



OPERATIONS REVIEW: QUARTER ENDED 31 DECEMBER 2009

ANNOUNCEMENT

29 JANUARY 2010

HIGHLIGHTS

- **Vmoto acquires remaining 33% interest in Nanjing JV to take full control of Nanjing Facility**
- **Vmoto acquires 60% of electric scooter manufacturer E-Max**
- **First sample scooters sent to Vietnam for compliance testing**
- **First Scartt AWD vehicles from Nanjing Facility delivered to customers**
- **Stage 2 Nanjing Facility designs completed and building contracts close to finalisation**
- **A\$9.5 million capital raised to finance acquisitions and provide working capital**

As with previous quarters, Vmoto Limited's ("Vmoto" or "the Company") December quarter continued at a manic pace. During this period, Vmoto management continued to actively position the Company for the growth expected in the next few years.

NANJING JV

As announced on 5 October 2009, in an extremely important development Vmoto bought out the minority shareholders of the Nanjing JV, owner of the Nanjing manufacturing facility ("Nanjing Facility"), taking the Company's interest to 100% and making it a wholly owned subsidiary, while at the same time locking key management employees at Nanjing into long term employment contracts. As a result of the acquisition, the profit earned by Vmoto from its manufacturing division will increase by 50%.

E-MAX

As announced on 10 and 21 December 2009, Vmoto entered into a strategic alliance with electric scooter manufacturer E-Max Ev Germany Ltd ("E-Max"). Pursuant to the

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alliance, a new JV company has been established to hold E-Max's assets and intellectual property. Vmoto will own 60% of the new JV company, following a payment of €1.0million (AUD\$1,640,000) to the existing E-Max shareholders and a €2.5million (AUD\$4,100,000) capital injection to the new company. The 40% balance of the new JV company will be owned by the existing major shareholders of E-Max. Approximately 5 million Vmoto shares will be issued to some minority shareholders of E-Max, which will be escrowed for a period of 12 months.

E-Max is one of the world's foremost developers of high quality electric scooters however its operations were previously hampered due to its lack of a manufacturing and export licence and operating capital. The new JV company will be based at the Nanjing Facility and utilise Vmoto's existing manufacturing and export licence, enabling it to manufacture large quantities of electric scooters for an ever demanding market.

The new JV company is ready to meet the European summer orders. Orders are also being received on a daily basis for the E-Max product with a number of the world's biggest government organisations holding ongoing discussions with Vmoto in relation to large quantities of electric scooters. Representatives from a number of the world's postal services visited the Nanjing Facility in December and samples are now under evaluation for at least 8 different customers. Vmoto has always aspired to be a major player in the electric transport sector and it is expected that the acquisition of E-Max through the new JV will enable Vmoto to take a leading role in electric vehicle development in the future.

In summary, E-Max is expected to be a significant revenue earner for Vmoto and is strategically one of the most important deals Vmoto has undertaken to date.

SCARTT

Development and production of the SCARTT AWD vehicle was completed on time from the Nanjing Facility during the December 2009 quarter, with the first 4 containers (18 units) manufactured and shipped in December 2009. The revenue from these sales will be reported in the March 2010 quarter. All 18 units have already been sold by distributors to retail customers and orders continue to be very strong for this product, with mass manufacturing now taking place. The SCARTT is the most profitable product manufactured by Vmoto on a percentage basis and will contribute strongly to the Company's bottom line during 2010.

VIETNAMESE SCOOTER

As announced previously, Vmoto has secured an order to produce a minimum of 30,000 electronic fuel injection ("EFI") scooters per annum for a Vietnamese customer. During this quarter, the Company sent a small quantity of samples of the new Vietnamese scooter to Vietnam for Governmental compliance. Unfortunately, the Company experienced some unexpected delays in the production of the scooter, caused primarily as a result of technical issues with the newly developed EFI System. The external

developer of the EFI technology, Siemens, advised that additional testing was required for this product and, consequently, mass production and delivery of the new scooter for Vietnam is now scheduled for March 2010. Although disappointing, the Vietnamese customer has accepted the delay as reasonable and necessary to ensure the superior quality of the Vmoto product from the Nanjing Facility.

Vmoto in Nanjing is continuing to field numerous enquiries for the Vietnamese scooter, SCARTT and other products from its manufactured range portfolio, including much interest in its recently developed cargo scooter. Samples of this scooter have been delivered to customers for their respective countries compliance and orders are expected soon.

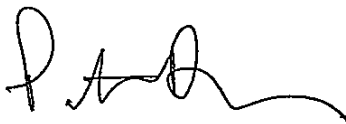
CORPORATE

A\$9.5 million was raised during the December 2009 quarter via share placements. The funds raised were applied towards the buyout of the minority shareholders of the Nanjing JV, the establishment of the new JV with E-Max and the provision of working capital to the new E-Max JV company.

On the basis of these recent positive developments and the resultant increased potential of the Company, Vmoto's directors have opted to bring forward the proposed building of Stage 2 of the Nanjing Facility. Drawings have been completed and building contracts close to finalisation.

As part of the capital raising process, Vmoto's directors have embarked on a number of corporate road shows to high net worth individuals and institutions. This has led to a much greater understanding of Vmoto and has resulted in some significant strategic stakes being taken in the Company. These new shareholders have not only provided the funding for growth, but also given the Company significant backing to realise its aspirations to become a world player in the motor scooter/cycle industry.

Yours faithfully



Patrick Davin

Managing Director

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 December 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	710	1,555
1.2 Payments for		
(a) staff costs	(346)	(607)
(b) advertising and marketing	(31)	(57)
(c) research and development	(38)	(106)
(d) leased assets	(5)	(8)
(e) other working capital (including inventories)	(981)	(2,193)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	26
1.5 Interest and other costs of finance paid	(3)	(56)
1.6 Income taxes paid	-	(12)
1.7 Other (provide details if material)	-	-
Net operating cash flows	(673)	(1,458)

+ 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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(673)	(1,458)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	(1,226)	(1,226)
(c) intellectual property	-	-
(d) physical non-current assets	(350)	(661)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	30	100
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	11	11
(e) other non-current assets	-	-
1.11 Loans to other entities	(780)	(780)
1.12 Loans repaid by other entities	-	-
1.13 Other (net cash acquired on acquisition of subsidiary)	-	-
Net investing cash flows	(2,315)	(2,556)
1.14 Total operating and investing cash flows	(2,988)	(4,014)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	9,550	11,463
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	100
1.18 Repayment of borrowings	-	(787)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	9,550	10,776
Net increase (decrease) in cash held	6,562	6,762
1.21 Cash at beginning of quarter/year to date	1,451	1,290
1.22 Exchange rate adjustments to item 1.21	(17)	(56)
1.23 Cash at end of quarter	7,996	7,996

+ See chapter 19 for defined terms.

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	158
	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

Payments include:	\$A'000
Executive Directors' remuneration	46
Non-Executive Director's remuneration	108
Warehouse rent to associate of Director	4
	158

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) On 16 October 2009, 875,000 shares were issued at deemed issue price of 16 cents each to advisers for professional services provided in relation to a \$3.5 million share placement completed in October 2009.</p> <p>(b) On 25 November 2009, 2 convertible notes were converted into 759,941 shares at a deemed issue price of 8.3 cents each.</p> <p>(c) On 9 December 2009, 2 convertible notes were converted into 762,109 shares at a deemed issue price of 8.3 cents each.</p> <p>(d) On 11 December 2009, 17 convertible notes were converted into 6,480,731 shares at a deemed issue price of 8.3 cents each.</p> <p>(e) On 21 December 2009, 600,000 shares were issued at deemed issue price of 20 cents each to advisers for professional services provided in relation to a \$6.0 million share placement completed in December 2009.</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

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*	-	-

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	7,996	1,451
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	7,996	1,451

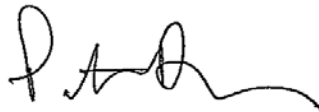
Acquisitions and disposals of business entities

	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: **29 January 2010**
(Managing Director)

Print name: **Patrick Davin**

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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.