



SHAREHOLDER UPDATE

ANNOUNCEMENT

12 NOVEMBER 2008

Vmoto Limited ("Vmoto" or "the Company"), Australia's only motorcycle and scooter manufacturer, would like to provide a brief summary and update on its current operational activities to shareholders.

KEY POINTS

- **Received ISO 9001 accreditation**
- **First sales from Nanjing to leave later this month**
- **Anticipated sales to outstrip Nanjing factory capacity**
- **New European customers secured**
- **New Models well advanced**
- **No further capital expenditure required**

Nanjing Manufacturing Facility

As previously advised, Stage One of Vmoto's Nanjing manufacturing facility is practically complete (see pictures attached). Certification for ISO 9001 was awarded to the Nanjing Facility on 30 October 2008 and it is expected that Chinese Compulsory Certification ("CCC") will be awarded shortly. Both certifications are required prior to the commencement manufacture and export of Vmoto products.

Three new production lines have now been erected within the Nanjing facility providing the Company with the immediate ability to produce engines, scooters and the Scartt 4 wheel vehicle. Samples of at least 4 different models of scooters have also been produced for overseas customer compliance and customers from various countries have visited the new facility recently to inspect samples and sign orders for 2009.

The Company's operations at existing rental factories in China are being wound down and closed, with all equipment and personnel relocating to the new Nanjing Facility. Mr Li Gang, the factory General Manager, has now permanently moved to Nanjing to oversee the operations.

Manufacture, sales and export of the first product from the Nanjing Facility, being 125cc water cooled scooter engines, is already underway, with the first shipments expected to leave later this month.



ASX CODE: VMT

A B N 3 6 0 9 8 4 5 5 4 6 0

Level 12
251 Adelaide Terrace
PERTH WA 6000

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

www.vmoto.com

Forecast sales have not been confirmed for the first year of the factory's operations however, based on recent feedback from customers, it is anticipated that sales for the first year of the factory's operation will outstrip the Company's capacity to supply.

Quality and style are the two most important attributes of the Vmoto brand and what it believes will guarantee its success for many years to come. Production will increase to the maximum capacity for Stage One of the factory (300 000 units) over time and will not be accelerated at the cost of quality. By producing its own product, the margins enjoyed by the Company will steadily increase as capacity increases.



Operational

Operationally, it is currently a very busy time for the Company as the transition takes place from primarily an OEM agency based business, to a manufacturer in its own right. Although Vmoto has been manufacturing at its rental premises for some time, it is really only now with the Nanjing Facility online that it can openly promote its products to the larger markets.

The Freedomotor Corporation agency business in Shanghai has begun targeting customers for Vmoto's own manufactured products which, in some cases, may result in a gap between the existing supply arrangements and supply from the new factory. This is being managed carefully to ensure it has little impact on the ongoing business. On going supply agreements with some of the largest and most reputable scooter manufacturers in China, such as the Qianjiang Group, will continue and have Vmoto's full support.

Good orders have recently been received from the Company's distributors in Australia, Spain and New Zealand. Further, recent exhibitions at two major European motorcycle shows have lead to a number of enquiries and visits to the new factory. The Company is pleased to report it now has new customers for Vmoto products in the United Kingdom, Russia, Vietnam and South Korea.

The Company's manufacturing division is also in negotiations to supply its range of OEM scooters to a major North American brand for the 2009 season. Details of these and other long term supply agreements will be announced if and when formalised.

Product and Design

Designs for the new T17 family scooter have now been completed by Vmoto's design team in Spain. Clay modelling and moulds are also now well advanced (see pictures). This will be the first scooter to come off the production lines at the new Nanjing Facility. Five other variants of the T17 are also under development, with prototype and compliance vehicles already available for customer evaluation.





A deposit has recently been received from a Vietnamese customer for a dedicated model designed specifically for their market. This project is on target for samples to be made available for December 2008 and, when completed, will be a major source of revenue for the new facility.

Recently, Vmoto also entered discussions with electric engine and drive system manufacturers in China to work on the Company's first fully developed electric scooter. An engineering team has now been established at Nanjing specifically for this task and every effort will be made to fast track the electric scooter development to have a reliable Vmoto standard product available for next year.

Vmoto will also carry on with compliance of selected OEM products manufactured by third parties where customer demand is sufficient, product quality guaranteed and reasonable revenue maintained. Vmoto currently has 8 models being complied for various markets including a hybrid drive scooter and an electric scooter for the Australian and New Zealand markets.

The Scartt production line is currently being reconstructed after its arrival from Spain and negotiations are taking place with part suppliers to reduce by more than 50%, the overall cost of production when compared to the previous manufacturing facility in Spain. Interest has been extensive and the Company anticipates potentially large revenues from this product line.

Trading Conditions

Although not immune to the recent volatility in financial markets, Vmoto remains well placed to ride out the current market down turn and continue to grow. Customers have indicated that many trade finance facilities have had limitations placed on them, however the situation now appears to be easing to some extent and orders expected in the September quarter appear to be flowing through to the December quarter 2008.

The Company has a strict and cautious trading policy which requires substantial deposits for orders and first class internationally reputable bank Letters of Credit prior to shipment. As a result, the Company has not been exposed to any recent bad debts, despite the global turmoil.

From an operational standpoint, banks have been reluctant to offer any form of trade finance or finance to emerging companies, with two large institutions recently advising that no new facilities will be made available until after the first quarter of 2009. The Company will continue to examine all appropriate channels to ensure it has sufficient capital to meet its growth targets.

As with most companies, Vmoto's share price has suffered recently from a series of "panic" selling by a number of shareholders, leading to a drop in price. The Company views this as a symptom of the current world financial crisis and certainly not caused by any change in the fundamentals of the Company's operations.

The order book for the remainder of 2008 and onwards looks strong and management is confident with the way the Company is handling this period of volatility.

Vmoto's Managing Director, Mr Patrick Davin commented, "I have just returned from China after attending the first official management meeting at our new Nanjing facility. I wish that all shareholders could have attended that trip with me. To see what your Company has done to secure its growth and future truly has to be seen to be appreciated. The factory can only be described as "unbelievable".

The whole team at Vmoto has pulled together in one of the most trying economic times in recent history and built a manufacturing facility that guarantees our survival, growth and success in the future of the scooter and motorcycle market. The completion of the Nanjing factory means that we have no further requirement for large capital expenditure.

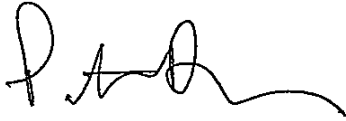
It has not been without its challenges, and I am sure we still have some to come, however I truly believe much of the hard work has now been done and Vmoto is about to embark on a very exciting time in its history.

It pays to step back and remember that we now have a fully integrated manufacturing facility in China (the automotive industrial base of the world), with state of the art designers in Europe and a first class marketing team selling one of the world's fastest growing new brands of scooters and motorbikes - Vmoto.

We are also producing a product that is relatively environmentally friendly, cheap to run and growing in worldwide demand as people in existing and emerging markets search for economic forms of transport.

The Vmoto philosophy has always been "step by step" and now this is more important than ever. We must manage our production and quality carefully and not be forced by market watchers to try and run before we walk. Our factory and brand are in for the long haul and I am sure it will not be in the not to distant future enjoy the fruits of good planning and hard work.

The Directors of Vmoto realise that the bottom line is of course profit and believe that the course taken so far will certainly deliver this. And if you create a little history along the way, being Australia's only motorcycle manufacturer, then all the better!"



Patrick Davin
Managing Director

For further information contact:

Patrick Davin, Managing Director
(08) 9221 6175
0414 746 149

About Vmoto

www.vmoto.com and www.vmotoltd.com

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.