EXECUTIVE DIRECTOR'S REVIEW FOR THE YEAR ENDED 30 JUNE 2011

ANNOUNCEMENT **31 AUGUST 2011**

HIGHLIGHTS

1. **Transition from agency business to in-house manufacturer almost complete.**
2. **Relocation and amalgamation of Emax Electric scooters from Wuxi to Vmoto Nanjing.**
3. **First Business to Business bulk electric scooter deliveries to Spanish Post.**
4. **Completion of Stage 2 of Manufacturing Facility in Nanjing.**
5. **Ongoing Chinese Bank manufacturing and operating facility secured.**
6. **80% of product sales now in electric scooters.**

OVERVIEW

The financial year ending 30 June 2011 proved to be another very busy one in the growth of Vmoto Ltd. Despite a turbulent year in relation to the management and corporate structure of the Company, Vmoto has managed to stay focused on the real task at hand, which has been to develop and manufacture its petrol and electric scooter range while increasing its market share and setting the foundations to achieve profitability for the business in future years.

The most important step in relation to this has been the continued implementation of the Company's long term strategy to exit the high turnover and low margin agency business and replace it with the higher margin in house manufactured products. This has been highlighted dramatically this year with an overall decrease in revenue of 60%, reducing to just over A$7 million dollars from a figure of nearly A$18 million in the corresponding reporting period last year. This is in line with the Company's expectations and was advised to shareholders in the half yearly accounts. The positive news however to be taken from this planned reduction is that now approximately 95% of the Company's sales and revenues originate from its own business and not that of agency sales. This has allowed us to achieve a significant lift in gross profit margin. In the 2010 financial year, on turnover of nearly A$18 million, gross profit was approximately 4.5%. This year the Company is pleased to report that on a turnover of just over A$7 million, the gross profit figure has increased to approximately 21%.

Whilst resulting in a significant reduction in turnover when compared to previous years, the Company sees this policy as being important to our overall longer term success and hopes shareholders understand that this is a deliberate strategy by management to provide a reliable self manufactured base for which we can now target sales growth and higher profit margins.

Overall, the Company still reports a gross loss for the 12 month period of A$4.425 million, which represents a 20% increased loss from 2010. The Company notes however that this loss includes approximately A$1 million of one-off costs, including the writing off of Scartt development costs and construction works at Vmoto Europe's previous warehouse in Barcelona, provision for obsolete electric scooter parts acquired on the acquisition of E-Max, provision for doubtful debts in relation to the acquisition of E-Max, Mr Patrick Davin's separation costs, Mr Russell Goodman's ex gratia payment and Ms Alicia Atkinson's sign on payment. After these costs have been normalised, the overall loss for 2011 is less than that of 2010. This period also saw the Company pay substantial costs in the relocation of Emax scooters from Wuxi to Nanjing and the development of the electric scooter program, against a greatly strengthening Australian dollar. As 95% of the Company's revenues are earned in USD and Euro, any appreciation of the Australian dollar has a negative effect on the Company's bottom line.

In order to counter this, the Company has continued to focus on its cost cutting efforts in the period and, with the exception of the one off costs previously mentioned, has made significant cost reductions on a quarter by quarter basis. Together with a growing sales program designed especially for our electric scooters, this provides the Company with a sound base to move forward towards profitability.

Operations and Contracts

Vietnam

The most disappointing aspect of the 2011 reporting period was the continued delay in relation to shipments of Vmoto's 125 Fuel Injected scooters for Vietnam. The contract for Vietnam was for an initial 12 month delivery of 30,000 units beginning in mid 2010 with orders expected to commence at 1,000 units per month increasing by calendar year end 2010 to 3,000 per month. Although this particular product is a low margin product for the Company it was to be a foundation to cash flow and sales in 2010/11. Unfortunately, due to unforeseen and ongoing technical issues around the newly developed electronic fuel injected ("EFI") system, the anticipated large scale sales have been delayed. To date approximately 1700 units have been shipped to Vietnam. These units were tested in the market and the Vietnamese customer advised that the third party manufactured EFI system implemented on our bikes was unsuitable in its current configuration and that major remanufacturing was required. This issue has been ongoing and is still in the process of being resolved. Most recently, new EFI units have been sent to Vietnam and retro fitted to the scooters and customer feedback is positive. On this basis, the Company is hopeful that ongoing orders will re-commence soon.

Unfortunately this delay has lead to marketing and timing issues for the Vietnamese customer and has damaged the product's reputation in the market. The Company is working very closely with the Vietnamese to resolve the issues and move forward with increased deliveries however we are unable to predict the final outcome at this time. Had the contracted deliveries taken place as planned, the total extra revenue to the Company would have been approximately A$30 million dollars, with a gross profit of approximately 8%. This has obviously been a big disappointment for the Company and has contributed greatly to lack of profitability in the reporting period.

To increase our frustration in relation to the Vietnamese situation, the Company has successfully begun shipping quantities of this scooter with the same EFI configuration to Korea this year. According to customer feedback, the riding conditions in Korea lend themselves successfully to the EFI in its current configuration and the Company has sold around 300 units under the OEM brand of Italjet into that market and contracted orders for moderate quantities are ongoing.

Scartt

The Vmoto AWD Scartt 4 wheel vehicle has also penetrated the very competitive ATV market with particular success in New Zealand where it has achieved encouraging sales. Despite some early quality issues due to the small amount being manufactured, sales have continued to grow steadily. A recent distribution agreement was signed in the USA, pursuant to which the customer paid a US$50,000 commitment fee for exclusive agency rights in the US. Further modification on this product is required to meet the customer's specification. The first sample delivery is anticipated to take place in October 2011 and the Company remains confident that the Scartt will be a valuable contributor to our bottom line.

Electric Scooters

Although still working hard with existing customers to grow our petrol scooter sales, the Company's real focus in 2010/11 has been the establishment of Vmoto as a major player in the electric scooter market. Electric scooters and motorcycles are currently the fastest growing segment in the motorcycle industry. Management identified this trend some time ago and subsequently arranged to purchase a significant existing electric scooter manufacturer, Emax of Germany, in 2010. In the past 12 months Vmoto has transferred the Emax manufacturing capacity to Vmoto Nanjing and has now established Vmoto E-Max as a world leader in electric scooter development and sales.

Vmoto currently has 4 operational electric scooters in the market place and a further 4 models incorporating new battery technology under development. Approximately 80% of the Company's revenue in the period came from its electric scooter sales. The Company now has in excess of 12 distributors of its electric products in many countries.

During the reporting period, the Company supplied its products to some of the world most prestigious customers. These include:

- Correos (Spain Post);
- A large OEM customer (USA);
- KLD EClimo (Malaysia); and
- and TNT Couriers (Italy).

The Vmoto 110s Electric scooter is now the single biggest selling electric scooter in Europe and as electric vehicles become more popular, Vmoto envisages sales increasing substantially in 2012 and beyond.

As well as continuing to establish a reliable sales channel for our electric products, the Company has entered into a number of strategic alliances with groups in the electric scooter battery and motor fields. Vmoto is currently collaborating with KLD Energy Technologies of Texas USA to develop a high speed long range Lithium based electric scooter. This collaboration will enable Vmoto to be at the forefront of new developments in the electric scooter business as they come to hand.

The Company is also involved in development and negotiation of a number of OEM agreements with large world class brands and is hopeful that some of these may come to fruition in the coming months.

Stage 2 Manufacturing Facility

The Company is also pleased to advise that the construction of Stage 2 of the Manufacturing Facility in Nanjing was completed and handed over during the period. While full fit-out is still required, the Stage Two facilities were built expressly for the manufacture and development of electric scooters. The manufacturing floor of nearly 18,000 square metres consists of a four story distribution centre and a two story staff cafeteria and training area. The spare parts warehouse has now been fitted out and is operational. However as the Stage One facility is still operating within required capacity, and to assist with cash flow management, the outstanding fit out and the production lines in Stage 2 will not be established until demand requires.

Bank Facility and Additional Facility Update

As announced previously, the Company received approval from its local bank in Nanjing to increase its operating facility to RMB34.0 million (approximately AUD4.9 million). To date, the Company has drawn down RMB19.9 million (approximately AUD2.9 million) from its operating facility. The current interest rate for the operating facility stands at 8.2% per annum.

The Company also put in place an unsecured debt facility of RMB5 million (approximately AUD720,000). To date, the Company has drawn down RMB2.6 million (approximately AUD382,000) from this unsecured debt facility. The current interest rate for the unsecured facility is 10% per annum.

SUMMARY

The Board and management have been working very diligently over the last 12 months to ensure your Company's success despite some interruptions and distraction outside of the ordinary course of business.

We have not however deviated from our planned strategy and continue to work toward the success of Vmoto and all shareholders. The Company has done this with an extremely tight cash flow and with a relatively small management team for the size of the operations. We are pleased with what we have achieved to date, despite the obvious setback of the delay of the Vietnam contract, and acknowledge we have a lot of hard work in front of us.

The Company is continuing its ongoing search for appropriately experienced executives to strengthen the Board and operations team and hopes to make announcements soon in relation to this.

We see the next 12-24 months as being the threshold of the electric transport era and believe Vmoto will be well placed to take advantage of this. We do however see the world economy in a precarious position at the moment and as such are optimistic but cautious about expectations for the year ahead. How the greater economic picture will play out and how that affects manufacturers off all products cannot be predicted at this time.

We do know this: we have our own manufacturing facilities with the foundation to grow; we have a green focused product with global demand; and we have a dedicated team working to develop and sell our product. Although economic uncertainly may slow world growth, we believe we are well positioned to take advantage of the need for clean energy scooters when the world's economies do settle down.

Charles Chen
Executive Director

About Vmoto

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 and electric 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 Nanjing China and a sales, distribution and design centre based in Barcelona Spain.

Appendix 4E

Preliminary Final Report
to the Australian Stock Exchange

Part 1

Name of Entity	Vmoto Limited
ABN	36 098 455 460
Financial Year Ended	30 June 2011
Previous Corresponding Reporting Period	Financial year ended 30 June 2010

Part 2 – Results for Announcement to the Market

	$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	7,112	(60)%
Loss from ordinary activities after tax attributable to members	(4,425)	21%
Net loss attributable to members	(4,425)	21%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Please refer Executive Director's Review for commentary on the results for the year.

Part 3 – Contents of ASX Appendix 4E

Part 4 – Consolidated Income Statement

	2011 $	2010 $
Continuing Operations		
Sales revenue	7,111,722	17,941,941
Cost of goods sold	(5,619,116)	(17,134,564)
Gross profit	1,492,606	807,377
Other revenue from ordinary activities	268,329	394,817
Operational expenses	(2,777,749)	(2,286,606)
Marketing and distribution expenses	(626,002)	(738,079)
Corporate and administrative expenses	(2,188,697)	(1,753,980)
Occupancy expenses	(381,351)	(400,631)
Other expenses from ordinary activities	(109,112)	(1,479)
Profit/(Loss) before finance costs and income tax	**(4,321,976)**	**(3,978,581)**
Finance costs	(102,568)	(98,010)
Income tax	-	-
Loss after tax from continuing operations	**(4,424,544)**	**(4,076,591)**
Loss after tax from discontinued operations	-	-
Total loss for the year	**(4,424,544)**	**(4,076,591)**
Loss attributable to minority interest	-	433,392
Loss attributable to members of the parent entity	**(4,424,544)**	**(3,643,199)**

Part 5 – Accumulated losses

	2011 $	2010 $
Accumulated losses at the beginning of the year	(25,925,784)	(22,282,585)
Loss for the year	(4,424,544)	(3,643,199)
Accumulated losses at the end of the year	(30,350,328)	(25,925,784)

Part 6 – Consolidated Balance sheet

	2011 $	2010 $
CURRENT ASSETS		
Cash and cash equivalents	701,599	2,589,599
Trade and other receivables	1,430,216	824,230
Inventories	3,477,076	2,463,554
Other	1,065,576	1,635,795
Total Current Assets	6,674,467	7,513,178
NON CURRENT ASSETS		
Property, plant and equipment	4,890,115	5,060,368
Intangible assets	7,894,233	7,955,117
Total Non Current Assets	12,784,348	13,015,485
TOTAL ASSETS	19,458,815	20,528,663
CURRENT LIABILITIES		
Trade and other payables	1,718,811	1,972,831
Employee benefits	22,362	34,683
Interest bearing loans	2,535,658	1,778,102
Total Current Liabilities	4,276,831	3,785,616
NON CURRENT LIABILITIES		
Trade and other payables	-	-
Total Non Current Liabilities	-	-
TOTAL LIABILITIES	4,276,831	3,785,616
NET ASSETS	**15,181,984**	**16,743,047**
EQUITY		
Issued capital	46,771,854	41,773,036
Reserves	(1,239,542)	904,237
Accumulated losses	(30,350,328)	(25,925,784)
Minority interest	-	(8,442)
TOTAL EQUITY	**15,181,984**	**16,743,047**

Part 7 – Consolidated Statement of Cash Flows

	2011 $	2010 $
Cash flows from operating activities		
Receipts from customers	7,323,823	4,271,951
Payments to suppliers and employees	(12,851,900)	(10,274,550)
Interest received	10,443	50,383
Interest paid	(155,017)	(90,223)
Income taxes paid	-	(12,432)
Other cash receipts	23,205	-
Net cash used in operating activities	(5,649,446)	(6,054,871)
Cash flows from investing activities		
Proceeds from sale of plant and equipment	-	16,317
Proceeds from disposal of business	80,000	200,000
Payments for property, plant and equipment	(2,096,340)	(1,811,743)
Payments for acquisition of business	-	(1,632,722)
Payments for intangible assets	(3,561)	(386)
Payments for acquisition of non-controlling interest	-	(1,226,447)
Amounts advanced to other entities	-	(780,366)
Net cash used in investing activities	(2,019,901)	(5,235,347)
Cash flows from financing activities		
Proceeds from issue of equity shares	4,713,000	11,462,500
Payments for share issue costs	(110,428)	-
Proceeds from borrowings	3,939,178	1,812,841
Repayment of borrowings	(2,746,948)	(787,152)
Net cash generated by financing activities	5,794,802	12,488,189
Net increase / (decrease) in cash held	(1,874,545)	1,197,971
Cash at the beginning of the financial year	2,589,599	1,289,984
Effects of exchange rate changes on cash	(13,455)	101,644
Cash at the end of the financial year	**701,599**	**2,589,599**

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

The loss from ordinary activities before income tax benefit includes the following items of revenue and expense:

	2011 $	2010 $
2. REVENUES AND EXPENSES OF CONTINUING OPERATIONS		
(a) Other income		
Interest income	51,219	50,333
Rent income	28,000	-
Commissions	-	14,321
Net gain on disposal of plant and equipment	-	3,070
Net foreign exchange gain	-	110,400
Other	189,110	216,693
	268,329	394,817

(b) Other expenses		
Increase in provision for impairment loss	105,293	1,479
Net foreign exchange loss	3,819	-
	109,112	1,479

(c) Employee benefits expense		
Wages and salaries costs	2,300,183	1,967,888
Superannuation costs	99,008	56,828
Increase/(decrease) in liability for annual leave	(12,320)	3,741
Expense of share based payments	-	-
	2,386,871	2,028,457

(d) Depreciation and amortisation		
Depreciation	543,165	304,038
Amortisation	430,515	42,185
	973,680	346,223

Part 10 – Commentary on Results

Please refer Executive Director's Review for commentary on the results for the year.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	2011 $	2010 $
(a) Reconciliation of cash:		
For the purposes of the Statement of Cashflows, cash includes cash on hand, and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	701,599	2,589,599
Cash at bank	701,599	2,589,599
(b) Reconciliation of net cash used in operating activities to loss after income tax		
Loss after income tax	(4,424,544)	(4,076,591)
Add non-cash items:		
Goodwill on consolidation written off	-	-
Amounts set aside to provisions	105,293	1,479
Loss / (gain) on sale of plant and equipment	-	(3,070)
Depreciation and amortisation	973,680	330,840
Share based payment expenses	-	-
	(3,345,571)	(3,747,342)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(1,292,498)	(158,605)
(Increase) /decrease in inventories	(1,013,522)	(2,073,615)
(Increase)/decrease in other assets	570,218	(1,433,822)
Increase/(decrease) in payables	(568,074)	1,358,513
Net cash used in operating activities	(5,649,446)	(6,054,871)

Part 12 – Details Relating to Dividends

Date the dividend is payable	**N/A**
Record date to determine entitlement to the dividend	
Amount per security	
Total dividend	
Amount per security of foreign sourced dividend or distribution	
Details of any dividend reinvestment plans in operation	
The last date for receipt of an election notice for participation in any dividend reinvestment plans	

Part 13 – Loss per Share

	Consolidated	
	2011	**2010**
Basic loss per share	(0.79 cents)	(0.80 cents)

The Company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.

Weighted average number of ordinary shares for the purpose of basic loss per share	556,822,728	454,666,503

Part 14 – Net Tangible Assets per Security

	2011	**2010**
Net tangible asset backing per ordinary security (cents)	1.22	1.78

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity (or group of entities)	**Not applicable**
Date control gained	**Not applicable**
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	**Not applicable**
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	**Not applicable**
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	**Not applicable**

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2011 %	2010 %	2011 $A'000	2010 $A'000
Name of entity	**N/A**	**N/A**	**N/A**	**N/A**
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Part 17 – Issued Securities

	2011 $	2010 $
Share capital		
594,955,106 [2010: 494,005,104] fully paid ordinary shares	46,771,854	41,773,036

The following movements in issued capital occurred during the year:

	2011 Number of Shares	2010 Number of Shares
Balance at beginning of the year	494,005,104	355,067,393
Issue of shares at 4.4032 cents each	-	567,769
Issue of shares at 4.8086 cents each	-	1,310,153
Issue of shares at 5.1873 cents each	-	867,503
Issue of shares at 5.1873 cents each	-	790,973
Issue of shares at 4 cents each	-	47,812,500
Issue of shares at 4 cents each	-	3,120,600
Issue of shares at 4 cents each	-	1,375,000
Issue of shares at 4 cents each	-	1,532,813
Issue of shares at 4 cents each	-	1,819,251
Issue of shares at 4 cents each	-	1,603,685
Issue of shares at 4 cents each	-	2,500,000
Issue of shares at 4 cents each	-	3,197,337
Issue of shares at 4 cents each	-	625,000
Issue of shares at 4 cents each	-	3,375,000
Issue of shares at 7 cents each	-	1,768,886
Issue of shares at 16 cents each	-	21,875,000
Issue of shares at 16 cents each	-	875,000
Issue of shares at 10 cents each	-	500,000
Issue of shares at 8.3 cents each	-	759,941
Issue of shares at 8.3 cents each	-	762,109
Issue of shares at 8.3 cents each	-	6,480,731
Issue of shares at 20 cents each	-	30,000,000
Issue of shares at 20 cents each	-	600,000
Issue of shares at 20 cents each	-	4,818,460
Issue of shares at 20 cents each	22,400,000	-
Issue of shares at 12 cents each	4,166,668	-
Issue of shares at 6 cents each	70,216,667	-
Issue of shares at nil consideration	3,077,429	-
Issue of shares at nil consideration	1,089,238	-
	594,955,106	494,005,104

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

- 9,000,000 options exercisable at 20 cents each on or before 30 September 2012;
- 2,000,000 options exercisable at 15 cents each on or before 30 June 2012;
- 3,241,527 options exercisable at 9 cents each on or before 14 July 2013; and
- 2,000,000 options exercisable at 10 cents each on or before 3 July 2012.

Part 18 – Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The entity has complied with AASB 8, which requires operating segments to be identified.

The continuing operations of the Consolidated Entity are predominantly in the scooter including petrol and electric scooters, ATV and engine manufacture and distribution industry.

In prior years, reported segments were based on the geographical segments of the Group, being Australia, Spain and China. This assessment of identifiable segments has not changed in the current year, as management accounts and forecasts submitted to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance are split into these same components.

The scooter, ATV and engine segments are managed on a worldwide basis, but operate in three principal geographical areas: Australia, China and Spain. In China, manufacturing facilities are operated in Nanjing.

Continuing Operations	Australia $A		China $A		Spain $A		Intersegment elimination $A		Consolidated $A	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue										
Segment revenue	745,937	419,125	6,859,079	17,766,333	839,132	373,950	(1,332,426)	(617,467)	7,111,722	17,941,941
Result										
Segment result	(1,675,218)	(1,848,161)	(1,890,144)	(1,616,372)	(859,182)	(178,666)	-	-	(4,424,544)	(3,643,199)
Assets										
Segment assets	13,374,235	5,205,048	19,267,005	14,733,819	691,277	1,112,468	(13,873,702)	(522,672)	19,458,815	20,528,663
Liabilities										
Segment liabilities	(252,558)	(267,101)	(17,013,888)	(3,639,724)	(884,087)	(401,463)	13,873,702	522,672	(4,276,831)	(3,785,616)

The principal activity of the continuing Consolidated Entity is the manufacture, marketing and distribution of scooter including petrol and electric scooters, ATVs and engines.

More than 90% of segment revenue and segment profits/(losses) from ordinary activities, and more than 90% of segment assets, relate to these operations.

Part 19 – Subsequent Events

There were no significant events subsequent to year end and prior to the date of this report that have not been dealt with elsewhere in this report.

Part 20 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

Not applicable

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not applicable