



OPERATIONS REVIEW: QUARTER ENDED 30 SEPTEMBER 2011

ANNOUNCEMENT

31 OCTOBER 2011

HIGHLIGHTS

1. New customers on an upward trend;
2. Participation in one of the most significant exhibitions for motorcycles and scooters, Post Expo 2011 in September, and in preparation for the upcoming EICMA 2011 in November;
3. New high range lithium battery version of electric scooter developed which has passed the final testing for launching into the markets;
4. A new lost cost version of 80L electric scooters targeting consumer markets in development;
5. Domino's Pizza Australia orders 7 trial Vmoto electric scooters for their pizza delivery fleet;
6. Appointment of two high calibre non-executive directors, Mr Olly Cairns and Mr Kai Jian (Jacky) Chen.

CASH FLOW

During the September quarter, the Company produced a total of 777 vehicles for a cash receipt of \$1.6 million on a gross margin of \$356,000 (~22%). Whilst these orders are still low, receipts from customers for the quarter were maintained at a similar level as the June 2011 quarter. This is an encouraging result as the Company previously expected that the receipts from customers for the September quarter would be lower as a result of the European summer holidays.

Despite the flat sales quarter, customers are on an upward trend and the Company welcomed several new international customers to the factory to see the facilities and our electric scooters. The Company is continuously working hard to improve sales by attracting new customers, expanding into new markets for electric scooters, closely liaising with existing customers and monitoring the accounts receivable level.

Payments for staff costs decreased during the September 2011 quarter as compared to the June 2011 quarter as a result of rationalisation and optimisation of staff for the current operations. The Company has also implemented a number of initiatives for staff to work more efficiently and better reporting structures.



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Payments for advertising and marketing increased during the September 2011 quarter as compared to the June 2011 quarter mainly due to payments for exhibitions space, fit out, brochures and related costs for the Post Expo 2011 held in Stuttgart, Germany, in September and EICMA (Esposizione Internazionale Ciclo Motociclo e Accessori) or the Milan Motorcycle Show to be held in Milan, Italy in early November.



Picture: Artist impression of potential Vmoto booth at EICMA

Payments in respect of other working capital (including inventories) for the September 2011 quarter increased by 41.7% compared to June 2011 quarter. This was mainly due to an increase in payments to suppliers during the quarter to secure key parts for manufacturing electric scooters as planned.

OPERATIONAL SUMMARY AND MARKET UPDATE

Sales Order and New Distributors

During the quarter, Vmoto produced 777 vehicles for sales receipts of \$1.6 million, making a gross margin of \$356,000. Whilst these numbers are still low, the Company has continued to generate a huge amount of interest in its electric models and continues to expand its customer base. The Company continued negotiations with new potential distributors in Singapore, Dominican Republic, Switzerland and other countries. Samples have been ordered by these potential distributors.

SGS, an existing customer in North America, has successfully integrated its navigation system into the Company's electric scooters and expects to include this feature in its order of electric scooters for 2012.

As announced on 5 October 2011, Vmoto has also delivered samples to Domino's Pizza in Australia to trial its electric scooters for pizza delivery. The Company is excited with the opportunity to work with Domino's Pizza, and the Company's distributor in

Australia, Mr Ray Rooney, is closely collaborating with Domino's Pizza to meet their requirements.

Sales to the Company's OEM customer in the United States and the Malaysian customer were slowed at the request of the each customer.

The OEM customer in United States instructed the Company to delay the shipment for its orders due to its own internal stock issues. However, this customer has promised to take and fulfil its orders for electric scooters by the end of December 2011.

The Malaysian customer has also instructed the Company to delay the shipment of its orders due to the additional time required to train its staff in assembling the semi knock down electric scooters in Malaysia.

New Electric Scooters Models

The Company is pleased to advise that a high range lithium battery version of its electric scooter, based on the S model of its electric scooter, has passed the final testing in Vmoto's Nanjing Manufacturing Facilities. This new version of the electric scooter will be ready for launch into the markets in the next sales season in Europe, United States and Asia Pacific regions together with the Company's existing 80L electric scooters. The total development period for this new lithium battery version of electric scooter has been approximately 9 months, including developing the new ICM board, new battery pack and new Battery Management System (BMS).



Picture: Lithium battery version of electric scooter

The Company is also developing a low cost version of its 80L electric scooter to target the lower end of the market. Development of this low cost version of the 80L electric scooter is progressing well and has achieved important milestones. This is the Company's first low cost electric scooter to target retail customers (B2C) and a further strategy to capture the consumer markets will be rolled out progressively. The Company views B2C as an important

segment to allow the general public to experience electric transport and to view electric vehicles as a more common means of daily transport.



Picture: Low cost version 80L electric scooter

China Bank Operating Facility and Additional Facility

In June 2011, the Company repaid RMB4.9million (approximately AUD754,000) to its local bank in Nanjing as part of its revolving operating facility. The Company then drew down RMB4.9million (approximately AUD754,000) from the operating facility in July 2011.

As at 30 September 2011, the Company had an outstanding drawn down amount of RMB19.9million (approximately AUD3.06million) from its operating facility and RMB2.6million (approximately AUD400,000) from its other debt facility.

Corporate

The Company is very pleased to have appointed two high calibre non-executive directors, Mr Olly Cairns and Mr Kai Jian (Jacky) Chen on 1 September 2011.

The Company strongly believes that with the experience, qualifications and network of Mr Cairns and Mr Jacky Chen, they will add significant value to the Board and the Company. The Company continues to talk to further candidates to join the Board and its senior management team who will add value to the business long term.

For further information, please contact:

In China: Charles Chen, Managing Director
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In Australia: Olly Cairns, Non-executive Director
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AUTHORISED BY:

Shannon Coates
Company Secretary

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 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	1,660	1,660
1.2 Payments for		
(a) staff costs	(451)	(451)
(b) advertising and marketing	(44)	(44)
(c) research and development	(6)	(6)
(d) leased assets	(5)	(5)
(e) other working capital (including inventories)	(1,465)	(1,465)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(55)	(55)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	21	21
Net operating cash flows	(343)	(343)

+ 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)	(343)	(343)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(579)	(579)
(e) other non-current assets	-	-
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	(579)	(579)
1.14 Total operating and investing cash flows	(923)	(923)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	712	712
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	712	712
Net increase (decrease) in cash held	(211)	(211)
1.21 Cash at beginning of quarter/year to date	702	702
1.22 Exchange rate adjustments to item 1.21	29	29
1.23 Cash at end of quarter	520	520

+ 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	70
	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 Director's remuneration	46
	Non-Executive Directors' remuneration	24
		<u>70</u>

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

Nil

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	6,243	3,602
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	520	702
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	520	702

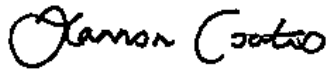
Acquisitions and disposals of business entities

	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 2011**
(Company Secretary)

Print name: **Shannon Coates**

+ 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.