



## OPERATIONS REVIEW - QUARTER ENDED 31 MARCH 2009

ANNOUNCEMENT

30 APRIL 2009

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### HIGHLIGHTS

- Record consolidated revenue of over A\$18 million achieved.
- Nanjing Manufacturing Facility Manufacturing and Export Licences awarded.
- Transition to Nanjing Manufacturing Facility Completed.
- Cash operating cost reductions of A\$60,000 per month achieved.
- Proprietary designed and built engine completed and undergoing testing.
- Action taken to secure funding for ongoing operations and growth.
- Scartt Special Vehicle program accelerated.

### SALES PERFORMANCE OVERVIEW

Record sales revenue of just over A\$18 million achieved for the quarter due to large agency orders primarily for the European markets. As these markets were the first to feel the effect of the economic slowdown currently taking place it would seem they are also the first to recover with orders for the European summer making up the bulk of the March quarter sales. These figures are exceptionally high and although only a very small portion of these sales were produced in the Nanjing factory, over time, we are aiming for the majority of these sales to be produced at our Nanjing facility where higher margins can be enjoyed.

Asian and Australian sales and revenue has been steady with orders now starting to build for new models that will become available from the Nanjing facility in the next quarter.

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Engine manufacture was also solid with the Asian order book for the next quarter keeping the production lines busy. Significant shipments will be made to Korean customers in the June quarter.

Total consolidated revenue for the 9 months ended 31 March 2009 totals A\$32.35 million

## **OPERATIONAL OVERVIEW**

### *Vmoto Australia and New Zealand*

Sales in Australia continued to meet targets with New Zealand increasing its market share. Sales are expected to grow in the next quarter, following compliance for three new models which is expected shortly. It is anticipated this will reinvigorate interest in the brand. Compliance is also underway for the first new scooter fully built at the Vmoto Nanjing Manufacturing Facility, expected to be available later this year.

### *Vmoto UAE*

Orders in the UAE have been very quiet as the economic crisis in this region takes hold. Stock levels held by Vmoto's distributor remain high and no new orders were placed in the March quarter. The distributor is working on reducing inventories before placing further orders.

All in all, very good signs are starting to appear on the sales front with indications being that the worst of the economic slowdown in relation to scooter sales may be behind us.

### *Freedomotor & Team Cyber*

The agency business in Europe continues to grow strongly as a recovery in the scooter market appears to be taking place. Spain remains weak, however Austria, Germany and France have all placed large orders for OEM scooter products for the European summer.

### *Nanjing Manufacturing Facility Update*

The transition to the new manufacturing facility in Nanjing is now complete, with all rental factories closed and all staff transferred to Nanjing. One scooter and one engine production line are up and running on 12 hour shifts, with scooters being produced for domestic and European markets as well as for global compliance purposes.

Significant quantities of 125 cc engines destined for the Korean market were manufactured in the March quarter, with the first shipment expected in the June quarter.

The Vmoto Scartt development is also being fast tracked after customer feedback from the recent delivery of samples to various global customers. Comments have been excellent and a decision has been made to bring forward the manufacture of this vehicle, resulting in a third production line being developed for the Scartt production. Carlos

Sotelo, designer of the Scartt, will travel to China from May for 4 months to personally oversee the project. This is expected to be a significant model for Vmoto as it is unique to the brand, is a proprietary design and also offers profit improved margins for the Company.

The Nanjing facility has been visited in the last few months by various high profile companies within the motorcycle industry with comments in general being very complimentary toward the standard of the factory development. More visits are scheduled for many other interested customers over the coming months.

### Product update

Three new models from existing OEM producers underwent compliance during the quarter, with final approvals expected soon. These models will be available to the Australian, New Zealand and UAE markets and are expected to result in increased interest in the Vmoto brand and therefore sales. They represent cutting edge design and fit perfectly into the existing Vmoto model line up.

The Vietnam scooter program has advanced strongly in the last 3 months, with both the engine and scooter nearing final development. Working prototypes are complete and are undergoing final testing. The Vietnamese client visited the factory in late March and was very impressed with the development to date. Indicated initial orders for 2009 are in the range of 20,000 units, with excellent profit margins forecast by the factory. Production for this client is expected to commence late in the next quarter. According to the Vietnamese client, orders for years two and three are expected to climb to approximately 100,000 units per annum.

The development of the proprietary designed 125cc water-cooled engine also remains on schedule, with testing currently taking place. This is a patented Vmoto design and will provide the Company with access to an engine which will put Vmoto far ahead of any of its Chinese competitors.

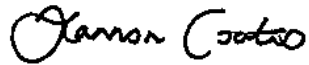
### CORPORATE ACTIVITY

During the March quarter, and in line with the transition from our rental premises in Shanghai to Nanjing, management have undertaken an operating cost review, resulting in a real cost saving of approximately A\$60,000 per month. This reflects the decision to relinquish certain leased premises, rationalisation of staff numbers and reduction in general corporate overheads wherever possible.

Management continues to consider and investigate various options with regard to securing additional working capital for the Company as it continues to grow from an agency business to a manufacturer. Short term funding of US\$1m was secured at the beginning of the quarter, which the Company intends on repaying by financial year end.

In April, the Company announced a funding agreement with a US institutional investor for up to US\$6million.

Yours faithfully



**Shannon Coates**

*Company Secretary*

**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 100 countries.*

# 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")

**31 March 2009**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	1,232	6,852
1.2 Payments for		
(a) staff costs	(382)	(1,034)
(b) advertising and marketing	(153)	(363)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital (including inventories)	(1,212)	(7,733)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	32
1.5 Interest and other costs of finance paid	(50)	(117)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(563)</b>	<b>(2,363)</b>

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(563)</b>	<b>(2,363)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(72)	(1,275)
(d) physical non-current assets	(336)	(1,368)
(e) other non-current assets	(118)	(216)
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	(40)	(327)
1.12 Loans repaid by other entities	-	-
1.13 Other (net cash acquired on acquisition of subsidiary)	-	-
<b>Net investing cash flows</b>	<b>(566)</b>	<b>(3,186)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,129)</b>	<b>(5,549)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	7,000
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	1,443
1.18 Repayment of borrowings	(2)	(1,711)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	(535)
<b>Net financing cash flows</b>	<b>(2)</b>	<b>6,197</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,131)</b>	<b>648</b>
1.21 Cash at beginning of quarter/year to date	2,172	(173)
1.22 Exchange rate adjustments to item 1.21	213	779
<b>1.23 Cash at end of quarter</b>	<b>1,254</b>	<b>1,254</b>

**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	81
	Aggregate amount of payments to the parties included in item 1.18	-
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	81
	Non-Executive Directors' remuneration	-
		81

**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

<b>Nil</b>
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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

<b>Nil</b>
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**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	1,433	1,433
3.2	Credit standby arrangements*	-	-

Subsequent to 31 March 2009 the Company executed an agreement for the issue of up to four convertible debentures each with a face value of USD1,500,000, to raise up to USD6,000,000.

+ See chapter 19 for defined terms.

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

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**Reconciliation of cash**

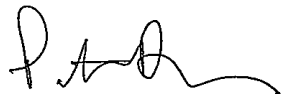
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,254	2,172
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)	<b>1,254</b>	<b>2,172</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Items 1.13 and 2.1)	Disposals (Item 1.10(a))
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		

**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: **30 April 2009**  
**(Managing Director)**

Print name: **Patrick Davin**

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+ See chapter 19 for defined terms.

## 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.

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