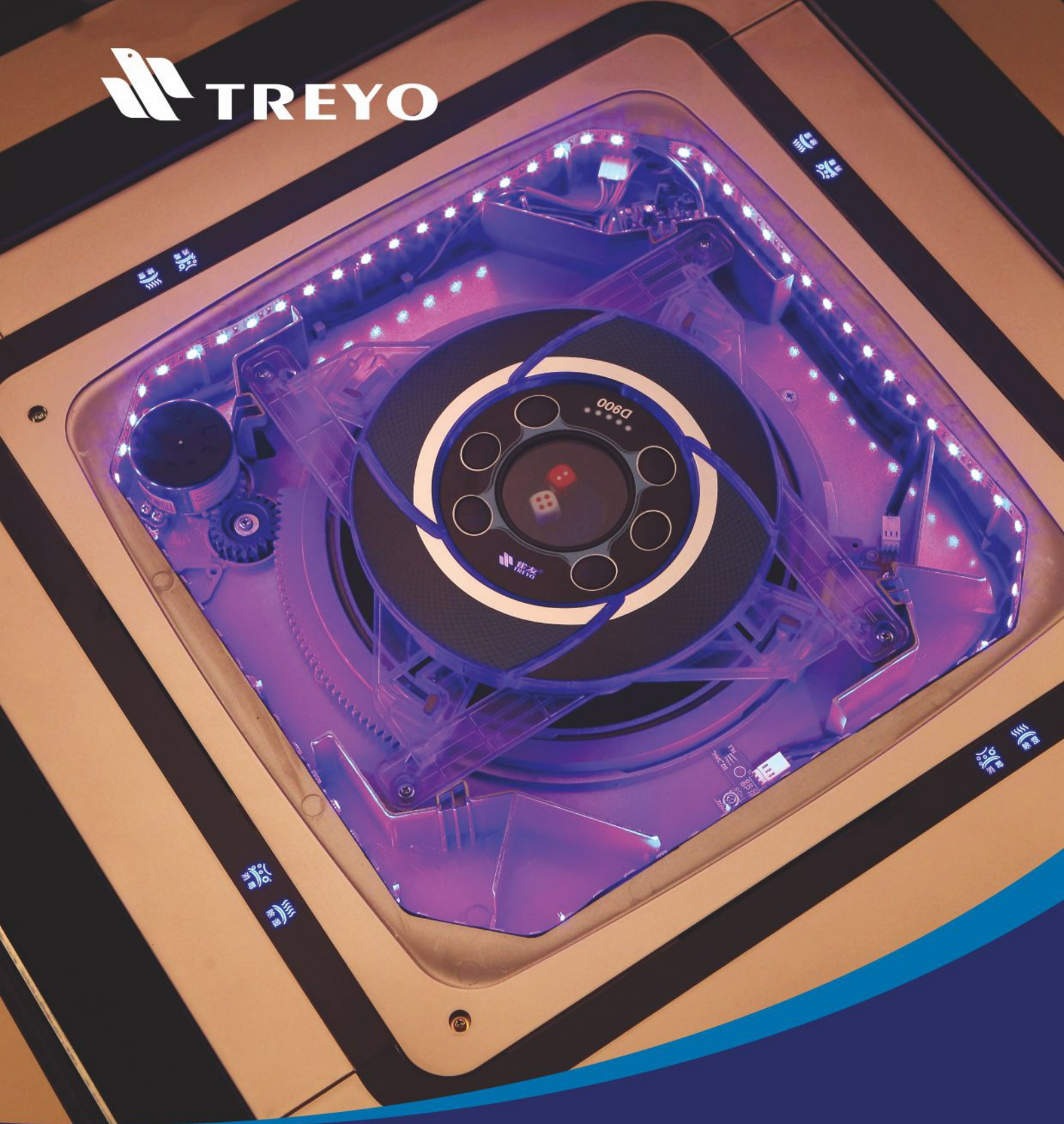




ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014



TREYO LEISURE AND ENTERTAINMENT LTD

ABN 93 131 129 489

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014



CONTENTS

	PAGE
CORPORATE INFORMATION	1
REVIEW BY EXECUTIVE CHAIRMAN	2
BUSINESS OVERVIEW	4
DIRECTORS' REPORT – INCLUDING REMUNERATION REPORT	5
AUDITOR'S INDEPENDENCE DECLARATION	16
CORPORATE GOVERNANCE STATEMENT	17
FINANCIAL REPORT	25
DIRECTORS' DECLARATION	62
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS	63
ADDITIONAL ASX INFORMATION	66



CORPORATE INFORMATION

ABN 93 131 129 489

Directors

Ling (Allan) Mao (Executive Chairman)
Roger Smeed (Deputy Chairman)
Guohua Wei
Kwong Fat Tse
Zhongliang Zheng
Minghua Yu
Edward Byrt

Company Secretary

Jo-Anne Dal Santo

Registered Office

Level 2, 371 Spencer Street
Melbourne, Victoria 3000, Australia

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnstone Street
Abbotsford, Victoria 3067, Australia
Phone: 1300 850 505

**Treyo Leisure and Entertainment Limited Shares are listed on the Australian Securities Exchange (ASX)
ASX Code: TYO**

Bankers

Westpac Banking Corporation Limited
360 Collins Street
Melbourne, Victoria 3000

Auditors

Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville, South Australia 5034

Legal Advisors

Norton Rose Fulbright Australia
Level 15, RACV Tower, 485 Bourke Street
Melbourne, Victoria 3000

Website Address

www.treyo.com.au

All monetary amounts in this Report are in Australian dollars unless stated otherwise.
The financial year begins on 1 January and ends on 31 December each year.



REVIEW BY THE EXECUTIVE CHAIRMAN

On behalf of the Board of Treyo Leisure and Entertainment Ltd (Treyo) I am pleased to submit the seventh Annual Report to our Shareholders.

Through this Report, the Board provides an update to Shareholders and the market, on the results that Treyo has achieved for the 2014 financial year (ended 31 December 2014). It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs January to December each year.

As we have previously announced to the market through our recent Appendix 4E, I advise that the Treyo Group realised an after tax profit of AUD5 million for the 2014 financial year. This represents a small decrease of 5% on the previous year (2013: AUD5.2 million).

Treyo's working capital remains strong at AUD13.7 million. The Company's cash and cash equivalents reserves also remain substantial at AUD30.1 million (2013: AUD24.2 million). As a result of the strengthening of the Chinese Renminbi (RMB) the Company incurred a foreign exchange gain on translation of foreign operations of AUD5.4 million (2013: AUD9.6 million).

During the past year, Treyo has been presented with a number of market challenges. Economic growth in China is still the envy of the world, however the Chinese Government has forecast a slight slowing of growth to around 7%, in 2015. This has resulted in a slight tightening of the consumer market in China. In addition, as market leader, Treyo is subject to constant competitor activities, including price competition and attempts to copy the Treyo technology.

Treyo's continual focus on world-class R&D and design, along with strong consumer demand for the Treyo brand and quality, will ensure the Company's future success.

Corporate Results Summary

For the 2014 year, the Treyo Group, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., achieved:

- Sales revenue for the year decreased by 7.5% to AUD70.4 million compared to 2013 revenue of AUD76.2 million.
- Group NPAT of **AUD5 million**. A decrease of 5% from the previous year;
- Continuing **strong cash reserves** of AUD30.1 million;
- **Strong working capital** of AUD13.7 million at 31 December 2014 an **increase of 62%** compared to 2013; and
- Foreign exchange translation gain impacting on other comprehensive income of AUD5.4 million;

The Company maintains its diligent cost control and the strong brand recognition of Treyo, the leading brand in the premium end of the market. In addition, the Company continues to expand its extensive distributor network to recently having reached almost 600 distributors throughout the country, and the largest network in China.

The company has also received increased interest from new export customers.

During the 2014 financial year and to the date of this report, no dividends were recommended or paid. The Treyo Board is confident of continuing a profitable future for the Company.

Treyo is clearly the industry leader, and has grown rapidly over recent years to become the largest automated mahjong table manufacturer in the world.

The Treyo Group's continuing success is a result of our innovation, technical excellence, advanced R&D and manufacturing processes, and a commitment to quality, outstanding customer service and continuing brand development. I commit to you, our shareholders, that this will remain our guarantee to you for the future prosperity of our Company.



REVIEW BY THE EXECUTIVE CHAIRMAN (CONTINUED)

As in previous years, I would like to thank my Board, all of the staff and management of the Treyo Group, our distributors and our suppliers, for their outstanding efforts on behalf of the Group over the last year.

Finally, I would like to thank you, our Shareholders, for your continuing belief in Treyo and our future. I can again assure you that your Board will continue to focus on identifying growth opportunities, and growing the Company's market share and profitability.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ling Mao" with a stylized flourish.

Ling (Allan) Mao
Executive Chairman

Dated this 31st day of March 2015



BUSINESS OVERVIEW

THE COMPANY

Treyo Leisure and Entertainment Ltd (Treyo) was listed on the Australian Securities Exchange (ASX) on 2 January 2009. Prior to Treyo's listing, the Company operated as Matsuoka Mechatronics (China) Co. ("Matsuoka"). Founded in March 2003, Matsuoka is a wholly foreign-owned limited liability company incorporated in the People's Republic of China, now a wholly owned subsidiary of Treyo.

Matsuoka

From its modern purpose built production facilities ideally located in the Xiaoshan Business District near Shanghai, Matsuoka designs, manufactures and markets automatic mahjong tables under the trademark "Treyo".

Treyo through its subsidiary Matsuoka, is an industry leader. The Company has grown rapidly to become the largest automatic mahjong table manufacturer in the world. Matsuoka was founded in March 2003 and carries on the business of manufacturing Treyo automated mahjong tables.

Treyo holds approximately 70% of the premium end of the market for automated mahjong tables. As the largest manufacturer of automated mahjong tables, Treyo continues to grow its market share despite strong competitive pressures. The Company's continued success is a result of its innovation, technical excellence, environmental standards, investment in advanced production lines, manufacturing processes, commitment to quality, outstanding customer service and brand development.

The Company currently employs approximately 770 staff and while its operations and its product distribution is mainly based in China, there have been increasing international enquiries for the Treyo product range. Treyo intends to leverage its market presence and reputation for high quality products, innovation and customer service to continue its domestic growth and increase international sales.

OPERATIONAL HIGHLIGHTS

The Treyo Group realised an after tax profit of \$5.0 million for the 2014 financial year which represents an decrease of 5% on the previous year's after tax profit of \$5.2 million.

As a result of the strengthening of the Chinese Renminbi, the Company incurred a foreign exchange gain on translation of foreign operations of \$5.4 million (2013: \$9.6 million). Treyo's working capital remains strong at \$13.7 million. The Company's cash and cash equivalents reserves remain strong at \$30.1 million (2013: \$24.2 million).

Corporate Results Summary

For the 2014 year, the Treyo Group, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., achieved:

- Sales revenue for the year of \$70.4 million, a decreased by 7.5% to compared to 2013 revenue of \$76.2 million.
- Group NPAT of \$5.0 million. A decrease of 5% from the previous year;
- Continuing **strong cash reserves** of \$30.1 million;
- **Strong working capital** of \$13.7 million at 31 December 2014 an **increase of 62%** compared to 2013; and
- Foreign exchange translation gain impacting on other comprehensive income of \$5.4 million;

The Company maintains its diligent cost control and the strong brand recognition of Treyo, the leading brand in the premium end of the market. In addition, the Company continues to expand its extensive distributor network throughout China.

During the 2014 financial year and to the date of this report no dividends were recommended or paid. The Treyo Board is confident of continuing a profitable future for the Company.



DIRECTORS' REPORT



DIRECTORS' REPORT

Your directors present their Report on Treyo Leisure and Entertainment Limited and its controlled entities for the financial year ended 31 December 2014.

In this Report Treyo Leisure and Entertainment Limited and its controlled entities are referred to as "the Group" or the "Consolidated Group". The Parent Entity, Treyo Leisure and Entertainment Limited, is referred to as "the Company".

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this Report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ling (Allan) Mao

Executive Chairman

Mr Mao was appointed to the Board on 12 August, 2008 as Executive Chairman and is the Chief Executive Officer of the Group. He also serves on the Audit and Risk Committee. Mr Mao has held various leadership positions at Japan Da Yang Chemistry Ltd, Shanghai Da Yang Chemistry Ltd and Shanghai Lili Plastic Products Co., Ltd. Mr Mao is a citizen of China and is a graduate of the Zhejiang Academy of Art. Mr Mao is a citizen of China

Roger Smeed FAICD, FAIM

Independent, Non-Executive Deputy Chairman

Mr Smeed was appointed to the Board on 28 October 2008 as Deputy Chairman. He also serves on the Remuneration and Nomination Committee and as Chairman of the Audit and Risk Committee. Mr Smeed is an experienced company director with over 25 years of experience at chief executive and board level with large publicly listed and private companies and government business enterprises (GBEs). Currently, Mr Smeed is a member of the Board and Deputy Chairman of two China based, ASX listed companies. He is also Chairman of four private Australian companies, where he is involved in strategic acquisitions and the planning, and the implementation of growth strategy initiatives. Mr Smeed is a citizen of Australia.

Guohua Wei EMBA (Zhejiang University, China)

Executive Director

Mr Wei was appointed to the Board on 13 August 2008 and is also the Chairman of the Company's subsidiary - Matsuoka Mechatronics. He also serves on the Remuneration and Nomination Committee. Mr Wei currently holds senior positions at Shenzhen Southern Huayin Holdings Co., Ltd. Mr Wei is a citizen of China.

Kwong Fat Tse

Non-Executive Director

Mr Tse was appointed to the Board on 13 August 2008. Mr Tse currently holds the position of General Manager of Song Gang International Group Co., Ltd. Mr Tse is a citizen of Hong Kong.

Zhongliang Zheng MBA (Xi'an University of Technology, China)

Executive Director

Mr Zheng was appointed to the Board on 1 June 2010. Mr Zheng has held the position of Chief Financial Officer of Matsuoka Mechatronics since 12 May 2005. Prior to joining Matsuoka, Mr Zheng held senior positions in Shanghai Baosteel Metallurgical construction company, Walsin Investment (China) Company, and Nong Fu Spring Co., Ltd. Mr Zheng is a citizen of China.

Minghua Yu

Independent, Non-Executive Director

Mr Yu was appointed to the Board on 1 June 2010. Mr Yu currently holds the position of General Manager of Zhejiang Songgang Co., Ltd. Mr Yu is well regarded Chinese businessman with many years of commercial experience. Mr Yu is a citizen of China.



DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Edward Byrt LLB (Adelaide University)
Independent, Non-Executive Director

Mr Byrt was appointed to the Board on 28 October 2008. He also serves on the Audit and Risk Committee and as Chairman of the Remuneration and Nomination Committee. Mr Byrt is a company director and legal consultant who for 35 years was a Partner of Norman Waterhouse Lawyers, where he provided strategic commercial advice to industry, commerce and government enterprises. Organisational development, corporate governance and succession planning have been the focus of his professional attention in recent years. In his professional career Mr Byrt has advised many companies undertaking business in Australia and overseas markets, as well as foreign companies operating in Australia. He has a particular interest in promoting Australia-China business. He is Chairman of the South Australian China Cluster and is a past National Vice-President of the Australia China Business Council. Over the past decade Mr Byrt has been appointed to a number of private and public corporation boards to which he brings general commercial legal skills and a diversity of experience from his legal and business background. Mr Byrt is a citizen of Australia.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

In the three years immediately before the end of the financial year the only directors to hold other listed directorships are:

Director	Position	Company	Period
Edward Byrt	Director and Chairman	Papyrus Australia Ltd (ASX:PPY)	November 2004 to date
	Director	China JXY Group Ltd (ASX:CJG)	February 2011 to June 2012
Roger Smeed	Director	Xiaoxiao Education Limited (ASX:XXL)	November 2009 to date
	Director	Rongtai International Group Holdings Limited (ASX:RIG)	March 2010 to 10 August 2012
	Director	China JXY Group Limited (ASX:CJG)	March 2011 to May 2012

COMPANY SECRETARY

Jo-Anne Dal Santo B.Bus, ACIS, MAICD

Ms Dal Santo was appointed as Company Secretary to the Board on 28 October 2008. Ms Dal Santo has held a variety of roles in private industry and the finance sector and is currently company secretary to a number of private businesses. She is also Director of Red Consulting International Pty Ltd, an accounting and taxation support business located in Melbourne. Ms Dal Santo is a citizen of Australia.

CORPORATE INFORMATION

Corporate Structure

Treyo Leisure and Entertainment Limited is a company limited by shares and is incorporated and domiciled in Australia.

Nature of operations and principal activities

The principal activity of the Group during the course of the financial year was the manufacture of automated mahjong tables. Refer to Note 25 for details of the Group's operating segments.

There were no other significant changes in the nature of the Consolidated Group's principal activities during the financial year.



DIRECTORS' REPORT (CONTINUED)

REVIEW OF FINANCIAL POSITION

Financial Results

The net assets of the Consolidated Group have increased by \$10,354,514 from \$59,471,325 at 31 December 2013 to \$69,825,839 at 31 December 2014. This increase has largely resulted from the following factors:

- i. \$4,961,723 profits after tax attributable to members; and
- ii. \$5,392,791 foreign exchange gain.

The consolidated Group's strong financial position has enabled the group to maintain a healthy working capital ratio. The group's working capital, being current assets less current liabilities, has increased by \$5,238,546 from \$8,437,102 in 2013 to \$13,675,648 in 2014.

The directors believe the Consolidated Group is in a strong and stable financial position to expand and grow its current operations.

DIVIDENDS

The Board has not recommended nor paid any dividends during the year ended 31 December 2014 (2013: \$nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year or prior year.

LIKELY DEVELOPMENTS

The Group will continue to pursue its principal activities, being the manufacture of automated mahjong tables.

As noted in the Review by the Executive Chairman, 2014 saw the Company presented with a number of market challenges including a slight tightening of the consumer market in China and increased competitive pressures.

Looking forward, the Company is refocusing on the Chinese domestic consumer. New table designs will take advantage of increasingly superior technology advancements developed by the Company's world-class Research and Development division. These enhancements include new functionality, enhanced appearance and reduced cost to the end consumer. The Company plans to increase its Treyo brand recognition by increased marketing activities and through the expansion of its distributor network in China.

During 2015 the Company also plans to diversify its product offering by the development of ancillary products such as air purifying units and other complementary items which offer premium comfort to the Mahjong player.

The Company will continue to vigorously defend its proprietary intellectual property against "copy-cat" manufacturers by both legal channels and ongoing R&D into the development of improved technology which is difficult for competitors to compete against.

During 2014 the Company expanded its export markets with sales into the USA and Australia. This is expected to continue in 2015 with distributors being appointed in both of these markets – targeting both commercial and domestic consumers. Whilst economic growth in China is still the envy of the world, the Chinese Government has forecast a slight slowing of growth to around 7% in 2015. The Company has taken decisive action to improve margins and to ensure the business responds quickly to changing market conditions and customer needs.

We are confident the outlook for 2015 is positive and that the Company will continue to deliver strong results based on our competitive position, diversified product offering, exceptional Research and Development capabilities, international expansion plans and strong financial position.

Further information on the expected results of operations in 2015 have not been included in this Annual Report as Directors believe it could potentially result in unreasonable prejudice to the Group.



DIRECTORS' REPORT (CONTINUED)

SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows.

	Board of Directors' Meetings	
	Number of meetings eligible to attend	Number of meetings attended
Ling (Allan) Mao	9	4
Roger Smeed	9	9
Guohua Wei	9	-
Kwong Fat Tse	9	4
Zhongliang Zheng	9	4
Minghua Yu	9	-
Edward Byrt	9	9

	Audit and Risk Committee Meetings		Remuneration and Nomination Meetings	
	Held	Attended	Held	Attended
Number of meetings held				
Ling (Allan) Mao	2	1	-	n/a
Roger Smeed	2	2	-	-
Guohua Wei	2	n/a	-	-
Kwong Fat Tse	2	n/a	-	n/a
Zhongliang Zheng	2	n/a	-	n/a
Minghua Yu	2	n/a	-	n/a
Edward Byrt	2	2	-	-

Committee Membership

As at the date of this Report, the Company had an Audit and Risk Management Committee and a Remuneration and Nomination Committee comprising members of the Board. The matters that would be addressed by the Remuneration and Nomination Committee are generally addressed at the Board level as the Board considers this to be an efficient use of directors' time. Hence no separate Remuneration and Nomination Committee meeting were held during 2014.

Members acting on the Committees of the Board at the date of this Report were as follows:

Audit and Risk Management Committee

Roger Smeed (Chairman)
Ling (Allan) Mao
Edward Byrt

Remuneration and Nomination Committee

Edward Byrt (Chairman)
Roger Smeed
Guohua Wei



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the Director and Key Management Personnel remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this Report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this Report, the term KMP encompasses the Chief Executive, senior executives, general managers and secretaries of the Company and the Group.

Details of Key Management Personnel of the Company and the Group.

<u>Directors</u>		Date Appointed
Ling (Allan) Mao	Chairman (Executive)	13 Aug 2008
Roger Smeed	Deputy Chairman (Independent, Non-Executive)	28 Oct 2008
Guohua Wei	Director (Executive)	18 Mar 2003 ⁽¹⁾
Kwong Fat Tse	Director (Non-Executive)	13 Aug 2008
Zhongliang Zheng	Director (Executive) and Chief Finance Officer	12 May 2005 ⁽²⁾
Minghua Yu	Director (Independent, Non-Executive)	1 June 2010
Edward Byrt	Director (Independent, Non-Executive)	28 Oct 2008
<u>Other Key Management Personnel</u>		Date Appointed
Lin Pan	Operating Deputy General Manager	30 Aug 2004
Yinan He	Marketing Deputy General Manager	1 Aug 2005
Lixin Wang	Integrated Management Centre Director	29 Jun 2005
Jo-Anne Dal Santo	Company Secretary	28 Oct 2008

⁽¹⁾Appointed to the Board on 13 August 2008.

⁽²⁾Appointed to the Board on 1 June 2010.

Remuneration policy

There were no changes of key management personnel between the reporting date and the date the financial report was authorised for issue.

The remuneration policy of Treyo Leisure and Entertainment Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Treyo Leisure and Entertainment Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

- All key management personnel receive a base salary (which is based on factors such as length of service and experience).
- The Remuneration and Nomination Committee tends to review key management personnel packages by reference to the Group's performance, executive performance and comparable information from industry sectors.

All remuneration paid to Key Management Personnel is valued at the cost to the Consolidated Group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the Key Management Personnel. Options are valued using the Black-Scholes methodology.

Non-Executive Remuneration

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee will determine changes to the payments made to non-executive directors and will review their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at an Annual General Meeting. The maximum aggregate remuneration of the non-executives is presently fixed at \$300,000. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance-based remuneration

The Group pays out a "13th Month" salary annually to all staff, including executive Key Management Personnel. The payment of the 13th month salary is not contractual and is dependent on Group performance and KPI assessments.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives by processing fixed remuneration adjustments annual for inflation and increased responsibility.

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Revenue	70,418,618	76,154,772	68,286,879	71,288,950	55,285,342
Net profit after tax	4,961,723	5,228,134	4,869,550	5,083,823	2,931,717
Share price at end of year	0.15	0.20	0.17	0.34	0.34
Dividends paid	-	-	-	-	-

Key Management Personnel Remuneration Policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group. The standard Chinese Government three year contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. The contract for service automatically renews at the end of the term.

The employment conditions of the executive director, Allan Mao and other Matsuoka Mechatronics (China) Co., Ltd's key management personnel are formalised in standard Chinese Government contracts of employment. With the exception of Roger Smeed, Edward Byrt and the Company Secretary, Jo-Anne Dal Santo all key management personnel are permanent employees of Matsuoka Mechatronics (China) Co., Ltd employed under a fixed three year contract, which commenced on the date of appointment, as shown in the 'Details of key management personnel' above and are renewed automatically at the end of term.

The Remuneration and Nomination Committee determines the compensation for each Key Management Personnel ("KMP"). Refer below.



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel ("KMP") Remuneration

	Short term benefit Cash, salary and commissions	Post employment benefits	Equity based remunera- tion	Long term benefits	Termination benefits	Total	Equity Based percentage
31 December 2014	\$	\$	\$	\$	\$	\$	%
<u>Directors</u>							
Ling (Allan) Mao	31,928	-	-	-	-	31,928	-
Roger Smeed	50,000	-	-	-	-	50,000	-
Guohua Wei	49,503	-	-	-	-	49,503	-
Kwong Fat Tse	15,420	-	-	-	-	15,420	-
Zhongliang Zheng	31,774	-	-	-	-	31,774	-
Minghua Yu	12,280	-	-	-	-	12,280	-
Edward Byrt	50,000	-	-	-	-	50,000	-
Total Directors' Remuneration	240,905	-	-	-	-	240,905	-
<u>Other KMP</u>							
Jo-Anne Dal Santo	34,743	3,257	-	-	-	38,000	-
Yinan He	32,905	-	-	-	-	32,905	-
Lin Pan	31,588	-	-	-	-	31,588	-
Lixin Wang	26,807	-	-	-	-	26,807	-
Total Directors' and Other KMP Remuneration	366,948	3,257	-	-	-	370,205	-

31 December 2013

<u>Directors</u>							
Ling (Allan) Mao	29,814	-	-	-	-	29,814	-
Roger Smeed	50,000	-	-	-	-	50,000	-
Guohua Wei	36,594	-	-	-	-	36,594	-
Kwong Fat Tse	13,627	-	-	-	-	13,627	-
Zhongliang Zheng	32,812	-	-	-	-	32,812	-
Minghua Yu	11,567	-	-	-	-	11,567	-
Edward Byrt	50,000	-	-	-	-	50,000	-
Total Directors' Remuneration	224,414	-	-	-	-	224,414	-



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

	Short term benefit Cash, salary and commissions	Post employment benefits	Equity based remunera- tion	Long term benefits	Termination benefits	Total	Equity Based percentage
31 December 2013	\$	\$	\$	\$	\$	\$	%
<u>Other KMP</u>							
Jo-Anne Dal Santo	34,822	3,178	-	-	-	38,000	-
Yinan He	32,510	-	-	-	-	32,510	-
Lin Pan	30,906	-	-	-	-	30,906	-
Lixin Wang	25,952	-	-	-	-	25,952	-
Total Directors' and Other KMP Remuneration	348,604	3,178	-	-	-	351,782	-

Shares and options issued as part of remuneration

During the year, prior year and since the end of the financial year no equity instruments were issued to the directors or the other KMP of the Company as part of their remuneration.

Transactions with Key Management Personnel ("KMP") and related parties

The Group's related parties include its key management personnel and related parties, as described below.

Transactions between KMP and related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions and balances with KMP and related parties:

Transactions	2014 \$	2013 \$
<u>Purchase from related parties</u>		
-Zhejiang Matsuoka Mechatronics Industry Co., Ltd	-	407,535
-Shenzhen Southern Huayin Investment Ltd (formerly Zhongrong Huayin Holdings Co., Ltd)	134,109	120,528
Total Purchase from related parties	134,109	528,066

Cash received from (advanced to) related parties

-Allan Mao	10,619	(9,645)
-Zhongliang Zheng	5,756	5,288
Total cash received from (advanced to) related parties	16,375	(4,357)

Other related parties transactions

During the year a loan of \$3,008,946 (2013: \$nil) was issued by Shenzhen Shangzuo Asset Management Centre [Limited Partnership](the Partnership) to Zhejiang Zhongrong Zhengyang Investment Management Ltd, a Company in which Guohua Wei has a beneficial interest of 50% of the registered capital.

During the year a deposit of \$19,185 (2013: \$nil) was paid to and refunded in full by Zhe Jiang Song Jin Compound Materials Co. Ltd. a company in which executive director, Guohua Wei's wife, Ms Fu is a director. In addition, a deposit of \$3,837 (2013: \$nil) was paid to and refunded in full by ZheJiang Matsuoka Mechatronic Industry Co. Ltd; Guohua Wei's wife, Ms Fu, is Chairman of Zhejiang Matsuoka Mechatronics Industry Co. Ltd.



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Balances with Key Management Personnel ("KMP") and related parties

	2014 \$	2013 \$
Other KMP balances included in the following:		
<u>Other receivables</u>		
-Zhejiang Zhongrong Zhengyang Investment Management Ltd ⁽¹⁾	3,008,946	-
-Zhongliang Zheng ⁽²⁾⁽⁵⁾	56,746	57,978
-Hangzhou Guoshi Advertising Co. Ltd ⁽⁴⁾⁽⁵⁾	88,168	81,419
-Allan Mao ⁽³⁾	-	10,619
Total other receivables	3,153,860	150,016

⁽¹⁾ Loan from the partnership to Zhejiang Zhongrong Zhengyang Investment Management Ltd, a Company in which Guohua Wei has a beneficial interest of 50% of the registered capital (refer to Note 12 for further details of the Company's interest).

⁽²⁾ Zhongliang Zheng repaid \$8,242 and was advanced \$2,486 during the year.

⁽³⁾ Prior year prepaid reimbursement repaid in the year.

⁽⁴⁾ Hangzhou Guoshi Advertising Co. Ltd is a company in which executive director, Guohua Wei's wife has a beneficial interest (90% of registered capital). The Consolidated Group has entered into a contract with Hangzhou Guoshi Advertising Co Ltd for it to provide advertising and promotion services. Balance represents prepayment made to the related party.

⁽⁵⁾ Movement relates to foreign exchange on translation to Australian dollars.

Retirement, election and continuation in office of directors

Directors are subject to retirement by rotation and election by shareholders at general meetings. No directors other than the Managing Director, Ling (Allan) Mao, may remain on the Board for more than three years without re-election.

Where a director is appointed during the year, the director will hold office until the next Annual General Meeting and then be eligible for re-election.

A third of the directors will retire at the 2015 Annual General Meeting of the Company. These directors, being eligible, will offer themselves for re-election.

Consultants

No remuneration consultants were engaged during the year.

AGM

At the most recent AGM the Company received a 100% 'Yes' vote on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the annual general meeting on its remuneration report.



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Interest in Shares and Options

Shares

	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Closing Balance	% of Total Number of Shares on Issue
31 December 2014						
Ling (Allan) Mao ^{(1) (2)}	55,900,000	-	-	-	55,900,000	17.97%
Roger Smeed ⁽³⁾	100,000	-	-	-	100,000	0.03%
Guohua Wei ⁽⁴⁾	179,400,000	-	-	-	179,400,000	57.68%
Kwong Fat Tse	-	-	-	-	-	-
Zhongliang Zheng ⁽⁵⁾	7,800,000	-	-	-	7,800,000	2.51%
Minghua Yu	-	-	-	-	-	-
Edward Byrt ⁽⁶⁾	100,000	-	-	-	100,000	0.03%
Jo-Anne Dal Santo	-	-	-	-	-	-
Total	243,300,000	-	-	-	243,300,000	78.23%
31 December 2013						
Ling (Allan) Mao ^{(1) (2)}	55,900,000	-	-	-	55,900,000	17.97%
Roger Smeed ⁽³⁾	100,000	-	-	-	100,000	0.03%
Guohua Wei ⁽⁴⁾	179,400,000	-	-	-	179,400,000	57.68%
Kwong Fat Tse	-	-	-	-	-	-
Zhongliang Zheng ⁽⁵⁾	7,800,000	-	-	-	7,800,000	2.51%
Minghua Yu	-	-	-	-	-	-
Edward Byrt ⁽⁶⁾	100,000	-	-	-	100,000	0.03%
Jo-Anne Dal Santo	-	-	-	-	-	-
Total	243,300,000	-	-	-	243,300,000	78.23%

⁽¹⁾ Shares held by Laury Commercial Inc. in which Ling (Allan) Mao has a beneficial interest – 7,800,000 shares in total

⁽²⁾ Shares held by Balatina Group Ltd in which Ling (Allan) Mao has a beneficial interest – 48,100,000 shares in total.

⁽³⁾ Shares held by Roger Smeed and Associates Pty Ltd (as trustee for RF Investment Trust) in which Roger Smeed has a beneficial interest.

⁽⁴⁾ Shares held by Matoury Overseas Corp. in which Guohua Wei has a beneficial interest.

⁽⁵⁾ Shares held by Yerigton Assets Inc. in which Zhongliang Zheng has a beneficial interest.

⁽⁶⁾ Shares held by Stroud Nominees Pty Ltd (as trustee for Byrt Super Fund) in which Edward Byrt has a beneficial interest.

Options

No options were on issue at the year end. No options were issued or exercised during the year and to the date of this Report.

End of Remuneration Report

INDEMNIFYING OFFICERS OR AUDITOR

The Company has entered into Deeds of Indemnity with each of the current Directors and has paid insurance premiums to insure each of past, present and future directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The aggregate annual amount of the premium was \$16,500 (2013: \$16,500).



DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulation under the law of the Chinese Government or any Australian Commonwealth or State Government.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 December 2014:

	2014	2013
	\$	\$
Taxation Services	2,500	2,500
	2,500	2,500

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2014 has been received and can be found on page 16 of the annual report.

Signed in accordance with a resolution of the Board of Directors of Treyo Leisure and Entertainment Limited:

Roger Smeed
Deputy Chairman

Dated this 31st day of March 2015

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67 Greenhill Rd
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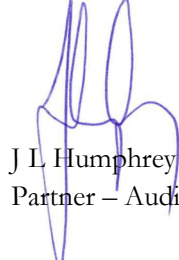
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TREYO LEISURE AND ENTERTAINMENT LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Treyo Leisure and Entertainment Ltd for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 31 March 2015

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A graphic featuring a dark blue circle with a lighter blue border. The text "CORPORATE GOVERNANCE STATEMENT" is centered within the circle in a white, serif, all-caps font. Two diagonal lines, one light blue and one dark blue, intersect at the center of the circle, extending towards the top-right and bottom-left corners of the page.

CORPORATE
GOVERNANCE
STATEMENT



CORPORATE GOVERNANCE STATEMENT

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance these objectives in the best interests of the Group as a whole. The focus of the Board is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Treyo is committed to maintaining high standards of corporate governance appropriate to the size and operations of the Company and the Company complies with all Australian Securities Exchange ("ASX") Corporate Governance Council Best Practice Recommendations ('ASX Recommendations'), unless otherwise stated. This statement incorporates the required recommendations of the ASX Corporate Governance Council issued in August 2007 and amendments published in June 2010. The Company is currently reviewing its corporate governance practices in light of the recent release of the 3rd Edition of the ASX Recommendations and will, as required, report on its compliance with the updated ASX Recommendations in next year's Annual Report. All corporate governance documents noted in this Statement are available on the Company's website www.treyo.com.au.

Day to day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the Managing Director and the senior management team.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals and responsibilities for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee.

Whilst there is ongoing interaction between the Board and Management, the Board functions independently of management to establish the policy framework of the Company from which management works to perform the daily functions of the business.

The Board's Responsibilities

The primary responsibilities of the Board include:

- Setting the criteria for Board membership and reviewing the composition of the Board;
- Establishing the long term goals of the Group, and working with management to develop strategic and business plans to achieve those goals;
- Monitoring implementation of the Group's strategic and business plans and its financial performance;
- Appointing, and assessing the performance of, the Managing Director and the Chief Operating Officer, ensuring a clear relationship between performance and executive remuneration;
- Ensuring there is an effective internal control environment and appropriate monitoring activities in place to identify and manage any significant risks facing the Group;
- Approving major corporate initiatives;
- Approving the Group's annual and half-year financial reports;
- Enhancing and protecting the reputation of the organisation;
- Reporting to shareholders and the market; and
- Conducting an annual review of the Board Charter.

Board Meetings

The Board holds 8 to 10 formal meetings a year. Additional meetings are held as required. A meeting is held each year to review and approve the strategy and financial plan for the next financial year. The Board also meets with Executive Management to consider matters of strategic importance to the Group.

Management's Responsibilities

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operational results. Clear lines of communication between the Chair and the Managing Director are established and the Managing Director consults with the Chair, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

The role of the senior management team is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Performance of Key Executives

The performance of the Company's most senior executives has been assessed this year in accordance with the process adopted by the Board.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board

The Board's aim is to ensure the Company has an appropriate mix of executive and non-executive directors with relevant expertise and experience to enable the Board to perform its duties with an effective understanding of the business and the operating environment. Currently the Board comprises three executive directors, one of which is the Managing Director and one of whom is the Chair and four independent, non-executive directors, one of which is the Deputy Chair.

Whilst the Board composition complies with ASX Recommendation 2.1, the Chair does not satisfy the test of independence. The Board has decided, given the size of the Board and the Company that it is not appropriate for the position of Chair to be held by an independent, non-executive director.

Board Renewal and Succession Planning

It is the board's policy to consider the appointment and retirement of non-executive directors on a case by case basis. In doing so, the board will take into account the requirements of the ASX Listing Rules and the *Corporations Act* 2001 and has compiled a skills matrix to assist in the identification of any gaps in skills and experience on the board. The Company does not seek external advice to identify or assess potential board candidates as it believes its own internal review process ensures a diverse range of candidates is considered. The selection process of potential candidates includes a review of industry experience and the skills the candidate will bring to the board.

Board succession planning is an important part of the governance process. The Board conducts reviews of and evaluates its succession planning process with the last review occurring in 2010.

The Board has not set a limit on director's tenure. It considers that longstanding directors can bring a level of expertise, judgement, dedication and breadth of perspective to the performance of their responsibilities that is of great value to the Board, management and shareholders.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Currently all directors other than the Managing Director are required to be re-elected by shareholders at least every three years and at least one-third of such directors must retire at each annual general meeting. Due to the requirement for shareholder re-election, directors are not appointed for a fixed term. The period in office of each director is outlined in the Director's Report.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Board Meetings

Each director must declare any potential conflict of interest in relation to any matter for Board consideration, and must not participate in discussions or resolutions pertaining to any matter in which that director has a material personal interest.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, established on 28 October 2008, currently consists of the following Directors of the Company:

- o Mr Edward Byrt – Chair (Independent, Non-Executive Director)
- o Mr Guohua Wei - (Executive Director)
- o Mr Roger Smeed (Independent, Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 5 to 8 of the Directors' Report.

Induction and Education

Each incoming director undertakes a Director Induction Programme which includes an overview of:

- the culture and values of the Company;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders

On an ongoing basis, Directors are continually apprised of key developments in the Company, industry and the environment in which the Company operates.

Performance Evaluation

Informal performance evaluations were conducted during 2014.

Access to Information

Directors are encouraged to access members of senior management at any time to request relevant information in their role as Director.

In fulfilling their duties, each director and each committee of the Board may obtain independent professional advice at the Group's expense on matters relating to their role as Director, subject to prior written approval of the Chair of the Company.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Integrity and Accountability

During the year the Company had a Codes of Conduct Policy in place which set out principles and practices to promote integrity and accountability and documented the underlying values of the Group which apply to all its business dealings. In addition, the Company has adopted a set of core values which serves as a constant reference point for assessing the way in which individuals and the Company operate.

Due to its close knit and compliance-focused culture, the Company has also been able to promote integrity in its dealings and accountability of individuals for reporting unethical practices through the ability of its Board, the Managing Director and the senior management team to oversee the Company's operations. The Company has an ongoing commitment to promoting its Codes of Conduct by:

- o Providing ongoing guidance on the Company's principles and practices;
- o Outlining the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;
- o Confirming the Board and Senior Executive's commitment to the Code, and;
- o Providing assistance to employees to understand and comply with the Code.

The Codes applies to all employees, directors and officers of Treyo and its subsidiary companies and references other Treyo policies and procedures to provide further guidance where necessary.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY (CONTINUED)

Ethical Standards

The Board endeavours to ensure that the directors, officers and employees of the Group act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The Company's ethical standards and expected ethical behaviour are discussed in the Codes of Conduct Policy, and cover the following general areas:

- o Compliance with and respect of applicable laws;
- o Respectful treatment of others;
- o Honesty, fairness and integrity in dealings with others;
- o Confidentiality of information;
- o Inside information;
- o Personal accountability for actions and their consequences;
- o Conflicts of interest; and
- o Gifts and benefits.

Diversity

The Company has not as yet established a diversity policy and acknowledges it is not fully compliant with ASX Recommendation 3. However the Company acknowledges diversity is not limited to gender, age, ethnicity or cultural background. The Company is committed to providing an environment in which employees have equal access to opportunities available at work, are treated with fairness and respect and are not judged by unlawful or irrelevant reference to their attributes. This ensures the Company attracts and retains people with the best skills and abilities.

The proportion of female employees to male employees within the Group at 31 December 2014 was 34% female and 66% male. There is a strong female representation in all areas including management with 80% of female employees at this level.

The Company actively supports diversity within the business including but not limited to gender, age, ethnicity and cultural background as it believes diversity maximises the achievement of the Company's corporate goals.

The Company has commenced formulation of its diversity policy which will be finalised and adopted in 2015.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial Reports

The Chief Finance Officer ensures that the Company's financial reports are prepared in accordance with relevant accounting standards and that monthly financial reports are distributed to the Board. The annual and half yearly financial reports, and any other financial reports for release to the market, are presented for review by the Audit and Risk Committee prior to their adoption by the Board.

All annual and half-yearly financial reports presented to the Board have been reviewed by the Managing Director and Chief Finance Officer who confirm in writing to the Board that the relevant report represents a true and fair view of the Company's financial position in all material respects and is in order for adoption by the Board.

Audit and Risk Committee

The Audit and Risk Committee, established on 28 October 2008, currently consists of the following Directors of the Company:

- Mr Roger Smeed - Chair (Independent, Non-Executive Director)
- Mr Edward Byrt (Independent, Non-Executive Director)
- Mr Ling Mao (Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 5 to 8 of the Directors' Report.

The composition of the Audit and Risk Committee does not strictly comply with Recommendation 4.2 in that it comprises two independent directors and one executive director. The committee is chaired by an independent director.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)

Although there was not strict compliance with Recommendation 4.2, the Board considers that given the composition of the Board, and qualifications and availability of Board members, the existing Audit and Risk Committee has the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board.

The main responsibilities of the Audit and Risk Committee include:

- Review and report to the Board on the annual and half-year financial report and all other financial information published by the Company or released to the market;
- Consider the appropriateness of the Group's accounting policies and principles and any changes and methods of application;
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment and oversee the operation of the risk management system;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Review policies on risk oversight and management;
- Provision of advice to the Board on risk management and the establishment of a risk management system and risk management profile;
- Referring matters of significant concern to the board; and
- Conducting a regular review of the Committee Charter.

The Charter also includes details of:

- Committee composition;
- Meetings;
- Role and Objectives; and
- Reporting to the Board.

In fulfilling its responsibilities, the Audit and Risk Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, or more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit and Risk Committee or the Chair of the Board.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Committee also receives technical input and experience from the Chief Finance Officer who is also a Board director.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

As a company listed on the ASX, the Company is a disclosing entity under the Corporations Act 2001. As such, it has regular reporting and disclosure obligations to the ASX. In particular, the Company is required to disclose to the ASX information of which it is, or becomes, aware which concerns the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company, unless certain exceptions apply.

During the year the Company had in place a continuous disclosure compliance program which required timely disclosure through the ASX companies' announcement platform of information that could reasonably be expected to have a material effect on a person's consideration of whether to buy, hold, or sell the Company's shares. Under this program the Company Secretary was the nominated continuous disclosure officer for the Company and reported directly to the Board on disclosure matters as well as consulting with directors and senior executives concerning these matters.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE (CONTINUED)

Through an internal review process, the Company ensures that ASX company announcements are presented in a factual and balanced manner to keep the market fully informed. The disclosure of financial results is usually accompanied by a commentary, which provides further detail to assist investors.

As part of the corporate governance review the Company has adopted a Continuous Disclosure Policy which applies to all employees and comprises policies and procedures and an audit system.

The policy outlines:

- The Company's continuous disclosure obligations under the ASX Listing Rules;
- A procedure for the notification of potential disclosure information to the Continuous Disclosure Officer (Company Secretary);
- Authorised persons to handle media and shareholder enquiries; and
- The accountabilities of employees, executives, senior management and the Continuous Disclosure Manager and Officer.

In addition, the Board determines whether there is a disclosure requirement in respect of each item of business considered at Board and Committee meetings.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Communications Strategy

The Company is committed to providing shareholders and the market with relevant and timely information concerning its operations with a view to assisting shareholders assess the Company's performance and encouraging their effective participation at general meetings. It does this by:

- Continuously reporting developments through the companies' announcements platform of the ASX;
- Reporting through the Annual Report;
- Releasing appropriate information on its website;
- Providing shareholders with the opportunity to correspond by phone, in writing, as well as over the Internet; and
- Requesting the attendance of a representative from the Company's external auditor at the Annual General Meeting to answer questions about the audit and the preparation and content of the auditors' report.

A summary of this communications strategy is provided on the Company's website. The Company plans to enhance its website to facilitate further electronic shareholder communication and to this end will make Annual Reports to shareholders available electronically. Hard copy reports will continue to be distributed to shareholders who elect to receive them.

General Meetings

Treyo holds its AGM in May of each year. Shareholders are encouraged to participate in general meetings. The Company's auditor is required to attend each AGM and be available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

An Explanatory Memorandum accompanies each Notice of General Meeting. The Explanatory Memorandum seeks to explain the nature of business of the meeting in a clear and accurate manner. The full Notice of General Meeting and Explanatory Memorandum is placed on the Treyo website, www.treyo.com.au.

All holders of fully paid ordinary shares are able to vote on all resolutions unless specifically stated otherwise in the Notice of Meeting. Shareholders who are unable to attend a General Meeting in person are encouraged to vote on the proposed motions by appointing a proxy.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Assessment and Management

Risk management is an integral part of good business practice and the Board is committed to the highest standards of risk management. The Board is responsible for identifying and monitoring areas of significant business risks, with assistance from management. Internal control measures include:

- A documented risk management system and the adoption of a Risk Management Policy;
- Notification, recording and monitoring of complaints and exceptions;
- Regular reporting to the Board in respect of operations and the Group's financial position, with a monthly comparison of actual results against budget; and
- Reports to the Board by appropriate members of the senior management team, the external auditors and/or independent advisers, outlining the nature of particular risks.

The Board will ensure that any identified risks are properly assessed and that action is taken to implement any required enhancements to the internal control environment.

Financial Reporting

At the time of confirming the integrity of financial reports to the Board in compliance with Principle 4, the Managing Director and Chief Operating Officer confirm in writing that the reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. In addition, they confirm in writing that the Company's risk management and control system is operating efficiently and effectively in all material aspects.

Written confirmation that the 2014 reports are founded on a sound system of risk management, internal compliance and control has been submitted to the Board by the Managing Director and the Chief Finance Officer.

Written confirmation that the Company's risk management and control system is operating efficiently and effectively in all material aspects has been submitted to the Board by the Managing Director and the Chief Finance Officer.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently consists of the following directors:

- o Mr Edward Byrt – Chair (Independent, Non-Executive Director)
- o Mr Guohua Wei - (Executive Director)
- o Mr Roger Smeed (Independent, Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 5 to 8 of the Directors' Report.

The Nomination and Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for non-executive directors, the Managing Director and senior executives, having regard to an individual's performance, relevant comparative information, and if appropriate, independent expert advice. As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits.

The Nomination and Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The Board has adopted a Nomination and Remuneration Committee Charter which outlines the roles and responsibilities, composition, authorities and operation of the Committee. Matters that would be addressed by Nomination and Remuneration Committee are generally addressed at Board level as the Board considers this to be an efficient use of directors' time.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (CONTINUED)

Executive Remuneration

The Nomination and Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Managing Director and the senior executives. The aim of these objectives is to assist successful delivery on the Company's strategic objectives and therefore, these objectives are consistent with the Company's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Managing Director and senior executives against the predetermined quantitative and qualitative objectives. The Nomination and Remuneration Committee annually reviews whether the remuneration structure has been successful in achieving its aim and takes this into account in setting objectives.

Further information on Board and Executive Management remuneration is contained in the Remuneration Report.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees as a part of their individual package or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

The Remuneration Committee is also responsible for considering remuneration by gender.

Non-Executive Director Remuneration

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

OTHER INFORMATION

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at www.treyo.com.au.

The image shows a minimalist cover design for a financial report. It features a central dark blue circle with a lighter blue border. The text "FINANCIAL REPORT" is centered within the circle in a white, serif font. Two diagonal lines, one light blue and one dark blue, intersect at the center of the circle, extending towards the corners of the page.

FINANCIAL REPORT



FINANCIAL REPORT

PAGE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	26
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	27
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	28
CONSOLIDATED STATEMENT OF CASH FLOW	29
NOTES TO THE FINANCIAL STATEMENTS	
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING PRINCIPLES	30
NOTE 2: REVENUE	38
NOTE 3: PROFIT FOR THE YEAR	39
NOTE 4: INCOME TAX EXPENSE	39
NOTE 5: AUDITORS' REMUNERATION	40
NOTE 6: EARNINGS PER SHARE	40
NOTE 7: CASH AND CASH EQUIVALENTS	41
NOTE 8: TRADE AND OTHER RECEIVABLES	41
NOTE 9: OTHER ASSETS	42
NOTE 10: INVENTORIES	42
NOTE 11: FINANCIAL ASSETS	42
NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	43
NOTE 13: CONTROLLED ENTITIES	45
NOTE 14: PROPERTY, PLANT AND EQUIPMENT	45
NOTE 15: INTANGIBLE ASSETS	46
NOTE 16: TRADE AND OTHER PAYABLES	47
NOTE 17: NOTES PAYABLE	47
NOTE 18: FINANCIAL LIABILITIES	47
NOTE 19: TAX	47
NOTE 20: PROVISIONS	48
NOTE 21: ISSUED CAPITAL	48
NOTE 22: RESERVES	49
NOTE 23: COMMITMENTS	49
NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS	49
NOTE 25: OPERATING SEGMENTS	50
NOTE 26: CASH FLOW INFORMATION	52
NOTE 27: DIVIDENDS	52
NOTE 28: EVENTS AFTER BALANCE DATE	52
NOTE 29: RELATED PARTY TRANSACTIONS	52
NOTE 30: FINANCIAL RISK MANAGEMENT	54
NOTE 31: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS	57
NOTE 32: PARENT COMPANY INFORMATION	58
NOTE 33: NEW ACCOUNTING STANDARDS APPLICABLE TO FUTURE PERIODS	58
NOTE 34: COMPANY DETAILS	61



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2014**

	Note	2014 \$	2013 \$
Revenue	2	70,418,618	76,154,772
Cost of goods sold		(55,386,695)	(58,837,827)
Gross profit		15,031,923	17,316,945
Other income	2	864,447	1,214,352
Share of Partnership result using the equity method	12	1,930,975	1,125,393
Distribution and selling expenses		(4,314,403)	(4,165,500)
Administrative expenses		(7,366,239)	(8,483,084)
Finance costs		(184,606)	(348,546)
Profit before income tax	3	5,962,097	6,659,560
Income tax expense	4	(1,000,374)	(1,431,426)
Profit For The Year		4,961,723	5,228,134
Other Comprehensive Income for the year, net of tax			
<i>Items that may be classified subsequently to profit or loss:</i>			
Exchange gain differences arising on the translation of foreign operations		5,392,791	9,550,335
Total Comprehensive Income for the year attributable to members		10,354,514	14,778,469
Profit attributable to members of the parent entity		4,961,723	5,228,134
Total comprehensive income attributable to members of the parent entity		10,354,514	14,778,469
Earnings per share (on profit attributable to ordinary equity holders)		Cents	Cents
Basic earnings per share (cents per share) on continuing operations	6	1.60	1.68
Diluted earnings per share (cents per share) on continuing operations	6	1.60	1.68

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	30,052,250	24,228,920
Trade and other receivables	8	1,003,998	687,018
Prepayments and other current assets	9	1,215,889	1,329,511
Inventories	10	6,903,782	5,170,096
Held to maturity financial assets	11	-	9,399,300
TOTAL CURRENT ASSETS		39,175,919	40,814,845
NON-CURRENT ASSETS			
Investments accounted for using the equity method	12	42,953,707	37,730,408
Property, plant and equipment	14	13,591,302	13,149,546
Intangible assets	15	126,058	154,269
TOTAL NON-CURRENT ASSETS		56,671,067	51,034,223
TOTAL ASSETS		95,846,986	91,849,068
CURRENT LIABILITIES			
Trade and other payables	16	19,676,936	20,446,466
Notes payable	17	5,483,500	5,917,873
Financial liabilities	18	-	5,529,000
Current tax liabilities	19	339,835	484,404
TOTAL CURRENT LIABILITIES		25,500,271	32,377,743
NON-CURRENT LIABILITIES			
Deferred tax liability	19	520,876	-
TOTAL NON-CURRENT LIABILITIES		520,876	-
TOTAL LIABILITIES		26,021,147	32,377,743
NET ASSETS		69,825,839	59,471,325
EQUITY			
Issued capital	21	23,302,770	23,302,770
Foreign exchange translation reserve	22	7,541,534	2,148,743
Statutory general reserve	22	1,132,522	1,132,522
Retained earnings		37,849,013	32,887,290
TOTAL EQUITY		69,825,839	59,471,325

The accompanying notes form part of these financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2014**

	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory Reserves	Total
	\$	\$	\$	\$	\$
Balance at 31 December 2012	23,302,770	27,659,156	(7,401,592)	1,132,522	44,692,856
Profit for the year	-	5,228,134	-	-	5,228,134
Other comprehensive income	-	-	9,550,335	-	9,550,335
Total comprehensive income	-	5,228,134	9,550,335	-	14,778,469
Balance at 31 December 2013	23,302,770	32,887,290	2,148,743	1,132,522	59,471,325
Profit for the year	-	4,961,723	-	-	4,961,723
Other comprehensive income	-	-	5,392,791	-	5,392,791
Total comprehensive income	-	4,961,723	5,392,791	-	10,354,514
Balance at 31 December 2014	23,302,770	37,849,013	7,541,534	1,132,522	69,825,839

The accompanying notes form part of these financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 31 DECEMBER 2014**

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		70,274,133	74,095,765
Payments to suppliers and employees		(70,213,787)	(64,767,580)
Interest received		521,058	1,041,595
Finance costs		(148,364)	(348,546)
Income tax paid		(563,513)	(822,128)
Net cash (used in) / provided by operating activities	26	(130,473)	9,199,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(537,910)	(183,857)
Proceeds from sale of property, plant and equipment		-	44,695
Purchase of intangible assets		-	(38,856)
Purchase of long term investments		-	(35,005,823)
Redemption of short term investments		9,968,390	1,658,700
Loans repaid by other entities		-	1,478,491
Receipts from related parties		-	1,392,755
Net cash provided by / (used in) investing activities		9,430,480	(30,653,895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		-	737,200
Repayment of borrowings		(5,982,000)	(737,200)
Net cash used in financing activities		(5,982,000)	-
Net increase / (decrease) in cash held		3,318,007	(21,454,789)
Cash at beginning of financial year	7	24,228,920	38,861,335
Effect of exchange rates on cash holdings in foreign currencies		2,505,323	6,822,374
Cash at end of financial year	7	30,052,250	24,228,920

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Treyo Leisure and Entertainment Ltd and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Treyo Leisure and Entertainment Ltd as an individual parent entity ('Parent Entity' or 'Company'). Treyo Leisure and Entertainment Ltd is a for-profit entity for the purposes of preparing its financial statements.

The principal activity of the Group is the manufacturing of automated mahjong tables.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

There are new accounting standards and IFRIC interpretations that have been published that are not mandatory for current reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there would be no material impact on the financial results.

The consolidated financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 31st March 2015.

a. Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2014. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates and joint ventures are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings and land use rights are shown at cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	5%
Land use rights	2%
Plant, machinery, office equipment and motor vehicles	5%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

e. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and Subsequent Measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

f. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Intangibles

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 8 to 12 years.

h. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the main operating entity, Matsuoka Mechatronics (China) is Chinese Renminbi. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

i. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

j. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k. Provision for Warranties

Provision is made in respect of the Consolidated Group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Consolidated Group's history of warranty claims.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

m. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts received.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST) or value added tax (VAT).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. **Government Grants**

Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same period in which the expense is incurred. Grants that compensate the Group for the costs of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

o. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to end of financial year which are unpaid. The amounts are unsecured and are usually paid according to term.

p. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

q. **Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST or VAT incurred is not recoverable from the Tax Office. In these circumstances the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST and VAT.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

r. **Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

s. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgement — Associate

The directors of the Company have formed the view that Matsuoka does not control Shenzhen Shangzuo Asset Management Centre [Limited Partnership] (the Partnership), despite its significant capital investment based on the requirements of AASB 10, refer to Note 12 for further details.

On the basis that the partnership was assessed to not be controlled by the Company, a decision was made to recognise the investment as an associate because of the significance of the Company's interest in the Partnership. As a consequence, the equity accounting of Matsuoka's share of profit and loss has been accounted for in accordance with the partnership agreement.

u. New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual Key Management Personnel ('KMP') disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

In mid-2013, the Australian government passed Corporations and Related Legislation Amendment Regulation 2013 (No.1) and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) to insert these disclosures, with minor changes, into Corporations Regulations 2001. These disclosures are required to be included in remuneration reports for financial years commencing on or after 1 July 2013.

As a result of these amendments, the Group has transferred certain individual Key Management Personnel disclosures relating to shareholdings and options holdings and other transactions from the notes to the financial statements to the remuneration report.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments (or AASB 139 Financial Instruments: Recognition and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Examples of entities which might qualify as investment entities would include Australian superannuation entities, listed investment companies, pooled investment trusts and Federal, State and Territory fund management authorities.

AASB 2013-5 is applicable to annual reporting periods beginning on or after 1 January 2014.

This Standard has not had any impact on the Group as it does not meet the definition of an 'investment entity' in order to apply this consolidation exception.

AASB Interpretation 21 Levies

Interpretation 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

Interpretation 21 is an interpretation of AASB 137 Provisions, Contingent Liabilities and Contingent Assets. AASB 137 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period, and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

The Interpretation is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of this interpretation has not had any impact on the Group as it is not subject to any such levies addressed by the interpretation.

NOTE 2: REVENUE

	2014 \$	2013 \$
Sales revenue		
Sale of goods	70,418,618	76,154,772
Other income		
— Bank Interest received	521,058	1,041,595
— Other income	343,389	172,757
	<u>864,447</u>	<u>1,214,352</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 3: PROFIT FOR THE YEAR

	2014 \$	2013 \$
Expenses		
Finance costs:		
— Interest expense	135,205	332,104
— Bank charges	13,159	16,442
— Other expenses	36,242	-
Total finance costs	184,606	348,546
Employee wages and benefits	6,795,982	6,021,086
Included in administrative expenses are:		
— Depreciation and amortisation	1,099,875	1,103,903
— Defined contribution superannuation expenses	196,961	3,178
— Research and development expenses	3,620,914	2,617,091
— Provision for prepayments	161,496	-
— Loss on the disposal of property, plant and equipment	-	2,257

NOTE 4: INCOME TAX EXPENSE

	Note	2014 \$	2013 \$
a. The components of tax expense comprise:			
Current tax		479,498	1,431,426
Deferred tax	19	520,876	-
Current tax expense/(benefit)		1,000,374	1,431,426

The Australian tax rate is 30% (2013: 30%).

The Chinese tax rate is 15% (2013: 15%) Chinese assessable earnings generated by Matsuoka (as a high-technology company), are subject to a tax exemption granted, which results in Matsuoka tax rates being reduced from the 25% standard rate to 15%, from 31 December 2011. The end date of the reduced tax rate has not yet been determined.

The tax rate in Hong Kong is 16.5% (2013: 16.5%).

	2014 \$	2013 \$
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at local tax rates		
— consolidated group	1,486,958	1,284,155
— parent entity	-	-
Add:		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

	2014 \$	2013 \$
Tax effect of: other non-allowable items	26,561	73,803
Less:		
Tax effect of tax exemptions from the People's Republic of China	(649,209)	(639,893)
Tax effect of losses not brought into accounts as they do not meet the recognition criteria	136,064	315,577
Deferred tax assets written off	-	397,784
Income tax attributable to entity	1,000,374	1,431,426
The applicable weighted average effective tax rates are as follows:	17%	21%

NOTE 5: AUDITORS' REMUNERATION

	2014 \$	2013 \$
Remuneration of the auditor of the Parent Entity for:		
— auditing or reviewing the financial report	102,200	100,000
— taxation services	2,500	2,500
	104,700	102,500

NOTE 6: EARNINGS PER SHARE

	2014 \$	2013 \$
a. Reconciliation of earnings to profit or loss		
Profit used to calculate basic EPS and dilutive EPS	4,961,723	5,228,134
b. Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations used to calculate basic EPS from continuing operations and dilutive EPS.	4,961,723	5,228,134
c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	311,008,000	311,008,000
d. There are no dilutive securities on issue.		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 7: CASH AND CASH EQUIVALENTS

	2014 \$	2013 \$
Cash at bank and in hand	8,915,850	22,444,870
Short term bank deposits	21,136,400	1,784,050
	<u>30,052,250</u>	<u>24,228,920</u>

At 31 December 2014 \$1,645,449 (2013: \$1,784,050) was held in an interest bearing short term deposit as a guarantee for notes payable (see Note 17).

The above figures represent total cash for the purposes of the statement of cash flows.

NOTE 8: TRADE AND OTHER RECEIVABLES

	Note	2014 \$	2013 \$
CURRENT			
Trade receivables	8a	519,420	732,124
Less provision for impaired trade receivables	8b	(69,007)	(63,782)
		<u>450,413</u>	<u>668,342</u>
Other receivables	8c	548,419	15,409
Goods & service tax receivable	8d	5,166	3,267
		<u>1,003,998</u>	<u>687,018</u>

a. Trade receivables past due but not impaired:

Current trade receivables are non-interest bearing and generally on 30 day terms. As of 31 December 2014, trade receivables of \$151,946 (2013: \$527,465) were past due but not impaired. These related to independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Consolidated Group	2014 \$	2013 \$
30-90 days	113,655	332,742
91-180 days	8,747	228,828
181-365 days	-	3,936
365 days above	29,544	25,741
Total	<u>151,946</u>	<u>591,247</u>

The other balances within trade receivables are not past due and do not contain impaired assets. Based on the credit history of these receivables, it is expected that these amounts will be received when due.

b. Impaired trade receivables

During the year \$nil (2013: \$nil) of bad debts relating to trade receivables were written off as bad debts. As at 31 December 2014, trade receivables of \$69,007 (2013: \$63,782) were impaired. These relate to individual customers which have experienced an unexpectedly difficult economic situation. Movements in the provision for impairment of receivables are as follows:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 8: TRADE AND OTHER RECEIVABLES (CONTINUED)

	2014 \$	2013 \$
At 1 January	63,782	52,811
Exchange difference on translation	5,225	10,971
At 31 December	69,007	63,782

c. Other receivables

Other receivables arise from transaction outside the usual operating activities of the Company and are unsecured, interest free and repayable on demand.

There are no balances that are past due and not impaired. It is expected these balances will be received on demand.

d. Goods & service tax receivable

Goods & service tax ("GST") receivable relates to the Australian GST recoverable on Australian incurred expenses.

NOTE 9: OTHER ASSETS

	2014 \$	2013 \$
CURRENT		
Prepayments	1,215,889	1,329,511

NOTE 10: INVENTORIES

	2014 \$	2013 \$
CURRENT		
At cost and net realisable value		
Raw materials	3,292,404	2,696,398
Work in progress	818,236	609,618
Finished goods	3,154,188	2,197,784
Provision for stock obsolescence	(361,046)	(333,704)
	6,903,782	5,170,096

Inventories are valued at the lower of cost and net realisable value.

NOTE 11: FINANCIAL ASSETS

	2014 \$	2013 \$
CURRENT		
Other financial assets	-	9,399,300

During the year, the Group placed a sum of \$nil (2013: \$9,399,300) in short term bank investments. The investment term is for 30 to 180 days.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2014 \$	2013 \$
NON-CURRENT		
Investment in the Partnership	42,953,707	37,730,408

Movements are reconciled as follows:

Opening balance	37,730,408	-
Group's initial acquisition cost of investment in partnership	-	35,005,823
Group's share of net profits for period	1,930,975	1,125,393
Exchange difference on translation	3,292,324	1,599,192
Investment in partnership	42,953,707	37,730,408

a. Investment in Associate / Partnership	Country of Incorporation	Percentage Owned 2014	2013
Shangzuo Asset Management Centre [Limited Partnership] (the Partnership)	Peoples Republic of China	99%	99%

Treyo has generated significant cash holdings from operations in China over a number of years and was looking to the market for better returns than were offered by traditional Chinese bank deposits. Following a review of alternatives by the directors, it was agreed that Matsuoka (the wholly owned Chinese subsidiary of Treyo) would enter into a limited Chinese partnership (Shangzuo Asset Management Centre [Limited Partnership] ("the Partnership")) with professional investment advisor Shenzhen Shangzuo Investment Management Co. Ltd (the partnership manager) based in Shenzhen, Guangdong Province, China. It is through this partnership's investments that Matsuoka can earn a better than bank rate of interest.

During the year loans of \$3 million (RMB 15.09 million) and \$30.5 million (RMB153 million) were advanced to Zhejiang Zhongrong Zhengyang Investment Management Ltd (related party refer to Note 29) and Hangzhou Shengjia Business Consulting Ltd respectively.

The activities of the Partnership are solely for the investment of the funds in various Chinese investment opportunities to achieve better than average and tax effective returns.

Under the partnership agreement, Matsuoka is entitled to a preference return on the capital of 5.4% per annum of the initial partnership contribution (RMB 198 million which consists of 99% of partnership interest) and does not share any earnings of the Partnership over this level. Matsuoka is capped in terms of its return on investment interest in the underlying partnership to a maximum of 5.4% per annum; this indicates that the partnership manager has a much greater exposure to variable returns than most asset managers and is therefore the Principal.

Matsuoka contributed 99% of the partnership interest (RMB 198 million) in the Partnership and Shenzhen Shangzuo Investment Management Co. Ltd (the partnership manager) the remaining 1% (RMB 2 million).

The partnership manager was instrumental in the design of the partnership including in determining the scope of the decision making authority. The level of the partnership manager's authority and involvement indicated that as the asset manager they had the opportunity and rights that result in the asset manager having the ability to control the relevant activities. As a result, the partnership manager has broad decision making discretion under the partnership agreement. Under this agreement, Matsuoka is prohibited to participate in the investment decision making.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Matsuoka is not involved in the investment decisions of the Partnership as this is undertaken wholly by the partnership manager as a professional investment advisor. In addition, Matsuoka only has the power to remove the partnership manager as asset manager in the event of fraud or neglect, but not for any other reason under the partnership agreement. This lack of removal rights for other reasons is again a significant indicator that the partnership manager is the Principal. As a consequence Matsuoka has been assessed to be a passive investor in the Partnership and has relinquished control to the partnership manager in order to achieve the Partnership objectives.

Based on the requirements of AASB 10 the directors of the Company have formed the view that Matsuoka does not control the Partnership, despite its significant capital investment.

On the basis that the Partnership was assessed to not be controlled by the Company, a decision was made to recognise the investment as an associate because of the significance of the Company's interest in the Partnership. As a consequence of Matsuoka's share of profit and loss has been accounted for using the equity accounting method in accordance with the partnership agreement.

Information relating to the Partnership is set out below:

Under the Partnership Agreement, the Company has priority interest to partnership profits of up to 5.4% of original partnership contribution. During the year \$1,930,975 (RMB 10,692,000) (2013: \$1,125,393 (RMB 6,722,778)) of profits were distributable to the Company.

Summarised Partnership financial information:

b. Financial Performance

	2014	2013
	\$	\$
Revenue	2,792,000	1,580,535
Total profit for the period	2,756,063	1,477,358
Group's share of profits for the period	1,930,975	1,125,393

c. Details of assets and liabilities

The following financial information for the Partnership reflects the amounts presented in the financial statements of the Partnership:

	2014	2013
	\$	\$
Total current assets	14,212,192	1,767,741
Total non-current assets	30,508,200	36,860,000
Total assets	44,720,392	38,627,741
Other payables	26,062	528,733
Total current liabilities	26,062	528,733
Net Assets	44,694,330	38,099,088
Group's share of net assets	42,953,707	37,730,408

d. The Partnership has no commitments for expenditure or contingent liabilities.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 13: INTEREST IN SUBSIDIARIES

a. Controlled Entities Consolidated	Country of Registration	Percentage Owned (%) ⁽¹⁾	
		2014 %	2013 %
Treyo Leisure and Entertainment Ltd	Australia	-	-
Subsidiaries of Treyo Leisure and Entertainment Ltd:			
Treyo International Holding (HK) Ltd ⁽²⁾	Hong Kong	100%	100%
Matsuoka Mechatronics (China) Co., Ltd	Peoples Republic of China	100%	100%

⁽¹⁾ Percentage of voting power is in proportion to ownership

⁽²⁾ Treyo International Holding (HK) Ltd is the intermediate Parent Entity of Matsuoka Mechatronics (China) Co., Ltd.

b. Cross guarantee

There was no deed of cross guarantee as at 31 December 2014 or 31 December 2013.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land use Right \$	Buildings \$	Motor Vehicles \$	Office Equipment \$	Plant & Machinery \$	TOTAL \$
31 December 2014						
Cost						
At 1 January 2014	1,480,528	14,578,652	990,054	716,098	3,134,693	20,900,025
Additions	-	-	374,058	68,507	44,630	487,195
Disposals	-	-	-	-	-	-
Exchange differences	121,302	1,194,453	120,055	65,802	261,476	1,763,088
At 31 December 2014	1,601,830	15,773,105	1,484,167	850,407	3,440,799	23,150,308
Accumulated Depreciation						
At 1 January 2014	315,846	4,046,605	688,524	469,143	2,230,361	7,750,479
Depreciation for the period	29,016	645,815	105,523	101,515	181,007	1,062,876
Depreciation on disposal	-	-	-	-	-	-
Exchange differences	28,898	398,772	67,397	49,005	201,579	745,651
At 31 December 2014	373,760	5,091,192	861,444	619,663	2,612,947	9,559,006
Net book value						
At 31 December 2014	1,228,070	10,681,913	622,723	230,744	827,852	13,591,302
At 31 December 2013	1,164,682	10,532,047	301,530	246,955	904,332	13,149,546



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 14: PROPERTY, PLANT AND EQUIPMENT(CONTINUED)

	Land use Right \$	Buildings \$	Motor Vehicles \$	Office Equipment \$	Plant & Machinery \$	TOTAL \$
Carrying amounts						
At 1 January 2014	1,164,682	10,532,047	301,530	246,955	904,332	13,149,546
Additions	-	-	374,058	68,507	44,630	487,195
Disposals	-	-	-	-	-	-
Depreciation expense	(29,016)	(645,815)	(105,523)	(101,515)	(181,007)	(1,062,876)
Exchange differences	92,404	795,681	52,658	16,797	59,897	1,017,437
At 31 December 2014	1,228,070	10,681,913	622,723	230,744	827,852	13,591,302
At 1 January 2013	988,872	9,266,201	477,515	170,559	844,984	11,748,131
Additions	-	-	-	123,704	60,193	183,897
Disposals	-	-	(51,321)	-	-	(51,321)
Depreciation expense	(26,895)	(598,612)	(198,625)	(86,496)	(165,723)	(1,076,351)
Exchange differences	202,705	1,864,458	73,961	39,188	164,878	2,345,190
At 31 December 2013	1,164,682	10,532,047	301,530	246,955	904,332	13,149,546

NOTE 15: INTANGIBLE ASSETS

	31 December 2014			31 December 2013		
	Patents and Trademarks \$	Software \$	Total \$	Patents and Trademarks \$	Software \$	Total \$
Cost						
At 1 January	359,938	229,215	589,153	298,028	154,368	452,396
Additions	-	-	-	-	38,856	38,856
Currency translation difference	29,490	18,780	48,270	61,910	35,991	97,901
At 31 December	389,428	247,995	637,423	359,938	229,215	589,153
Accumulated amortisation and						
At 1 January	355,423	79,461	434,884	293,374	41,593	334,967
Amortisation in the period	1,084	35,915	36,999	1,004	26,548	27,552
Currency translation difference	29,232	10,250	39,482	61,045	11,320	72,365
At 31 December	385,739	125,626	511,365	355,423	79,461	434,884
Net carrying value						
31 December	3,689	122,369	126,058	4,515	149,754	154,269
Carrying amount						
At 1 January	4,515	149,754	154,269	4,654	112,775	117,429
Additions	-	-	-	-	38,856	38,856
Amortisation in the period	(1,084)	(35,915)	(36,999)	(1,004)	(26,548)	(27,552)
Currency translation difference	258	8,530	8,788	865	24,671	25,536
At 31 December	3,689	122,369	126,058	4,515	149,754	154,269

The remaining amortisation period is 4 years for Patents and Trade Marks; and 3 to 4 years for software.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 16: TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
CURRENT		
Unsecured liabilities		
Trade payables	13,715,068	13,483,011
Sundry payables and accrued expenses	3,186,565	3,129,255
Short term employee benefits	846,802	1,166,615
GST, VAT and other indirect taxes payable	696,977	826,355
Customers deposits	1,231,524	1,841,230
	<u>19,676,936</u>	<u>20,446,466</u>

NOTE 17: NOTES PAYABLE

	Note	2014 \$	2013 \$
CURRENT			
Secured liabilities			
Notes payable	7	<u>5,483,500</u>	<u>5,917,873</u>

The notes payable mature from January 2015 to June 2015 (2013: from January 2014 to June 2014). The notes payable are guaranteed by interest bearing short term bank deposit of \$1,645,449 (2013: \$1,784,050) (see Note 7).

NOTE 18: FINANCIAL LIABILITIES

	2014 \$	2013 \$
CURRENT		
Unsecured liabilities		
Short term borrowings	-	<u>5,529,000</u>

During the prior year, the Group obtained a short term borrowings of \$5,529,000 (RMB30, 000,000) from the Agricultural Bank of China for a term of one year. During the year loans were repaid: \$3,686,000 on 26 February 2014; and \$1,843,000 on 31 January 2014. Interest was payable at 6.00% and 6.16% respectively on these loans.

NOTE 19: TAX

	2014 \$	2013 \$
a. Liabilities		
CURRENT		
Income Tax	339,835	484,404
NON-CURRENT		
Deferred tax liability	520,876	-
TOTAL	<u>860,711</u>	<u>484,404</u>

The deferred tax liability relates to the Partnership profits which have yet to be distributed to the Group and will be taxable upon receipt.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 19: TAX (CONTINUED)

	2014 \$	2013 \$
b. Assets		
CURRENT		
Income Tax	-	-
NON-CURRENT		
Deferred tax asset	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility occur:

- tax losses for the Parent Entity: operating losses for year \$360,117 (2013: \$347,714), aggregate Australian tax losses at tax year end 30 June 2014 \$3,561,085 (tax year end 30 June 2013: \$3,207,169).

NOTE 20: PROVISIONS

The Consolidated Group and Parent Entity have no provisions at 31 December 2014 (2013: \$nil). No employees are eligible for Long-term employee benefits at 31 December 2014 (2013: \$nil).

NOTE 21: ISSUED CAPITAL

	2014 \$	2013 \$
At the beginning of reporting period 311,008,000 (2013: 311,008,000) fully paid ordinary shares	23,302,770	23,302,770
Shares issued during the year	-	-
At the end of reporting period 311,008,000 (2013: 311,008,000) fully paid ordinary shares	23,302,770	23,302,770

The Company has authorised share capital amounting to 311,008,000 ordinary shares of no par value.

Ordinary shares

	2014 Number	2013 Number
At the beginning of reporting period	311,008,000	311,008,000
Shares issued during the year	-	-
At reporting date	311,008,000	311,008,000

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The management's objectives when managing capital are to ensure that the Group can fund its operations and continue as a going concern and to provide shareholders with adequate returns.

The management monitors capital on the basis of debt to equity ratio. This ratio is calculated as net liabilities divided by equity. Net liabilities is "Total liabilities" as shown on the consolidated balance sheet less cash and cash equivalent and equity is "equity" as shown on the consolidated balance sheet.

There are no externally imposed capital requirements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 21: ISSUED CAPITAL (CONTINUED)

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year, which is to maintain the debt to equity ratio at not more than 100%. The debt-equity ratios as at 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
	\$	\$
Total liabilities	26,021,147	32,377,743
Less: cash and cash equivalents	(30,052,250)	(24,228,920)
Net liabilities/(net cash)	(4,031,103)	8,148,823
Total equity	69,825,839	59,471,325
Net liabilities/(net cash) to equity ratio	(6)%	14%

The decrease in consolidated net liabilities/ (net cash) – equity ratio during 2014 is primarily due to higher cash and lower liabilities.

NOTE 22: RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Statutory General Reserve

According to the current People's Republic of China Company Law, the subsidiary is required to transfer between 10% and 50% of its profit to Statutory General Reserve until the Statutory General Reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

NOTE 23: COMMITMENTS

Warehouse leasing commitment

During the year ended 31 December 2014 Matsuoka Mechatronics (China) Co., Ltd entered into a lease agreement with Sichuan Huaguan Logistics Ltd., for the lease of a warehouse, amounting to \$26,321 (lease 2013: \$nil) for the period from 1 June 2014 to 31 May 2015. The total outstanding commitment for Matsuoka Mechatronics as at 31 December 2014 is \$10,967 (outstanding commitment at 31 December 2013 \$nil).

Management services commitment

During the prior year ended 31 December 2013 Matsuoka Mechatronics (China) Co., Ltd entered into an agreement with Shenzhen Southern Huayin Investment Limited, a related party, for the provision of management services amounting to \$nil (2013: \$132,696) for the period from 1 January 2014 to 31 December 2014. The outstanding commitment for Matsuoka Mechatronics as at 31 December 2014 is \$nil (outstanding commitment at 31 December 2013: \$132,696).

Software services commitment

During the prior year ended 31 December 2013 Matsuoka Mechatronics (China) Co., Ltd entered into an agreement with Ding Jie Software, for the provision of software services amounting to \$nil (2013: \$18,854). The outstanding commitment for Matsuoka Mechatronics as at 31 December 2014 is \$nil (outstanding commitment at 31 December 2013: \$13,198).

NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Group has no contingent liabilities or contingent assets at 31 December 2014 (2013: \$nil).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 25: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group was managed primarily on the basis of geographical region as each geographical region has notably different risk profiles and performance assessment criteria. The Group has been managed on geographical segments as there is only one product. The reportable segments relate to two products over three different geographical regions:

Products: - Treyo's premium-end mahjong tables.

Regions: - China, the segment which all goods are manufactured and sold in.
 - Australia, the segment which manages all ASX related activities.
 - Hong Kong, the segment which manages all other corporate activities.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the executive directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment information - operations:

	Operations China Matsuoka \$	Hong Kong Head Quarters \$	Australian Head Quarters \$	Total \$
31 December 2014				
REVENUE				
Revenue -external sales	70,391,240	-	27,378	70,418,618
Revenue –other segments	-	-	-	-
Total revenue	70,391,240	-	27,378	70,418,618
RESULT				
Segment result	6,639,954	(133,304)	(359,947)	6,146,703
Finance costs	(147,869)	(36,567)	(170)	(184,606)
Profit/(loss) before income tax	6,492,085	(169,871)	(360,117)	5,962,097
Income tax expense	(1,000,374)	-	-	(1,000,374)
Profit after income tax	5,491,711	(169,871)	(360,117)	4,961,723
ASSETS				
Current	37,505,926	1,592,760	77,233	39,175,919
Non-current	56,671,067	-	-	56,671,067
Segment assets	94,176,993	1,592,760	77,233	95,846,986
LIABILITIES				
Current	25,374,506	1,545	124,220	25,500,271
Non-current	520,876	-	-	520,876
Segment liabilities	25,895,382	1,545	124,220	26,021,147
Reconciliation of segmental net assets to Group net assets				
Inter-segment eliminations				-
Total Group net assets from continuing operations				69,825,839
OTHER				
Depreciation and amortisation of segment assets	1,099,875	-	-	1,099,875



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 25: OPERATING SEGMENTS (CONTINUED)

	Operations China Matsuoka \$	Hong Kong Head Quarters \$	Australian Head Quarters \$	Total \$
31 December 2013				
REVENUE				
Revenue -external sales	76,154,772	-	-	76,154,772
Revenue –other segments	-	-	-	-
Total revenue	76,154,772	-	-	76,154,772
RESULT				
Segment result	7,912,255	(556,630)	(347,519)	7,008,106
Finance costs	(347,840)	(509)	(197)	(348,546)
Profit/(loss) before income tax	7,564,415	(557,139)	(347,716)	6,659,560
Income tax expense	(1,033,642)	-	(397,784)	(1,431,426)
Profit after income tax	6,530,773	(557,139)	(745,500)	5,228,134
ASSETS				
Current	38,692,537	2,094,154	28,154	40,814,845
Non-current	51,034,223	-	-	51,034,223
Segment assets	89,726,760	2,094,154	28,154	91,849,068
LIABILITIES				
Current	32,252,316	477	124,950	32,377,743
Non-current	-	-	-	-
Segment liabilities	32,252,316	477	124,950	32,377,743
Reconciliation of segmental net assets to Group net assets				
Inter-segment eliminations				-
Total Group net assets from continuing operations				59,471,325
OTHER				
Depreciation and amortisation of segment assets	1,103,903	-	-	1,103,903

Segment information - geographical:

The Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

	Revenue 2014 \$	Non-Current Assets 2014 \$	Revenue 2013 \$	Non-Current Assets 2013 \$
Australia - Domicile of ASX listed Treyo	27,378	-	-	-
China - Domicile of Operations	70,391,240	13,717,360	76,154,772	13,303,814
Hong Kong	-	-	-	-
Total	70,418,618	13,717,360	76,154,772	13,303,814

During the year Matsuoka Mechatronics (China) Co. Ltd sold inventory to Treyo Entertainment and Leisure for \$27,378 (2013: \$nil).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 26: CASH FLOW INFORMATION

	2014 \$	2013 \$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) after income tax	4,961,723	5,228,134
Non-cash flows in profit		
Amortisation	36,999	27,552
Depreciation	1,062,876	1,076,351
Net (gain)/loss on disposal of property, plant and equipment	-	2,257
Net (gain)/loss on investment account for using equity accounting	(1,930,975)	(1,125,393)
Net (gain)/loss on provision for doubtful debt on subsidiary disposal	-	410,623
Net loss on deferred tax asset charged to the statement of profit or loss or other comprehensive income	-	397,784
Effects of foreign exchange	(1,496,457)	(3,436,319)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	(316,979)	149,259
(Increase)/decrease in prepayments	113,622	3,866,481
(Increase)/decrease in inventories	(1,733,687)	(1,467,621)
Increase/(decrease) in trade payables and accruals	(1,203,902)	3,846,176
Increase/(decrease) in income taxes payable	376,307	223,822
Cashflow from operations	(130,473)	9,199,106

NOTE 27: DIVIDENDS

The Board has not recommended nor paid any dividends during the years ended 31 December 2014 and 31 December 2013.

NOTE 28: EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this Report any other items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to effect significantly the operations, results of those operations, or the state of affairs of the Consolidated Group.

NOTE 29: RELATED PARTY TRANSACTIONS

Matoury Overseas Corp. holds 57.68% of the ordinary shares of the Company. Matoury Overseas Corp. is a company in which director, Guohua Wei has a beneficial interest.

The Group's related parties include its associates, key management and others as described below.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 29: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with related parties:

	2014 \$	2013 \$
a. Other Related Parties		
Transactions		
<u>Purchase from related parties</u>		
- Zhejiang Matsuoka Mechatronics Industry Co., Ltd	-	407,535
- Shenzhen Southern Huayin Investment Ltd (formerly Zhongrong Huaying Holdings Co., Ltd)	134,109	120,528
Total Purchase from related parties	134,109	528,063
<u>Cash received from (advanced to) related parties</u>		
- Allan Mao	10,619	(9,645)
- Zhongliang Zheng	5,756	5,288
Total cash received (advanced to) related parties	16,375	(4,357)

Other related parties transactions

Matsuoka contributed 99% of the partnership interest in Shenzhen Shangzuo Asset Management Centre [Limited Partnership] ("the Partnership") and Shenzhen Shangzuo Investment Management Co. Ltd (the partnership manager) the remaining 1%. During the year \$1,930,975 (RMB 10,692,000) (2013: \$1,125,393 (RMB 6,722,778)) of profits were distributable to the Company.

During the year a loan of \$3,008,946 (2013: \$nil) was issued by the Partnership to Zhejiang Zhongrong Zhengyang Investment Management Ltd, a Company in which Guohua Wei has a beneficial interest of 50% of the registered capital.

During the year a deposit of \$19,185 (2013: \$nil) was paid to and refunded in full by Zhe Jiang Song Jin Compound Materials Co. Ltd. is a company in which executive director, Guohua Wei's wife, Ms Fu, is a director. In addition, a deposit of \$3,637 (2013: \$nil) was paid to and refunded in full by Zhe Jiang Matsuoka Mechatronic Industry Co. Ltd; Guohua Wei's wife, Ms Fu is Chairman of Zhejiang Matsuoka Mechatronics Industry Co. Ltd.

	2014 \$	2013 \$

Balances

Other related parties balances are included in the following:

Other receivables

- Zhejiang Zhongrong Zhengyang Investment Management Ltd ⁽¹⁾	3,008,946	-
- Zhongliang Zheng ⁽²⁾⁽⁵⁾	56,746	57,978
- Hangzhou Guoshi Advertising Co. Ltd ⁽⁴⁾⁽⁵⁾	88,168	81,419
- Allan Mao ⁽³⁾	-	10,619
Total other receivables	3,153,860	150,016

(1) Loan from the partnership to Zhejiang Zhongrong Zhengyang Investment Management Ltd, a Company in which Guohua Wei has a beneficial interest (refer to Note 12 for further details of the Company's interest).

(2) Zhongliang Zheng repaid \$8,242 and advanced \$2,486

(3) Repaid in the year.

(4) Hangzhou Guoshi Advertising Co. Ltd is a company in which executive director Guohua Wei's wife has a beneficial interest (90% of registered capital). The Consolidated Group has entered into a contract with Hangzhou Guoshi Advertising Co Ltd for it to provide advertising and promotion services. Balance represents prepayment made to the related party.

(5) Movement relates to foreign exchange on translation to Australian dollars.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 29: RELATED PARTY TRANSACTIONS (CONTINUED)

b. Transactions with Key Management Personnel

A list of key management personnel, their shareholdings and remuneration is disclosed in the Directors Report. No other person had the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year.

Key management of the Group are the executive members of Company's Board of Directors and Key Management Personnel remuneration includes the following expenses:

	2014 \$	2013 \$
Key Management Personnel Remuneration		
Short term employee benefits		
Salaries including bonuses	366,948	348,604
Total short term employee benefits	<u>366,948</u>	<u>348,604</u>
Long service leave	-	-
Post-employment benefits	3,257	3,178
Share-based payments	-	-
Total remuneration	<u>370,205</u>	<u>351,782</u>

Detailed remuneration disclosures are included in the Remuneration Report contained in the Directors' Report.

NOTE 30: FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, notes receivable, accounts receivable and payable and notes payable.

i. Treasury Risk Management

A finance committee consisting of senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

ii. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk. The Group does not have any significant exposure on price risk and foreign currency risk.

Interest rate risk

The Company's exposure to interest rate risk relates principally to its short-term deposits placed with financial institutions. For further details on interest rate risk refer to Note 30(v).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Foreign currency sensitivity

Most of the Group's transactions are carried out in Renminbi (RMB). Exposures to currency exchange rate arise from the Group's Hong Kong bank deposit, which are primarily denominated in US dollars (USD).

Foreign currency denominated financial assets which expose the Group to currency risk are disclosed below. The amount shown are those reported to key management translated into AUD at the closing rate:

	Short term exposure		Long term exposure	
	2014	2013	2014	2013
	\$	\$	\$	\$
USD cash deposit	1,192,148	2,178,274	-	-
	1,192,148	2,178,274	-	-

If the AUD had strengthened or weakened against the USD by 10% (2013:10%) respectively then this would have had the following impact:

	Change in profit		Change in Equity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Increase in exchange rate by 10%	(119,214)	(217,827)	(119,214)	(217,827)
Decrease in exchange rate by 10%	119,214	217,827	119,214	217,827

Exposures to foreign exchange rates vary during the year depending on the balance of USD deposits. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that the Group maintains adequate level of liquidity for operations to meet its commitments.

Credit risk

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, partnership investment etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2014	2013
	\$	\$
Classes of financial assets -		
Carrying amounts:		
Cash advanced to suppliers	1,215,889	1,329,511
Short-term investment	-	9,399,300
Cash and cash equivalents	30,052,250	24,228,920
Trade and other receivables	1,003,998	687,018
	32,272,137	35,644,749

The Company monitors credit risk on a regular basis.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There are no other material amounts of collateral held as security at 31 December 2014 (2013: \$nil).

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Price risk

The Group's financial instrument is not exposed to price risk.

iii. Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 year		Interest Bearing Maturing within 2-5 years		Non-Interest Bearing Maturing within 1 year		Total	
	2014 %	2013 %	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Financial Assets:										
Cash and cash Equivalent										
variable interest rates	1.28%	1.31%	30,002,464	24,222,323	-	-	49,786	6,597	30,052,250	24,228,920
Receivables	-	-	-	-	-	-	1,003,998	687,018	1,003,998	687,018
Financial assets with fixed interest rates	-	7.57%	-	9,399,300	-	-	-	-	-	9,399,300
Long-term investment with variable interest rates	5.40%	5.40%	-	-	42,953,707	37,730,408	-	-	42,953,707	37,730,408
Total Financial Assets			30,002,464	33,621,623	42,953,707	37,730,408	1,053,784	693,615	74,009,955	72,045,646
Financial Liabilities:										
Notes payable	-	-	-	-	-	-	5,483,500	5,917,873	5,483,500	5,917,873
Trade and other payables	-	-	-	-	-	-	19,676,936	20,446,466	19,676,936	20,446,466
Financial liabilities with fixed interest rates	-	6.50%	-	5,529,000	-	-	-	-	-	5,529,000
Total Financial Liabilities			-	5,529,000	-	-	25,160,436	26,364,339	25,160,436	31,893,339
Net Financial Assets									48,849,519	40,152,307

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Sensitivity analysis

Interest Rate Risk and Price Risk

The Group has performed sensitivity analysis relating to its financial instrument's exposure to interest rate risk at balance date. The Group's financial instruments do not have significant exposure to price risk and foreign exchange risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 31 December 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014 \$	2013 \$
Change in profit		
— Increase in interest rate by 2%	919,123	867,431
— Decrease in interest rate by 2%	(919,123)	(867,431)
Change in Equity		
— Increase in interest rate by 2%	919,123	867,431
— Decrease in interest rate by 2%	(919,123)	(867,431)

The above interest rate risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 31: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair values measurements

The carrying value of financial assets and financial liabilities of the Consolidated Group are assumed to approximate their fair value due to their short term nature.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group does not hold any financial assets or liabilities carried at fair value as at 31 December 2014. All financial assets and liabilities are carried at amortised cost

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is not significant.

The carrying amounts of the investment accounted for using the equity method is considered to be a reasonable approximation of their fair value.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 32: PARENT COMPANY INFORMATION

	2014 \$	2013 \$
Assets		
Current assets	77,233	28,154
Non-current assets	31,527,145	31,937,071
Total assets	31,604,378	31,965,225
Liabilities		
Current liabilities	124,220	124,950
Total liabilities	124,220	124,950
Net Assets	31,480,158	31,840,275
Equity		
Issued capital	34,525,617	34,525,617
Retained earnings	(3,045,459)	(2,685,342)
Total equity	31,480,158	31,840,275
Financial performance		
Loss for the year	(360,117)	(745,501)
Total comprehensive income	(360,117)	(745,501)

The parent entity has no other contingent liabilities or contingent assets at 31 December 2014 (2013: \$nil).

NOTE 33: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The accounting standards that have not been early adopted for the year ended 31 December 2014, but will be applicable to the Group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the Group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 31 December 2014. These standards have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

NOTE 33: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

(i) AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018), AASB 2013-9 Amendments to Australian Accounting Standards – conceptual framework, Materiality and Financial Instruments and AASB 2014-1 Amendments to Australian Accounting Standards.

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a. financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows
- b. allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- c. introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments
- d. financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases
- e. where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:
    - classification and measurement of financial liabilities; and
    - derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The entity has not yet assessed the full impact of these amendments.

(ii) AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

When these amendments are first adopted for the year ending 31 December 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

NOTE 33: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)**(iii) AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)**

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- (b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 31 December 2015, they are unlikely to have any significant impact on the entity.

(iv) AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

The entity has not yet assessed the full impact of these amendments.

(v) AASB 15 Revenue from Contracts with Customers

AASB 15: replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue.

In the Australian context, AASB 15 will apply to contracts of not for-profit (NFP) entities that are exchange transactions. AASB 1004 Contributions will continue to apply to non-exchange transactions until the Income from Transactions of NFP Entities Project is completed (with an Exposure Draft inviting public comment on those proposals targeted for issue in Q1 2015).

The entity has yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognized in the financial statements when it is first adopted for the year ended 31 December 2017.

(vi) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 33: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

The Australian Accounting Standards Board (AASB) have issued the equivalent Australian amendment AASB 2014-4. When these amendments are first adopted for the year ending 31 December 2017, they are unlikely to have any significant impact on the entity.

(vii) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 and AASB)

The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other AASBs except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB3 and other AASBs.

The Australian Accounting Standards Board (AASB) have issued the equivalent Australian amendment AASB 2014-3. When these amendments are first adopted for the year ending 31 December 2017, the entity has not yet assessed the full impact of these amendments, however they are unlikely to have any significant impact on the entity.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective and has not yet assessed the impact of these standards.

NOTE 34: COMPANY DETAILS

The registered office of the Company is:

- Treyo Leisure and Entertainment Ltd
Level 2,
371 Spencer Street
Melbourne VIC 3000

The principal places of business are:

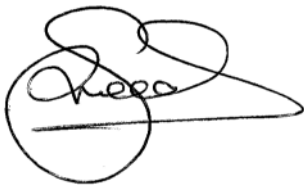
- Treyo Leisure and Entertainment Ltd
Level 2,
371 Spencer Street
Melbourne VIC 3000
- Matsuoka Mechatronics (China) Co., Ltd
No. 122,
Tenth Gaoxin Road,
Qiaonan District,
Xiaoshan Economic Development Zone,
Hangzhou,
Zhejiang,
China
- Treyo International Holdings (HK) Ltd
Unit 2209,
CCT Telecom Building,
11 Wo Shing Street,
Fo Tan,
N.T., Hong Kong

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 25 to 61 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards; and
  - b. comply with International Financial Reporting Standards as disclosed in Note 1; and
  - c. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the Consolidated Group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "Roger Smeed", written over a horizontal line.

Roger Smeed
Deputy Chairman

Dated this 31st day of March 2015

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

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W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TREYO LEISURE AND ENTERTAINMENT LTD

Report on the financial report

We have audited the accompanying financial report of Treyo Leisure and Entertainment Ltd (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ABN 94 269 609 023 ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Treyo Leisure and Entertainment Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

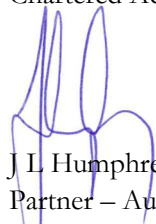
We have audited the remuneration report included in the directors' report for the year ended 31 December 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Treyo Leisure and Entertainment Ltd for the year ended 31 December 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J. L. Humphrey,
Partner – Audit & Assurance

Adelaide, 31 March 2015



ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this Report is as follows. The information was current as at 17 March 2015.

(a) Distribution of equity securities

311,008,000 fully paid ordinary shares are held by 329 individual shareholders

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, in each class of share is:

	Fully paid ordinary shares	Holders
1 - 1,000	2	1
1,001 - 5,000	-	-
5,001 - 10,000	1,100,000	110
10,001 - 100,000	4,378,000	178
100,000 and over	13,535,000	25
100,000 and over	291,994,998	15
	311,008,000	329
Holding less than a marketable parcel		1

Listed ordinary shares

Number of shares	Percentage of ordinary shares

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Matoury Overseas Corp.	179,400,000	57.68%
Balatina Group Limited	48,100,000	15.47%
Legheny Group Limited	16,900,000	5.43%



ASX ADDITIONAL INFORMATION

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
(c)	Twenty largest shareholders		
1	Matoury Overseas Corp.	179,400,000	57.68%
2	Balatina Group Limited	48,100,000	15.47%
3	Legheny Group Limited	16,900,000	5.43%
4	Citicorp Nominees Pty Limited	10,335,999	3.32%
5	Laury Commercial Inc.	7,800,000	2.51%
6	Yerigton Assets Inc.	7,800,000	2.51%
7	Mr Dibiao Shen	5,000,000	1.61%
8	Mr Jie Huang	3,000,000	0.96%
9	Mr Guan Cheng Zhu	3,000,000	0.96%
10	Mr Di Neng Shen	2,000,000	0.64%
11	Mr Erming Yu	2,000,000	0.64%
12	Ms Louyan Zhao	2,000,000	0.64%
13	Mr Shuiyang Xu	1,600,000	0.51%
14	Ms Ping Li	1,558,999	0.50%
15	Mr Guanming Hu	1,500,000	0.48%
16	Mr Guanda Dong	1,000,000	0.32%
17	Ms Huaping Jiang	1,000,000	0.32%
18	Mr Jin Ru Shen	1,000,000	0.32%
19	Mr Xiufang Wei	1,000,000	0.32%
20	Mr Fei Yu	1,000,000	0.32%
		296,994,998	95.49%



2014

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014