



OPERATIONS REVIEW - QUARTER ENDED 30 JUNE 2007

ANNOUNCEMENT

31 JULY 2007

HIGHLIGHTS

- Record quarterly revenue of US\$11.5 million
- Global trading and distribution business generated US\$17.5 million revenue and net profit after tax of US\$1.175 million
- Acquisition of 67% interest in Chinese based engine and scooter assembly plant
- Vmoto Monza officially the #1 selling scooter throughout Australia

SALES PERFORMANCE OVERVIEW

Vmoto Limited achieved, for the second consecutive quarter, record revenue of \$11.5 million, bringing total revenue for the 6 month period ended 30 June to \$23 million, an increase of over 600% (six hundred) on the 1st half year results. The quarter was driven by a combination of strong sales from Vmoto branded product, European delivery of OEM branded motorcycles, ATV's and scooters and the very promising financial performance in the first month (June) from the scooter engine factory recently acquired.

The global scooter and ATV distribution business acquired on 1 January 2007 has proven very successful thus far. In the previous 6 months, the Shanghai operation has met its forecast sales of US\$17.5 million, producing an after tax profit of US\$1.175 million. Sales for the quarter comprised 4,222 units delivered to 27 nations including United Kingdom, central Europe, Australia, New Zealand, the Middle East, Russia and the Philippines.

A C N 0 9 8 4 5 5 4 6 0



ASX Code: VMT

Level 12
251 Adelaide Terrace
PERTH WA 6000

Telephone: (61-8) 9221 6175
Facsimile: (61-8) 9325 5313

www.vmoto.com

The engine assembly plant recently acquired recorded sales of US\$189,100 and an EBIT of US\$14,700 in the month of June, being the first month of operation since acquisition. This is expected to continue growing as the plants reputation for manufacturing quality and high performance scooter engines is established.

OPERATIONAL OVERVIEW

AHG Appointed Exclusive Australian Distributor

The quarter concluded with Vmoto Limited entering into a distribution agreement with Automotive Holdings Group Limited (“AHG”) (ASX CODE: AHE), whereby AHG has been granted the exclusive Australian distribution rights for Vmoto branded scooters, ATV’s (excluding WA) and related merchandise, with an effective date of 30 June 2007.

The Board believes that AHG’s significant track record and expertise in motor vehicle retailing and motorcycle distribution will ensure continued market dominance and superior service of the Vmoto scooter brand in Australia.

The appointment of AHG as exclusive Australian distributor allows the management team of Vmoto Limited to focus on the rapid international rollout of the Vmoto brand and concentrate efforts towards the development of the Company’s recently acquired scooter assembly plant and engine manufacturing capability based in China.

The agreement has been granted to AHG’s newly created wholly owned subsidiary VMS Pty Ltd, for a 5 year term with an option to extend for a further 5 years.

Vmoto New Zealand Continues to Grow

New Zealand sales are going stronger than expected with sales of \$128,900 for the quarter. Based on the stronger than forecasted position, the exclusive New Zealand distributor has brought forward orders to maintain adequate levels of stock for the fast growing market. The upgraded forecast/order window will be realised over the next two quarters.

Vmoto United Arab Emirates Officially Launches Middle East Platform

The quarter ushered in the successful launch of the Vmoto brand in the Middle East, by Sharaf Automotive Group (Sharaf AG). The official launch of the brand coincided with the inaugural opening celebration of the Vmoto Concept Retail outlet in the exclusive Times Square Center. The UAE outlet is to serve as a showcase for the Middle East, which Sharaf AG intends to rollout to other territories in the region. The UAE opening has proven successful as Sharaf AG is already in advanced stages of its next expansion and rollout in the region, which will be announced shortly.

Sharaf AG has placed orders for the new ATV500 model, which it is believed will become a competitive product in the category and a showcase model in the Vmoto ATV range.

Vmoto Monza the #1 Seller Australia Wide

According to the latest official figures recently released, the Vmoto Monza JP 50cc became Australia's biggest selling scooter across all categories for the six months to June 30 this year. This is in conjunction with Vmoto's Monaco topping sales of the 125cc scooter category during the same period.

Vmoto was also the only scooter brand in Australia to have 2 of its models (Monza and Milan) in the Top 5 sellers across all categories.

The Vmoto sales performance was detailed under just released figures by the Federal Department of Transport in Canberra, for scooter sales for the first half of calendar 2007.

CORPORATE ACTIVITY*Scooter and Engine Assembly JV*

The Company acquired a 67% interest in a JV operation which includes a fully operational scooter engine assembly plant and separately, scooter assembly capabilities located at a separate plant.

Importantly, the JV includes plans to immediately initiate the building of a state-of-the-art assembly plant in Nanjing, consolidating both ventures into a synergistic platform.

Vmoto's total investment for the engine assembly plant, scooter assembly plant, manufacturing licence, land and purpose built factory premises, are estimated at approximately US\$1.3 million, of which US\$660,000 has already been expended in acquiring a 33,000m² parcel of land in Nanjing.

The engine assembly factory produces 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.

New orders including 1,500 engine units to Korea have been accepted for delivery in July. Prototype scooters from the existing factory have also been manufactured and are undergoing compliance evaluation for delivery to various world markets.

The scooter assembly plant holds accompanying government sanctioned manufacturing licence for global export and is capable of comfortably producing 30,000 units p.a.

This development represents a significant milestone for the Company, as it accomplishes the strategic objective of complete vertical integration within the supply chain and minimises reliance on external suppliers.

The first model scooter has already been designed and a number of samples produced for global certification and compliance. This model will feature the powerful new engines currently being made from the JV engine facility, providing and considerable

competitive advantage. The products assembled and fabricated in the proprietary and JV facilities will add revenue and importantly, additional margin to Vmoto Ltd in the near to mid-term.

Change of Name

The change of name to Vmoto Limited became official and effective in April 2007.

Managing Director Appointment

The fourth quarter also saw the appointment of Vmoto co-founder, Mr. Patrick Davin to the position of Managing Director of Vmoto, to consolidate and drive the group globally.

Creatures of Leisure

In line with the direction to evolve as a premier global scooter group, the divestment of the non-core surfing businesses was effective as of 1 April 2007 with the sale of the Creatures of Leisure USA business.

Appendix 4C


The Appendix 4C is attached herewith, outlining the cash flows for the quarter ended 30 June 2007. In this regard, we note the following:

1. Operating cash flows included paying out all remaining foreign exchange contracts, resulting in a net payment of \$186,702;
2. Closing cash of (\$505,000) included the ANZ overdraft facility balance of (\$1,179,790). Subsequent to 30 June 2006, the overdraft has been reduced by a further \$200,000;
3. Investing cash flows included the acquisition of land in Nanjing, China as part of our recently announced JV commitments in that region, amounting to A\$800,575 (US\$660,000);
4. Following the appointment of Automotive Holdings Group Limited as exclusive Australian distributor for Vmoto effective 30 June 2007, the Company invoiced and was paid \$770,000 in July 2007; and
5. Subsequent to 30 June 2007, the Company secured a standby equity facility in the amount of \$5 million. As part of that agreement, the Company issued approximately 3 million shares raising \$500,000 (before costs) in July 2007.

About Vmoto

Perth based Vmoto Limited is a global scooter manufacturing and distribution group listed on the Australian Securities Exchange. The Company specialises in hi tech motor scooters and All Terrain Vehicles (ATVs) using state-of-the-art production facilities situated in China. Vmoto also operates an international scooter and ATV trading and distribution company based in Shanghai, with sales in over 50 countries.

Yours faithfully



Shannon Coates

Company Secretary

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

VMOTO LIMITED

ABN

36 098 455 460

Quarter ended ("current quarter")

30 June 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	10,862	24,741
1.2 Payments for		
(a) staff costs	(471)	(1,302)
(b) advertising and marketing	(84)	(275)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital (including inventories)	(11,326)	(25,183)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	25
1.5 Interest and other costs of finance paid	(48)	(177)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,062)	(2,171)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,062)	(2,171)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(2,400)	(3,958)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	(159)
1.13 Other (net cash acquired on acquisition of subsidiary) ¹	438	1,579
Net investing cash flows	(1,962)	(2,538)
1.14 Total operating and investing cash flows	(3,024)	(4,709)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc. ²	1,090	4,899
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	1,125
1.18 Repayment of borrowings	(121)	(658)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	(167)	(286)
Net financing cash flows	802	5,080
Net increase (decrease) in cash held	(2,222)	371
1.21 Cash at beginning of quarter/year to date	1,746	(809)
1.22 Exchange rate adjustments to item 1.21	(74)	(112)
1.23 Cash at end of quarter	(550)	(550)

¹ Effective 1 June 2007, the Company acquired 67% of Shanghai Haiya Power Manufacturing Co. Ltd, which as of the date of acquisition, had total cash at bank of US\$360,798.

² On 19 April 2007, the Company raised \$990,000 by the issue of 8,608,696 shares at 11.5 cents each. On 25 June 2007, 1,000,000 Class C options were exercised at 10 cents each raising \$100,000, resulting in the issue of 1,000,000 shares.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	71
	Aggregate amount of payments to the parties included in item 1.18	121
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Executive Directors' remuneration	71
	Non-Executive Directors' remuneration	-
	US\$100,000 of the Vendor Finance provided by Mr Charles Chen, an Executive Director of Vmoto Limited and the principal of Freedomotor Company Limited, as a component of the sale of Freedomotor to Vmoto Limited was repaid during the June 2007 quarter.	121
		192

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 11 June 2007, the Company issued 3,486,452 shares at 14.5 cents each as repayment of debt owing in the amount of \$505,535.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,287,000	1,179,790
3.2	Credit standby arrangements*	-	-

*The consolidated entity has access to an overdraft facility totaling \$1,287,000. The facility was drawn down to \$1,179,790 at 30 June 2007.

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	632	2,944
4.2 Deposits at call	-	-
4.3 Bank overdraft	(1,182)	(1,198)
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	(550)	1,746

Acquisitions and disposals of business entities

	Acquisitions (Items 1.13 and 2.1)	Disposals (Item 1.10(a))
5.1 Name of entity	67% of Shanghai Haiya Power Manufacturing Co. Ltd. 67% of Nanjing Freedomotor Co.,Ltd (to be incorporated).	
5.2 Place of incorporation or registration	China	
5.3 Consideration for acquisition or disposal	RMB 6,700,000 **	
5.4 Total net assets	RMB 8,500,000	
5.5 Nature of business	Engine Assembly Plant. Land Holding.	

** Consideration of RMB5,000,000 (leaving a balance of RMB1,700,000) was paid in June and used to acquire land in Nanjing, China to be held by Nanjing Freedomotor Co.,Ltd for the construction of a new engine and scooter factory.

Also included in item 1.9 was the second tranche (US\$1,279,890) of the US\$2,500,000 cash consideration for the acquisition of Freedomotor Company Limited paid in April 2007.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

+ See chapter 19 for defined terms.

Sign here: Date: **31 July 2007**
(Managing Director)

Print name: **Blair Sergeant**

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.