



CARMICHAEL QUICK NOTE

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QUICK NOTE # 12

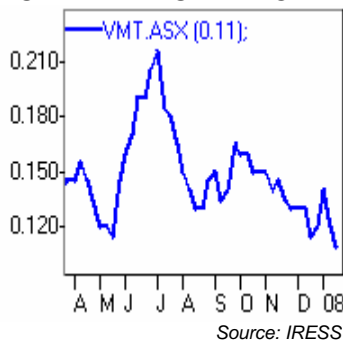
RECOMMENDATION:

NIL

ASX, Share price	VMT
Mkt cap. ¹	\$0.11
Ordinary shares on issue ¹	\$23.8m
Options ²	216.9m
Convertible Notes	10.3m
	44

¹ Undiluted Source: IRESS
² Various dates & Strike prices

12 MONTH PERFORMANCE



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Vmoto Ltd (VMT)

Site Visit & Management Meeting Overview

Vmoto ("VMT") started life in 2002 as a scooter brand. VMT is a global scooter manufacturing and distribution group specialising in Motor Scooters and All Terrain Vehicles (ATV's) with production and assembly facilities located in China.

The Story so far.....

- Vmoto brand born in 2002.
- Lists on ASX through Optima Corp. in Jun 06.
- Acquires Freedomotor Company ('FMC') (a major scooter/motorcycle trading and distribution company based in China). FMC has more than 30 major international clients.
- Acquires 67% interest in an engine and motorcycle/scooter assembly plant in China. First shipments from plants to EU clients in Sep 07
- Purchased a 3ha manufacturing site in Nanjing, China. Commenced construction of Nanjing Facility in Jan 08. Full Nanjing production capacity expected at 200k units by 4Q 2010.
- Sharaf Automotive Group launches the Vmoto brand in the Middle East. The Sharaf Group is one of UAE's largest and most respected business conglomerates.
- Signs exclusive Australia wide distribution agreement with Automotive Holdings Group.

VMT info

- Achieved a FY07 revenue of \$27m, up from \$2.2m FY06.
- Freedomotor Company 2 year on year revenue growth of 50%. NPAT Jan – Jun 07 US\$1.24m
- Top selling 50cc & 125cc scooters in Australia in 2006 & 2007
- 3rd best selling scooter brand in Australia behind Bolwell and Yamaha in 2007
- Vmoto brand now recognised globally with brand name registered in major countries worldwide
- Marketing, branding & new product development is the major focus of VMT's global drive.
- 6 scooter & 2 ATV models available in target markets
- Licensed as the only importer and manufacturer of VMT scooters holding full volume Australian compliance
- Excellent distribution channels in Australia through AHG and other independent motorcycle vendors
- Only Australian independent group with manufacturing facilities in China

Scooter Facts & Figures

- Estimated global scooter market for 2008 to be \$4.5b with annual growth of 10%.
- Scooter market is divided into two categories, lifestyle and mode of transport. VMT is well positioned to service those 2 markets which vary from region to region.
- Biggest markets for scooters are China, India and Indonesia, which account for over 50% of total scooter sales
- Scooter prices in Australia range from \$1,000 to \$10,000 with average sale price for a Vmoto of \$2,000

2008 and beyond

- Forecast turnover FY08 \$30 - \$40m, with EBITDA of \$1.2 - \$1.5m
- Goal of becoming fully vertically integrated by being involved from manufacturing to end product sales
- International targets include US, South East Asia & South America
- Potential JV assembly facility in India
- Enhance and expand engine product range
- Target market share 27% in 2008, rising to 33% by 2010 in Australia, NZ & Middle East
- Nanjing manufacturing facility to produce initially 15,000 units after stage 1 completion
- Opportunities to participate in rationalisation in the fragmented scooter market

Drivers

- Proximity to the largest international markets
- No barriers to entry to new markets given VMT's own manufacturing facility
- No-reliance on 3rd party production
- Ability to provide products in unassembled kit form to assembly factories in key protectionist markets
- Has become more prohibitive for new competitors to establish manufacturing capabilities due to the new stringent laws and regulations in China
- Re-organisation of Shanghai & Wuxi factories will lead to bottom line benefits realised through immediate infrastructure savings
- Move into ATV & UTV (Utility Terrain Vehicle) markets
- Large buy-in/acceptance of Gen X & Y as eco-responsible transport
- Escalating fuel price
- Governmental Regulation providing commuter convenience/concessions in metropolitan/urban centres
- Diversified revenue stream through sales of scooters/ATV's & engines, parts and accessories as well as geographical diversification
- Income growth

Risks

- Chinese Currency Revaluation
- Marketing not having the desired target sales effects
- Drop in fuel prices
- Losing market share to competitors of which there are a numerous
- Higher CAPEX costs than anticipated in building new facilities, manufacturing and development
- Margin pressures associated with higher input costs due to metal prices.
- Higher costs associated with inflationary wage pressures in China.

Disclosure Disclaimer**RCAN0681**

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The Author of this report made contact with Vmoto Ltd for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

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