



MANAGING DIRECTOR'S REVIEW FOR THE YEAR ENDED 30 JUNE 2009

ANNOUNCEMENT

31 AUGUST 2009

HIGHLIGHTS

- CONSOLIDATED REVENUE OF \$48.4 MILLION ACHIEVED, UP 37% FROM \$35.3MILLION FY08
- NANJING MANUFACTURING FACILITY COMPLETED, ACHIEVING ISO9001 AND CCC CERTIFICATION AND EXPORT LICENCE
- GREEN ENERGY ELECTRIC VEHICLE PROGRAM COMMENCED
- SCARTT AWD MANUFACTURING TRANSFERRED FROM SPAIN TO NANJING FACILITY
- MANUFACTURING CONTRACT SECURED WITH VIETNAMESE CUSTOMER FOR INITIAL 30,000 UNIT ORDER FROM NANJING FACILITY
- CAPITAL RAISED AND FUNDING SECURED TO SUPPORT CURRENT ORDER PRODUCTION AND GROWTH
- FORECASTED PROFITABLE MANUFACTURING AND DISTRIBUTION

SUMMARY

The financial year ended 30 June 2009 was an incredibly challenging yet highly rewarding one for Vmoto Limited ("Vmoto" or "the Company").

Construction of the Company's new manufacturing facility in Nanjing, China ("Nanjing Facility") coincided with arguably the biggest economic slowdown since the Great Depression. Despite this, the team at Vmoto completed the factory build on time and on

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budget, while at the same time securing large and continuing orders to ensure the Facility's success.

The Nanjing Facility was completed in September 2008 and has subsequently achieved all necessary regulatory certification to enable the manufacture of engines, scooters and small 4WD vehicles for the world export markets. Compliance testing was also completed within this period and new models of scooters designed and developed to meet production requirements for the second half of calendar year 2009.

The Nanjing Facility was fully fitted with production facilities, including 3 production lines which will become operational later this calendar year. Staff training has also taken place to ensure the highest standard of quality for products coming off the production lines.

The two rental premises that were previously being used by the Company in China have now been closed and all manufacturing plant and equipment has been transferred to and re-commissioned at the Nanjing Facility.

Vmoto has grown its revenue base by nearly 37% in the period, the Company's fourth year of consistent growth. Freedomotor Corporation Limited ("FMC") (which is anticipated to be renamed Vmoto International) has again achieved excellent growth, with sales of over A\$48 million. Most of this revenue was attributed to FMC's agency business, however with the Nanjing Facility now operational, it is anticipated this business will gradually be transferred to Vmoto manufactured products.

Despite growth in revenue, the Company experienced a loss of \$4,095,578 for the period, which can largely be attributed to the capital expenditure required for the development of the Nanjing Facility. Completion of the Facility, coupled with implementation of the Company's recent cost saving initiatives, means Vmoto can now look forward to profitable operations from higher margin sales, to be delivered from its own factory.

To coincide with the Nanjing Facility becoming operational, Vmoto also signed a delivery contract for 30,000 scooter units for the Vietnamese market. This contract underwrites the first year's production from the Nanjing Facility, with delivery of the first part of the order expected to take place in the second half of calendar year 2009. These scooters will represent the first mass production from the new Nanjing Facility and will feature Vmoto's 125 cc water cooled four stroke fuel injected engine, developed by the engineering team at the Vmoto Facility. This is a unique Vmoto product and is class leading in its power and emissions. Vmoto has patent applications currently pending in relation to this engine.

Completion of the Nanjing Facility has also enabled the transfer of the manufacturing of the Scartt AWD vehicle from Spain to China and this has been completed over the last few months. Spain will continue to act as a design and distribution centre for Vmoto, with all manufacturing now taking place in Nanjing, enabling the Company to produce a better quality vehicle in larger quantities and at more competitive pricing. Customer

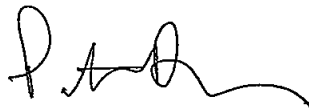
interest in the Scarff is high and production to meet first orders is expected in late November 2009.

In conjunction with its petrol engine developments, the Company also announced it was developing a range of Green Energy Electric Vehicles, which Vmoto regards as the future of the Company's manufacturing business. A separate division within the Company has been developed for this purpose and relationships have been established with expert consultants to provide advice. It is planned to have both electric scooters and Scarff AWDs available by mid 2010.

The abovementioned developments and advancements within the Company cannot occur without funding and, via a series of recently announced capital raisings and third party arrangements, Vmoto has been able to source sufficient funds to carry out current developments and meet the Company's ongoing cash flow requirements.

2010 promises to be a year that sees the Company generate profit from its operations and focus on growing new markets as a result of massive demand for its products.

Yours faithfully



Patrick Davin
Managing 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 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 Shanghai 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 2009
Previous Corresponding Reporting Period	Financial year ended 30 June 2008

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	48,400	37%
Loss from ordinary activities after tax attributable to members	(4,096)	(53)%
Net loss attributable to members	(4,096)	(53)%

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 Managing Director's Review for commentary on the results for the year.

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Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Income Statement

	2009 \$	2008 \$
Continuing Operations		
Sales revenue	48,400,258	35,322,031
Cost of goods sold	(45,857,211)	(32,472,148)
Gross profit	2,543,047	2,849,883
Other revenue from ordinary activities	248,998	124,944
Operational expenses	(2,597,200)	(1,900,612)
Marketing and distribution expenses	(929,317)	(586,875)
Corporate and administrative expenses	(2,333,178)	(2,153,344)
Occupancy expenses	(809,624)	(498,440)
Other expenses from ordinary activities	(123,793)	(72,219)
Write off of goodwill	-	(6,109,813)
Profit/(Loss) before finance costs and income tax	(4,001,067)	(8,346,476)
Finance costs	(256,512)	(320,759)
Income tax	(15,505)	-
Loss after tax from continuing operations	(4,273,084)	(8,667,235)
Loss after tax from discontinued operations	-	-
Total loss for the year	(4,273,084)	(8,667,235)
Loss attributable to minority interest	177,506	24,415
Loss attributable to members of the parent entity	(4,095,578)	(8,642,820)

Part 5 – Accumulated losses

	2009 \$	2008 \$
Accumulated losses at the beginning of the year	(18,293,557)	(9,650,737)
Loss for the year	(4,095,578)	(8,642,820)
Accumulated losses at the end of the year	(22,389,135)	(18,293,557)

Part 6 – Consolidated Balance sheet

	2009	2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,289,984	1,099,777
Trade and other receivables	1,008,746	1,973,206
Inventories	389,939	402,800
Other	201,974	204,086
Total Current Assets	<u>2,890,643</u>	<u>3,679,869</u>
NON CURRENT ASSETS		
Property, plant and equipment	3,993,723	2,398,584
Intangible assets	5,909,080	4,842,546
Total Non Current Assets	<u>9,902,803</u>	<u>7,241,130</u>
TOTAL ASSETS	<u>12,793,446</u>	<u>10,920,999</u>
CURRENT LIABILITIES		
Trade and other payables	1,604,506	2,691,056
Employee benefits	30,942	43,702
Interest bearing loans	2,338,771	3,478,663
Total Current Liabilities	<u>3,974,219</u>	<u>6,213,421</u>
NON CURRENT LIABILITIES		
Trade and other payables	102,569	-
Interest bearing loans	936,303	947,423
Total Non Current Liabilities	<u>1,038,872</u>	<u>947,423</u>
TOTAL LIABILITIES	<u>5,013,091</u>	<u>7,160,844</u>
NET ASSETS	<u>7,780,355</u>	<u>3,760,155</u>
EQUITY		
Issued capital	28,804,611	21,218,419
Reserves	1,033,729	326,637
Accumulated losses	(22,389,135)	(18,293,558)
Minority interest	331,150	508,657
TOTAL EQUITY	<u>7,780,355</u>	<u>3,760,155</u>

Part 7 – Consolidated Statement of Cash Flows

	2009 \$	2008 \$
Cash flows from operating activities		
Cash receipts in the course of operations	8,261,800	25,348,487
Cash payments in the course of operations	(11,469,053)	(25,233,698)
Interest received	43,914	15,554
Interest paid	(124,691)	-
Net cash used in operating activities	<u>(3,288,030)</u>	<u>130,343</u>
Cash flows from investing activities		
Proceeds from sale of plant and equipment	-	22,727
Payment for plant and equipment	(1,835,743)	(1,226,689)
Payments for intellectual property rights	(1,275,137)	(210,927)
Loans to other entities	(342,437)	-
Net cash used in investing activities	<u>(3,453,317)</u>	<u>(1,414,889)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	6,862,500	500,000
Share issue costs	(534,624)	(63,636)
Proceeds from borrowings	1,704,956	1,999,850
Repayment of borrowings	(486,455)	(515,964)
Net cash provided by financing activities	<u>7,546,377</u>	<u>1,920,250</u>
Net increase/(decrease) in cash held	805,030	635,704
Cash at the beginning of the financial year	(173,024)	(550,526)
Effects of exchange rate changes on cash	657,978	(258,202)
Cash at the end of the financial year	<u><u>1,289,984</u></u>	<u><u>(173,024)</u></u>

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:

	2009 \$	2008 \$
2. REVENUES AND EXPENSES OF CONTINUING OPERATIONS		
(a) Other income		
Interest income	41,506	15,554
Rent income	12,500	26,667
Commissions	20,463	36,125
Foreign exchange gain	160,088	-
Other	14,441	46,598
	248,998	124,944

(b) Other expenses		
Foreign exchange loss	-	40,175
Increase in provision for doubtful debts	123,793	32,044
Bad debts written off	-	-
	123,793	72,219

(c) Employee benefits expense		
Wages and salaries costs	2,213,260	1,687,874
Superannuation costs	69,763	87,024
Increase/(decrease) in liability for annual leave	(12,761)	(3,717)
Expense of share based payments	-	-
	2,287,449	1,771,181

Part 10 – Commentary on Results

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

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Part 11 – Notes to the Consolidated Statement of Cash Flows

	2009 \$	2008 \$
(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	1,289,984	1,099,777
Overdrafts included in Interest bearing loans	-	(1,272,801)
Cash at bank	<u>1,289,984</u>	<u>(173,024)</u>
(b) Reconciliation of net cash used in operating activities to loss after income tax		
Loss after income tax	(4,095,578)	(8,642,820)
<i>Add non-cash items:</i>		
Goodwill on consolidation written off	-	6,109,813
Amounts set aside to provisions	123,793	(23,360)
Loss on sale of plant and equipment	-	9,412
Depreciation and amortisation	325,427	136,790
Share based payment expenses	-	621,000
	<u>(3,646,358)</u>	<u>(1,789,165)</u>
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	1,315,225	2,323,432
(Increase) /decrease in inventories	12,861	196,897
(Increase)/decrease in prepayments	2,113	(134,568)
Increase/(decrease) in accounts payable	<u>(971,871)</u>	<u>(466,253)</u>
Net cash used in operating activities	<u>(3,288,030)</u>	<u>130,343</u>

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	
	2009	2008
Basic loss per share	(1.27 cents)	(3.86 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	<u>323,203,255</u>	<u>224,034,254</u>

Part 14 – Net Tangible Assets per Security

	2009	2008
Net tangible asset backing per ordinary security (cents)	<u>0.53</u>	<u>(0.44)</u>

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)	
	2009 %	2008 %	2009 \$A'000	2008 \$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

	2009 \$	2008 \$
Share capital		
355,067,393 [2008: 245,348,459] fully paid ordinary shares	28,804,611	21,218,419
<i>The following movements in issued capital occurred during the year:</i>		
	2009 Number of Shares	2008 Number of Shares
Balance at beginning of the year	245,348,459	213,898,826
Issue of shares at 16.3 cents each	-	3,068,351
Issue of shares at 11.0 cents each	-	2,743,438
Issue of shares at 7.1533 cents each	-	25,637,844
Issue of shares at 11.0 cents each	1,026,445	-
Issue of shares at 9.0 cents each	77,777,778	-
Issue of shares at 9.8 cents each	1,164,826	-
Issue of shares at 3.1950 cents each	156,495	-
Issue of shares at 3.1818 cents each	314,288	-
Issue of shares at 3.1818 cents each	251,430	-
Issue of shares at 3.1818 cents each	377,145	-
Issue of shares at 3.1284 cents each	639,304	-
Issue of shares at 3.0350 cents each	823,723	-
Issue of shares at 4.0 cents each	27,187,500	-
	355,067,393	245,348,459
Options		
The following options to subscribe for ordinary fully paid shares are outstanding at balance date:		
➤ 383,544 options exercisable at 19.9 cents each on or before 20 July 2010;		
➤ 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; and		
➤ 3,241,527 options exercisable at 9 cents each on or before 14 July 2013.		

Part 18 – Segment Information

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The continuing operations of the consolidated entity is predominantly in the scooter, ATV and engine manufacture and distribution industry.

Primary reporting - Geographical segments

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 Wuxi and Nanjing, and sales office is operated in Shanghai.

Continuing Operations	Australia \$A'000		China \$A'000		Spain \$A'000		United States \$A'000		Consolidated \$A'000	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
Segment revenue	2,258,927	2,715,906	44,468,381	31,838,222	1,921,948	892,847	-	-	48,649,256	35,446,975
Result										
Segment result	(2,658,987)	(9,086,974)	(750,355)	611,650	(686,236)	(167,496)	-	-	(4,095,587)	(8,642,820)
Assets										
Segment assets	1,526,143	700,130	5,803,182	4,569,928	839,339	1,026,160	-	-	8,168,664	6,296,218
Liabilities										
Segment liabilities	(868,563)	(5,112,610)	(3,589,633)	(1,935,007)	(554,895)	(113,227)	-	-	(5,013,091)	(7,160,844)
Discontinued Operations	Australia \$A'000		China \$A'000		Spain \$A'000		United States \$A'000		Consolidated \$A'000	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
Segment revenue	-	-	-	-	-	-	-	-	-	-
Result										
Segment result	-	-	-	-	-	-	-	-	-	-
Assets										
Segment assets	-	-	-	-	-	-	-	-	-	-
Liabilities										
Segment liabilities	-	-	-	-	-	-	-	-	-	-

Part 18 – Segment Information (cont'd)

Secondary reporting

Business segments

The principal activity of the continuing consolidated entity is the manufacture, marketing and distribution of:

- 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

As at 28 August 2009, \$1,912,500 of the remaining balance of the \$3 million share placement announced on 10 June 2009 was received and the financial effect of this transaction has not been brought to account in the financial statements for the year ended 30 June 2009.

As at 13 August 2009, La Jolla 6% Convertible Debenture was fully converted to shares and all accrued interests were paid.

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	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

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

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