacturing licence. The scooter factory is expected to commence OEM production of scooters within 2 months, adding significant revenue and additional margin to the existing consolidated operations of Vmoto and Freedomotor businesses. Revenues from Haiya Power will be enjoyed from the effective date, namely 1 June 2007.

In addition, it has been agreed that the leasing of the factory will be replaced by a Company owned state-of-the-art facility to be constructed in Nanjing, to be completed within the next 12 months.

Total investment required for the engine assembly plant, motorcycle/scooter assembly plant, manufacturing licence, land and to be constructed facilities at Nanjing, are estimated at RMB15 million, or approximately A\$2.39m. Of this, Vmoto must contribute approximately A\$1.6m cash in various stages over the next 12 months, being 67% of the total investment required. Stage 1 of this development requires an investment by Vmoto of approximately A\$1m, all of which will be funded via internal cash flows.

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Our partners in the venture will contribute A\$788,000 representing their 33%, of which approximately \$708,000 will be in cash and the balance as plant and equipment located at the existing Haiya Power engine facility. Importantly, no goodwill is payable by Vmoto in acquiring its 67% interest in the existing engine assembly plant.

Vmoto's interest will be held by Shanghai Vmoto Enterprise Management Co Ltd, which is to be incorporated in China as a wholly owned subsidiary of Vmoto Limited.

This investment has significant implications of the long term competitive position of Vmoto, together with providing a immediate boost to both revenues and profitability. Additional margin will be enjoyed through the sales of engines, together with additional margin to be enjoyed once in-house production of our scooters commences.

Further, our Chinese partners bring to the table significant competitive advantage through superior engine technology, which is expected to open up new markets throughout the world.

Specific implications for Vmoto's future revenue and profit as a result of the above mentioned will be provided in due course.

The Board also wishes to advise shareholders that it continues to consider similar vertical integration options to expand its growing ATV and off-road range of products and is hopeful of concluding pending negotiations shortly.

Yours faithfully



Patrick Davin
Managing Director