



OPERATIONS REVIEW - QUARTER ENDED 30 SEPTEMBER 2008

ANNOUNCEMENT

31 OCTOBER 2008

HIGHLIGHTS

- COMPLETION OF \$7 MILLION PLACEMENT
- COMPLETION AND HANDOVER OF THE VMOTO NANJING MANUFACTURING FACILITY
- PROVISION BY VMOTO EUROPE OF FIRST DELIVERIES OF PRODUCT TO CARREFOUR
- INTRODUCTION OF GREEN SCOOTER PROGRAMME

SALES PERFORMANCE OVERVIEW

In the quarter ending 30 September 2008, Vmoto Limited ("Vmoto") posted revenue of \$5.26 million. Sales were down substantially from the June quarter because of delayed production and logistical scheduling, associated with the Olympic restrictions. Most of this unrealised revenue will be recorded in the December quarter, as the products have now shipped, or are shipping within the next fortnight.

The quarter was driven primarily by trading activity from the Asian operations. The Vmoto Asian operations contributed sales of approximately \$4.2 million during the period. Vmoto branded products accounted for just under \$400,000.

Significant orders earmarked for Australia and New Zealand in the September quarter were delayed or in-transit and will be recorded in the December quarter.

Vmoto Europe is already delivering promising results with approximately \$700,000 in sales during the quarter, of which only 2 of the 3 months were active trading periods. Much of the month of August is holiday season in Europe, resulting in minimal sales.

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OPERATIONAL OVERVIEW

Vmoto Branded Products

As previously mentioned, strong pre-booked orders of Vmoto branded products have been placed and are now shipping to the Australian and New Zealand distributors. The revenue flow on will be recorded in the December quarter and is not expected to have an impact on the distributors committed annual orders.

Vmoto China

The quarter saw a slowdown in activity from the manufacturing and trading, due to the closure of the leased scooter assembly facility and engine manufacturing plant and cessation of production in Wuxi, China and Barcelona, Spain. The migration of tooling, moulds and assembly lines from these operations will recommence in the soon to be commissioned Vmoto Nanjing manufacturing facility in Nanjing, China. The transitional period was required for all final planning, certification and implementation of the manufacturing base.

Vmoto Europe

As announced in the quarter, Vmoto's newly formed subsidiary, Vmoto Europe, signed an agreement to commence the supply of scooters to Carrefour Spain ("Carrefour").

Carrefour (Euronext: "CA"), headquartered in France, is the world's second largest retail group by turnover, specialising in the "hypermarket" format of a combined grocery and department store housed in a massive retail complex. Carrefour operates primarily in Europe, Africa, Asia, the Middle East and South America.

A range of 50cc and 125cc T17 scooters and ECO 50cc scooters was delivered initially to Carrefour shopping centres in Madrid. If Carrefour is satisfied with sales it is expected that further scooters will be delivered to other shopping centre regions of Spain. An option exists to expand the scooter supply arrangement throughout the European Carrefour network following the opening of the Vmoto Nanjing manufacturing facility later this year.

Vmoto Initiates Global Concepts for 'Green Energy' Scooter Production

Two revolutionary hybrid motor scooters - to be built in the new Nanjing factory - are set to transform two wheel motorised transport globally, whilst contributing to the green energy credentials of major cities.

The scooter and all terrain vehicle are designed as world brands with specific emphasis on contributing to reductions in transport-based carbon emissions. The designs aim at transforming both the look and the energy efficiency of future road travel.

Both designs are two-seater models. It is anticipated that the "World Scooter" and the "Scartt Road UTV" (utility transport vehicle) will roll out from Vmoto's new manufacturing facility in Nanjing when maiden production commences late this year.

The *World Scooter* will be available in either a 125cc fuel-efficient petrol model or a 2,000-watt electric model, while the 4WD *Scartt Road* will offer a 'dual-fuel' combination of a 620cc four-stroke engine and a 4,000-watt electric engine.

Vmoto Nanjing Manufacturing Facility is now a Reality

Vmoto was pleased to announce during the quarter the completion of building construction on Stage One of its manufacturing facility in Nanjing, China.

Construction of Stage 1, a 10,200 square metre assembly plant, was completed on schedule and budget. Handover of the building occurred in the last week of August 2008 and it is envisaged that in-house production will commence mid-November, pending targeted legislative and logistical completion dates.

The final pending measures required to commence production include:

- final fit-out along with assembly lines migration and installation;
- licensing and certification by the Chinese authorities;
- certification of European and Australian manufacturing standards for export.

The factory is now undergoing full fit-out and migration of the assembly lines of the Vmoto SCARTT production line and tooling from Spain, the rented engine manufacturing facility and the rented scooter assembly facility, both of which have now closed off current production and transported the assembly lines to the Nanjing facility.

Full commissioning of the new factory will enable production to more than triple from current capacity and will provide significant production cost reductions by housing both operations at the one location.

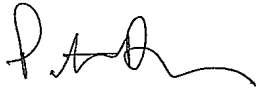
The factory provides the foundation for Vmoto moving forward to protect the continuity of supply of its products as it continues to expand into international markets. As a result of the completion, Vmoto has received a number of approaches to provide OEM manufacturing and potential collaborations. Further announcements will be provided should these opportunities transpire.

CORPORATE ACTIVITY

Along with the exciting operational developments, Vmoto was involved in one major corporate transaction during the quarter when the Company conducted a share placement to raise \$7 million. The placement was fully subscribed and subsequently approved by shareholders at a general meeting on 14 July 2007.

The funds raised will be applied to fund growth and expansion of the global operational platform.

The expenses directly and indirectly related to increased corporate activity of the Vmoto group during the quarter were much higher than anticipated, with \$260,000 in extraordinary costs impacting the group's financial performance. It is not envisaged that further extraordinary cost will be forthcoming in the near term.

AUTHORISED BY

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Managing Director

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About Vmoto

www.vmoto.com
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Australian based Vmoto Limited is a global integrated scooter manufacturing and distribution group listed on the Australian Securities Exchange. Vmoto specialises in high quality motor scooters and All Terrain Vehicles (ATV's) using state-of-the-art production facilities situated in China. Vmoto also operates an international scooter and ATV trading and distribution business in Shanghai China and a sales, distribution and design centre based in Barcelona Spain.

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 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	1,723	1,723
1.2 Payments for		
(a) staff costs	(337)	(337)
(b) advertising and marketing	(159)	(159)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital (including inventories)	(2,223)	(2,223)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	24
1.5 Interest and other costs of finance paid	(50)	(50)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,022)	(1,022)

+ 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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,022)	(1,022)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(179)	(179)
(d) physical non-current assets	(432)	(432)
(e) other non-current assets	(204)	(204)
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	-	-
1.13 Other (net cash acquired on acquisition of subsidiary)	-	-
Net investing cash flows	(815)	(815)
1.14 Total operating and investing cash flows	(1,837)	(1,837)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc. ¹	7,000	7,000
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(1,880)	(1,880)
1.19 Dividends paid	-	-
1.20 Other (provide details if material) ¹	(535)	(535)
Net financing cash flows	4,585	4,585
Net increase (decrease) in cash held	2,748	2,748
1.21 Cash at beginning of quarter/year to date	(173)	(173)
1.22 Exchange rate adjustments to item 1.21	757	757
1.23 Cash at end of quarter	3,332	3,332

¹ Approved at a General Meeting on 14 July 2008, the Company raised \$7,000,000 by the placement of 77,777,778 shares at 9 cents each. The cash cost of the share placement was \$534,624.

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	46
	Aggregate amount of payments to the parties included in item 1.18	1,000
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	46
	Non-Executive Directors' remuneration	-
	\$1,000,000 of the loan provided by Mr Patrick Davin, Managing Director of Vmoto Limited was repaid during the September 2008 quarter.	1,000
		1,046

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

<p>(a) Approved at the General Meeting held on 14 July was the issue of 3,241,527 options exercisable at 9 cents each on or before 14 July 2013 in part consideration for services provided in relation to the above share placement.</p> <p>(b) Also approved on 14 July 2008 was the issue of 2,000,000 options exercisable at 15 cents each on or before 30 June 2012 as the deferred part consideration for the purchase of key assets from CSR Motorcycles SrL Spain on 1 April 2008. The value of these options as part consideration was accrued for in the financial statements within trade and other payables at 30 June 2008.</p> <p>(c) On 8 July 2008, 4 convertible notes plus interest with a total value of \$112,909 were converted into 1,026,445 shares at a rate of 11 cents per share. On 27 August 2008, another 4 convertible notes plus interest were converted into 1,164,826 shares at an issue price of 9.8 cents each to the value of \$114,153.</p>
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- 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

+ See chapter 19 for defined terms.

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

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	-	-
3.2 Credit standby arrangements*	-	-

*The consolidated entity had access to an overdraft facility totaling \$1,287,000. This facility was repaid and cancelled during the September 2008 quarter.

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	3,111	1,100
4.2 Deposits at call	221	-
4.3 Bank overdraft	-	(1,273)
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	3,332	(173)

Acquisitions and disposals of business entities

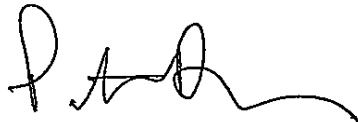
	Acquisitions <i>(Items 1.13 and 2.1)</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

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.



Sign here: Date: **31 October 2008**
(Managing Director)

Print name: **Patrick Davin**

+ See chapter 19 for defined terms.

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.