



OPERATIONS REVIEW: QUARTER ENDED 31 MARCH 2010

ANNOUNCEMENT

30 APRIL 2010

HIGHLIGHTS

- **Commencement of Vmoto Emax electric scooter alliance operations.**
- **Finalisation and homologation of 125 cc EFI Engine.**
- **Commencement of mass production and first shipment of Vietnamese scooter order.**
- **Commencement of mass production of Vmoto Emax electric scooters.**
- **Shipment of initial trial orders of Scartt AWD to international customers.**
- **Building contract signed for Stage 2 of Vmoto's factory at Nanjing, China.**
- **Appointment of Russell Goodman to the Board as Non-Executive Director.**
- **Relocation of Managing Director and Chief Financial Officer to Nanjing.**
- **Termination of AHG's Australian distributorship and appointment of new Australian distributor.**

CASHFLOW

During the March quarter, overall receipts from customers remained low as Vmoto Limited ("Vmoto" or "the Company") continued its policy of reducing agency business in preference for the direct manufacturing business from the Company's own factory in Nanjing, China. First trial shipments of the Company's Scartt AWD vehicle were made and receipted in the period, however all other shipments, including the first shipment to Vietnam were not receipted until April and are therefore not reflected in the cash flow for the March quarter. Customer receipts for direct sales from the factory are building in line with the Company's expectations and, although coming from a very low base, nearly doubled from the previous quarter.

Staff costs increased substantially in the period as the Vmoto Emax strategic alliance became operational from 1 January 2010. Approximately 62 new staff members are now

A C N 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.au

on the Company payroll as a consequence of this new relationship and accounted for nearly 50% of the increase in salaries paid. There was also a one off payment of \$150,000 made during the quarter which related primarily to outstanding withholding tax to the Australian Tax Office and staff superannuation benefits for the period from July 2007 to December 2009.

The balance of the major cash outgoings for the period resulted from a buildup of the parts inventory for the commencement of mass production of all three company products, the Scartt AWD, the Vietnamese EFI scooter and the Vmoto Emax electric scooters. It is imperative that the Company acquires a large inventory of parts in order to commence mass production and make shipments of the orders as per customers' schedules. There is also a requirement to pay for many of these parts in advance and, as such, cash flow is affected. The Company plans to use part of the recently established bank operating facility to help manage ongoing cash operating requirements in future.

VMOTO EMAX ALLIANCE

Operationally, the alliance entered into with Emax, completion of which was announced on 21 December 2009 (now known as Vmoto Emax) became effective from 1 January 2010. The ownership structure of the newly established company is such that a 60% interest is owned by Vmoto and the remaining 40% is held by 3 senior executives of Emax. The existing operations of Emax, located in Wuxi, China, and Munich, Germany, are being wound down and moved to the Vmoto Nanjing facility and the Vmoto distribution centre in Barcelona, Spain. A small development office of 2 staff will continue to operate in Germany, with the manufacturing now taking place in Nanjing and the spare parts being distributed from Barcelona.

Vmoto Emax is currently very busy as orders for electric scooters begin to increase. The alliance also has an extensive model development program in place to cater for advances that are occurring within the electric vehicle area at present. It is no small task to shut down the existing Emax operations and move them to Nanjing and has cost the Company some production over the period. However it is expected that the move to Nanjing will reduce overall production costs by nearly 30%. Overall production costs are expected to improve even further in the future as the ability to produce more scooters at a faster rate in Nanjing begins to show its positive effect on operational costs.

42 electric scooters were shipped and accounted for in the period, however orders continue to grow and now, with the relocation process almost complete, over 1500 units are currently being assembled for shipment to various customers in the June quarter.

VMOTO 125 CC EFI ENGINE AND VIETNAMESE CONTRACT

The final development and homologation was completed on the Vmoto patented 125cc EFI petrol engine, which enabled commencement of mass production of the Retro Scooter as required for the Company's Vietnamese customer. The first 200 units left late in the quarter and an additional 1000 units are now in production, with further orders

also being finalised. The delay of the homologation of the EFI unit caused a subsequent delay in the manufacturing of the first scooter for the Vietnamese customer however Vmoto's relationship with this customer remains excellent as quality as opposed to timeliness was imperative to the client.

The Vietnamese contract will be filled on an order by order basis, currently being put in place by the customer, and provides a reliable ongoing supply contract for Vmoto. Also, importantly, engineering staff that were occupied in the development phase of this project have now been able to move on to new product development.

SCARTT

The Scartt project continues to progress well under the management of Mr Carlos Sotelo. Over the period, Mr Sotelo and his 2 engineers from Spain spent nearly 10 weeks at Nanjing finalising the first units, which were then delivered to customers in Europe, the Middle East, Australia and New Zealand. Feedback has been excellent and the Company holds a full order book of over 300 units, which are currently under production.

The Scartt project will also shortly offer a 700cc engine to compliment the successful 500cc engine, with the engineers currently making the final adjustments for the conversion. A prototype was completed during March and testing is ongoing. The 700cc version is expected to be made available for commercial sale in October 2010.

CORPORATE

Stage 2, Nanjing

As announced on 21 April 2010, a contract for the construction of Stage 2 of the Nanjing manufacturing facility has been signed. Tenders for the building were evaluated over the previous 3 months, with the contract awarded to the same builder as that of Stage 1.

Stage 2 will comprise approximately 20,000 square metres of factory floor to house the Vmoto Emax electric scooter manufacturing and development project. The building will also include staff accommodation and dining facilities. The approximate cost to the Company is expected to be A\$4million, which is being financed through a combination of cash flow and bank finance. Building commenced in early April and is expected to take 280 days, with completion anticipated around December 2010.

Appointment of Russell Goodman

On 1 February 2010, the Company welcomed Mr Russell Goodman to the Board as a Non-Executive Director. Mr Goodman, who is also a substantial shareholder of the Company, brings a wealth of experience to the Board in relation to corporate financing/capital raising and media relations. Mr Goodman managed the recent capital raisings undertaken by the Company in the latter half of 2009, an area in which the

Board considered it needed strengthening. He is based in Melbourne, Australia which also proves significant for the Company as a large proportion of Vmoto's shareholders are based on the East coast of Australia.

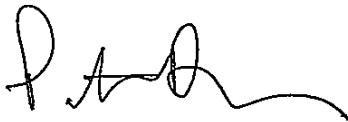
Relocation of Senior Management

In the latter part of March, Mr Patrick Davin, Managing Director, and Mr Ivan Teo, Chief Financial Officer, both relocated to the Company's manufacturing facility in the city of Lishui, some 70 kilometres from the city of Nanjing. The Company's corporate headquarters still remains in Perth, Western Australia, and is under the management of now Executive Director, Mr Trevor Beazley.

The rationale behind the move of the two senior executives is to ensure that the management of the Nanjing manufacturing facility has the right corporate and accounting support at the most important time of the Company's growth, namely as the factory begins the critical task of mass production.

It also allows Mr Davin the ability to personally deal with larger customer groups at the factory, a task which had previously proved difficult to manage from Perth. At the time of this report, Messrs Davin and Teo have been residing full time in China for nearly a month and significant benefits to the whole Vmoto organisation are already becoming apparent as a result of this move.

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 March 2010

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	1,339	2,894
1.2 Payments for		
(a) staff costs	(703)	(1,311)
(b) advertising and marketing	(32)	(88)
(c) research and development	(35)	(141)
(d) leased assets	(2)	(9)
(e) other working capital (including inventories)	(3,232)	(5,425)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	40
1.5 Interest and other costs of finance paid	(4)	(60)
1.6 Income taxes paid	-	(12)
1.7 Other (provide details if material)	-	-
Net operating cash flows	(2,655)	(4,112)

+ 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)	(2,655)	(4,112)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	(1,226)
(c) intellectual property	-	-
(d) physical non-current assets	(394)	(1,056)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	100
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	5	16
(e) other non-current assets	-	-
1.11 Loans to other entities	-	(780)
1.12 Loans repaid by other entities	-	-
1.13 Other (net cash acquired on acquisition of subsidiary)	-	-
Net investing cash flows	(389)	(2,946)
1.14 Total operating and investing cash flows	(3,044)	(7,058)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	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	-	10,776
Net increase (decrease) in cash held	(3,044)	3,718
1.21 Cash at beginning of quarter/year to date	7,996	1,290
1.22 Exchange rate adjustments to item 1.21	(107)	(163)
1.23 Cash at end of quarter	4,845	4,845

+ 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	269
	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	79
Executive Director's outstanding superannuation and withholding tax	150
Non-Executive Director's remuneration	40
	<u>269</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

- (a) On 10 March 2010, 4,818,460 shares were issued at deemed issue price of 20 cents each to minority shareholders as part of the consideration for acquisition of 60% of E-Max Ev's Germany Ltd.

- 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	1,600	-
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	4,195	7,996
4.2 Deposits at call	650	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	4,845	7,996

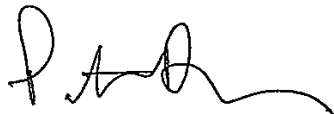
Acquisitions and disposals of business entities

	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		

+ 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: **30 April 2010**
(Managing Director)

Print name: **Patrick Davin**

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.