



## OPERATIONS REVIEW QUARTER ENDED 31 DECEMBER 2011

ANNOUNCEMENT

24 JANUARY 2011

### HIGHLIGHTS

1. Operationally cash flow positive for the quarter.
2. Participated in one of the most significant exhibitions for motorcycles and scooters, the 2011 Esposizione Internazionale Ciclo Motociclo e Accessori ("EICMA") held in Milan, Italy in November 2011.
3. Continued working closely with its potentially significant customers including Spanish Postal, E.On and TNT. Each of these customers has tens of thousands of units in existing petrol powered fleets likely to be replaced by more environmentally friendly electric fleets.
4. Commenced development of a Vmoto branded, lower power, lower range electric scooter targeting the retail consumer market.
5. Appointed new, experienced Non-Executive Director, Mr Blair Sergeant.

### OPERATIONAL SUMMARY AND MARKET UPDATE

#### *Sales Order and New Distributors*

During the period, the Company signed a new distributorship agreement with EVscandia of Denmark for the Danish and Swedish market. Together with EVscandia, the Company secured orders with one of the largest newspaper delivery companies in Denmark, DAO, which expects to replace 5,000 to 6,000 units of its petrol powered fleet with electric powered delivery vehicles in the coming future. This customer initially ordered and paid a deposit in December 2011 for 128 units (4 containers) of Vmoto's E-Max electric scooters for trial, which are expected to be delivered in March 2012. The Company also continued its negotiations with Post Danmark for a potential order of Vmoto's E-Max electric scooters for trial.



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E.On AG of Czech Republic, one of the top 500 companies in the world and one of Vmoto's key customers, placed an order for 128 units (4 containers) of Vmoto's E-Max electric scooters. The Company expects the deposit for this order to be received in February 2012.

The Company received a letter of credit from its Spanish distributor, Intermurcia, for an amount of EUR198,000 (approximately AUD250,000) for an order of 127 units (4 containers) of Vmoto's E-Max electric scooters, which were shipped on 12 January 2012.

The Company continues to make progress with KLD Energy Technologies ("KLD") to develop markets in Vietnam and Malaysia. KLD has recently passed certain compliance testing in Malaysia, which is a significant milestone for KLD. KLD expects to receive the official certification from the Government department in Malaysia at the end of January 2012. Following this approval, KLD has indicated it will order 3 to 4 containers of scooters from Vmoto per month, for 6 months, commencing in February 2012.

Vmoto has also delivered samples and trial units to Belgium Post Group, TNT Germany, Eco Planeta Caribe in Mexico and Oppelium Industrie in Singapore. The Company is also pleased to advise that the first 600cc Scartt has been shipped to United States for trial.

During the quarter, the Company also hosted several new and existing international customers at the Nanjing factory to view its facilities, electric scooter models and the production lines. The feedback from these customers has been encouraging and the Company is excited about the opportunity to work with these customers in the future.

The Company also signed up new customers following its participation in Post Expo 2011 and EICMA 2011.

#### *Electric model development*

Since the September 2011 quarter, the Company commenced the development of a Vmoto branded electric scooters specifically targeting the retail consumer market ("B2C") and is planning to launch the first model within the B2C range in the first quarter of 2012. Due to the relatively slow expansion and small scale of the current B2B market, the Board of the Company has decided to launch progressively several Vmoto branded lower power, lower range electric scooters into the B2C market, which is exponentially larger than the B2B market.

Vmoto's Managing Director, Mr Charles Chen commented on the move to B2C markets: "After several years of electric scooter development, the Company's technical capability is now more mature and advanced, the systems, including procurement and manufacturing, have become more sophisticated and we are now in a position to start targeting the large B2C market. The global market for B2C is estimated to be in the order of 1,000 times larger than the B2B and by targeting this market successfully, Vmoto will increase production significantly, which in turn will cause for the Company's procurement and products development system to grow to the next level, bringing with it significant economies of scale. This is seen as critical in order to lower production costs, improved margins and ultimately ensure Vmoto stays competitive in what remains an ever increasing electric scooter market. When significant scale is achieved, Vmoto will then be in a position to seriously consider targeting the Chinese domestic electric scooter and bicycle market, which is currently estimated at over 20 million units per annum".

## **CASH FLOW**

The Company's cash flow for the December 2011 quarter improved in comparison to the September 2011 quarter, with the Company achieving positive net operating cash flow, reflecting an increase in customer deposits received as a result of orders placed for delivery in the March 2012 quarter.

The Company also received a letter of credit from Intermurcia, Vmoto's distributor in Spain, for an amount of EUR198,000 (approximately AUD250,000) for an order of 127 units (4 containers) of Vmoto's E-Max electric scooters, which were shipped on 12 January 2012. The cash flows for this will be reflected in the following quarter.

Payments for staff decreased during the December 2011 quarter as compared to the September 2011 quarter as a result of an ongoing rationalisation and optimisation of the current operations.

Payments for advertising and marketing increased during the December 2011 quarter, largely due to the costs incurred and associated with attending the EICMA.

Payments in respect of other working capital (including inventories) for the December 2011 quarter decreased by 24% compared to September 2011 quarter.

## **Debt Facility and Additional Facility**

During the December 2011 quarter, the Company drew down RMB2.4million (approximately AUD374,000) from its bank debt facility. A total of RMB5.0million (approximately AUD770,000) of separate debt was converted to ordinary shares in the Company during the December 2011 quarter. The same lender subsequently provided an additional facility of RMB2.0million (approximately AUD310,000) during the quarter, which was drawn down in full, at an annual interest rate of 10%, repayable within one year from the day the funds were drawn down.

## **CORPORATE**

The Company is very pleased to have appointed Mr Blair Sergeant as a non-executive director on 18 January 2012.

Mr Sergeant is a former director of Vmoto and was instrumental in the Company being acquired by the then Optima Corporation Limited in 2006. The Board believes that Mr Sergeant's background knowledge and operational understanding of Vmoto will facilitate him making a valuable contribution to the Company, as was the case when he previously served on the Vmoto Board.

Following on from Mr Sergeant's appointment and in line with the Company's announcement of 15 November 2011, Mr Trevor Beazley resigned as non-executive director, effective 18 January 2012.

The Company continues its search for appropriately qualified additional Board members and senior management to further strengthen the business.

## 2012 OUTLOOK

2012 represents an important year and exciting time for Vmoto having recently completed its annual business planning with key staff and several of its customers. The Company's existing customers have expressed their enthusiasm to continue working closely with Vmoto for the longer term.

These existing customers including Spanish Postal, E.On and TNT are very important and strategic to the Company as they represent the top tier B2B customers in the electric scooter market. In addition, each of these customers has over tens of thousands units of existing petrol powered fleets that are likely to be replaced by more environmentally friendly electric powered fleets. Therefore, it is critical that Vmoto continues working closely with these customers in order to satisfy their requirements and as a result, secure on-going business.

The continuous orders for Vmoto's E-Max electric scooters by these customers have demonstrated their confidence in Vmoto's products. This progression bodes well for the Company and its position within the global electric scooter market.

For further information, please contact:

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## AUTHORISED BY:

**Shannon Coates**  
*Company Secretary*

## About Vmoto

[www.vmoto.com](http://www.vmoto.com) and [www.vmotoltd.com](http://www.vmotoltd.com)

*Vmoto is a global integrated scooter manufacturing and distribution group with a 40,000 square metre state-of-the-art production facility situated in Nanjing China. Vmoto specialises in high quality scooters and All Terrain Vehicles (ATV's) of which 80 per cent are focused on the fast growing electric scooter market. Vmoto has global customers located in Europe, North America, South East Asia, Australia and New Zealand. Vmoto also operates an international scooter and ATV trading and distribution business in Shanghai China and a sales, distribution and design centre based in Barcelona Spain.*

# 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

<b>VMOTO LIMITED</b>
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ABN

<b>36 098 455 460</b>
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Quarter ended ("current quarter")

<b>31 December 2011</b>
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	1,743	3,403
1.2 Payments for		
(a) staff costs	(429)	(880)
(b) advertising and marketing	(121)	(165)
(c) research and development	(24)	(30)
(d) leased assets	(1)	(6)
(e) other working capital (including inventories)	(1,114)	(2,579)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	(58)	(113)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	16	37
<b>Net operating cash flows</b>	<b>12</b>	<b>(331)</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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>12</b>	<b>(331)</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	-	-
(d) physical non-current assets	(186)	(765)
(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)	-	-
<b>Net investing cash flows</b>	<b>(186)</b>	<b>(765)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(174)</b>	<b>(1,096)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	687	1,399
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>687</b>	<b>1,399</b>
<b>Net increase (decrease) in cash held</b>	<b>513</b>	<b>303</b>
1.21 Cash at beginning of quarter/year to date	520	702
1.22 Exchange rate adjustments to item 1.21	(20)	8
<b>1.23 Cash at end of quarter</b>	<b>1,013</b>	<b>1,013</b>

+ 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	72
	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:	<b>\$A'000</b>
Executive Director's remuneration	47
Non-Executive Directors' remuneration	<u>25</u>
	<u>72</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

<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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+ See chapter 19 for defined terms.

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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	5,305	3,105
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	1,013	520
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,013</b>	<b>520</b>

**Acquisitions and disposals of business entities**

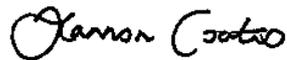
	Acquisitions <i>(Items 1.13 and 2.1)</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

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+ 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: **24 January 2012**  
(Company Secretary)

Print name: **Shannon Coates**

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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.

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