Treyo Leisure and Entertainment Limited and Controlled Entities
ABN: 93 131 129 489

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

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Appendix 4E
Commentary on Results

The Board of Treyo Leisure and Entertainment Ltd has pleasure in submitting its first Appendix 4E – Preliminary Final Report to the ASX, since listing in January 2009.

Through this report, the Board seeks to provide a brief update to its shareholders and the market on the results achieved for the 2008 financial year (ended 31 December 2008).

Treyo realised an after tax profit of $6.616million for the 2008 financial year which represents a 15% increase on the previous year and a 1.4% improvement on the forecast result of $6.526million previously released to the market. This result has been achieved despite the AUD/RMB exchange rate not being as favourable as predicated in the forecast.

Compared to other parts of the world, the Chinese economy continues to experience solid growth. To date, the Chinese domestic market has not been as severely affected by the economic downturn currently being experienced by many other countries and by Chinese exporters.

As the world's largest manufacturer of automated mahjong tables, Treyo's current focus is on the high end of the domestic Chinese market with only a minor exposure to export markets. Treyo's domestic market sector continues to experience strong growth and, as part of ongoing product development strategies, improved models and efficiencies provide ongoing enhancements to the range of products on offer. The Company's marketing strategies continue to promote the mahjong culture and in turn drive sales growth.

From an operational perspective, the Company continues to drive manufacturing efficiencies by ongoing raw material pricing negotiations and production efficiencies. For the 2008 financial year this resulted in a local Chinese RMB gross margin of 23% (18% for the 2007 financial year). Similarly, overhead cost management has been a focus with local Chinese RMB overheads (not including finance costs) running at 13% of sales revenue (14% for the 2007 financial year). Management will continue this focus into 2009.

For further Information Contact either:

Roger Smeed – Deputy Chairman
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Ted Byrt – Director
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The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period	12 months ended 31 December 2008
Prior Period	12 months ended 31 December 2007

2. Results for announcement to the market

Consolidated Group	Item		$	% Change		$
Revenue –excluding interest received	**2.1**	up	4,729,509	7%	to	70,899,404
Profit after tax attributable to members	**2.2**	up	874,277	15%	to	6,616,454
Net Profit attributable to members	**2.3**	up	874,277	15%	to	6,616,454
Dividend	**2.4**	The Board is not proposing any further dividend for the 2008 financial year (refer item 6).				
The record date for determining entitlements to the dividend	**2.5**	N/A				
Explanatory information	**2.6**	For further information refer ***Commentary on Results*** which accompanies this announcement.				

Overview

The principal activity of the consolidated group during the financial year was the manufacture of automatic Mahjong tables. The Group currently operates in one business segment with all goods being manufactured and distributed from a single facility in China. The Group currently operates in three geographical segments; refer to Note 26 for further details.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

This financial report includes the consolidated financial statements and notes to the financial statements of Treyo Leisure and Entertainment Ltd and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes to the financial statements of Treyo Leisure and Entertainment Ltd as an individual parent entity ('Parent Entity'). Treyo Leisure and Entertainment Ltd was incorporated on 23 May 2008 and listed on the Australian Stock Exchange ("ASX") on 2 January 2009. The company is incorporated and domiciled in Australia.

Pursuant to a share purchase and sale agreement dated 31 October 2008, Treyo International Holding Ltd became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd on 31 October 2008. Through this transaction effective control of Treyo Leisure and Entertainment Ltd was passed to the existing shareholders of Treyo International Holding Ltd. The transaction is one referred to in AASB 3 "Business Combination" as a reverse acquisition, where the acquirer is Treyo International Holding Ltd (i.e. the entity whose equity interests have been acquired) and Treyo Leisure and Entertainment Ltd is seen to be acquiree (i.e. the issuing entity).

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Financial Position

The net assets of the consolidated group have increased by $14,962,471 from 31 December 2007 to $36,136,755 in 2008. This increase has largely resulted from the following factors:

i. $12,702,000 was raised from the issue of 50,808,000 shares as part of the IPO;

ii. $6,6166,545 profits after tax attributable to members;

iii. $5,768,471 increase in foreign exchange reserve; offset by

iv. $9,191,914 dividend being paid by subsidiary (refer to Note 7)

The consolidated group's strong financial position has enabled the group to reduce its borrowings to nil at 31 December 2008 while maintaining a healthy working capital ratio. The group's working capital, being current assets less current liabilities, has improved from $10,797,454 in 2007 to $21,299,702 in 2008.

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

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. Treyo Leisure and Entertainment Ltd was incorporated on 23 May 2008 with a share capital of 2 shares issued at $0.50 each.

ii. On 31 October the company issued 259,999,998 ordinary shares to the shareholders of Treyo International Holding Ltd pursuant to a share purchase and sale agreement as purchase consideration resulting in Treyo International Holding Ltd became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") on 31 October 2008. Treyo International Holding Ltd shareholders received 26,000 Treyo Leisure and Entertainment Ltd shares for each Treyo International Holding Ltd share held.

iii. On 19 December 2008, 100,000 shares were issued as equity based remuneration to Stroud Nominees Pty Ltd (as trustee for Byrt Super Fund) in which Director, Edward Byrt has a beneficial interest. The fair value of the equity based remuneration amounted to $25,000 based on the IPO share price of $0.25; of which $1,000 has been paid in cash.

iv. On 19 December 2008, 100,000 shares were issued as equity based remuneration to Roger Smeed and Associate Pty Ltd (as trustee for RF Investment Trust) in which Director, Roger Smeed has a beneficial interest. The fair value of the equity based remuneration amounted to $25,000 based on the IPO share price of $0.25; of which $1,000 has been paid in cash.

v. On 19 December 2008 50,808,000 shares were issued at $0.25 per share, as a result if the IPO.

3. Income Statement – see accompanying preliminary financial statements

4. Balance Sheet – see accompanying preliminary financial statements

5. Cashflow Statement – see accompanying preliminary financial statements

6. Dividends Paid or Recommended

A dividend of $9,191,914 (2007: $nil) was paid by Matsuoka Mechatronics (China) Co., Ltd to Songgang International Group Co. Ltd, prior to the acquisition date.

The Board does not recommend the payment of any further dividends for the year ended 31 December 2008.

7. Details of any Dividend or distribution reinvestment plans

N/A

8. Statement of movements in Retained Earnings – see accompanying statement of changes in equity

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9. Net tangible assets per security[(1)]

	31 December 2008
Number of securities	311,080,000
Net tangible assets per security in cents	12

[(1)] Treyo Leisure and Entertainment Ltd listed on the ASX on 2 January 2009 therefore comparatives not required.

10. Changes in controlled entities

i. On 31 October 2008 Treyo International Holdings (HK) Ltd purchased 100% of Matsuoka Mechatronics (China) Co., Ltd.

ii. On 31 October 2008 Treyo Leisure and Entertainment Ltd purchased 100% of the Hong Kong company, Treyo International Holdings (HK) Ltd and its Chinese controlled entity, Matsuoka Mechatronics (China) Co., Ltd.

11. Details of associates and joint venture entities

N/A

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer ***Commentary on Results*** which accompanies this announcement.

13. Foreign entities disclosures

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*.

14. Additional information

Earnings per Share[(1)]	31 December 2008
Basic earning per share in cents	22
Diluted earning per share in cents	22

[(1)] Treyo Leisure and Entertainment Ltd listed on the ASX on 2 January 2009 therefore comparatives not required.

<u>After Balance Date Events</u>

On 2 January 2009 Treyo Leisure and Entertainment Ltd was admitted to the Official List of the ASX Limited and Official Quotation commenced on 8 January 2008.

Except for the above matters, no other 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.

15. Compliance Statement

The financial statements are in the process of being audited and are not likely to be subject to dispute or qualification.

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

Roger Smeed – Deputy Chairman
Dated this 25th day of February 2009

INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Revenue	3	70,899,404	66,169,895	-	-
Cost of goods sold		(54,608,191)	(54,275,107)	-	-
Gross Profit		16,291,213	11,894,788	-	-
Other income	3	1,450,175	3,245,085	-	-
Distributions and selling expenses		(6,085,843)	(6,533,501)	-	-
Administrative expense		(4,036,291)	(2,449,130)	(902,148)	-
Equity based remuneration		(48,000)	-	(48,000)	-
Finance costs		(495,530)	(415,065)	(30)	-
Profit/(loss) before income tax	4	7,075,724	5,742,177	(950,178)	-
Income tax (expense)/benefit	5	(459,270)	-	279,653	-
Profit/(loss) from continuing operations		6,616,454	5,742,177	(670,525)	-
Profit attributable to members of the parent entity		6,616,454	5,742,177	(670,525)	-

Overall Continuing Operations		**Cents**	**Cents**
Basic earnings per share (cents per share)	8	22	N/A
Diluted earnings per share (cents per share)	8	22	N/A

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	40,265,989	11,625,591	12,707,528	-
Trade and other receivables	10	3,490,284	24,180,732	68,682	-
Prepayments and other current assets	11	14,998	-	14,998	-
Inventories	12	6,068,970	3,392,063	-	-
TOTAL CURRENT ASSETS		49,840,241	39,198,386	12,791,208	-
NON-CURRENT ASSETS					
Other financial assets	13	-	-	22,440,840	-
Property, plant and equipment	15	13,955,699	10,463,760	-	-
Intangible assets	16	315,748	208,276	-	-
Deferred tax assets	20	565,606	-	565,606	-
TOTAL NON-CURRENT ASSETS		14,837,053	10,672,036	23,006,446	-
TOTAL ASSETS		64,677,294	49,870,422	35,797,654	-
CURRENT LIABILITIES					
Trade and other payables	17	21,074,196	17,709,789	1,344,176	-
Notes payable	18	7,116,137	6,327,168	-	-
Financial liabilities	19	-	4,659,181	598,386	-
Current tax liabilities	20	350,206	-	-	-
TOTAL CURRENT LIABILITIES		28,540,539	28,696,138	1,942,562	-
TOTAL LIABILITIES		28,540,539	28,696,138	1,942,562	-
NET ASSETS		**36,136,755**	**21,174,284**	**33,855,092**	**-**
EQUITY					
Issued capital	22	23,302,770	11,216,446	34,525,617	-
Foreign exchange translation reserve	23	4,083,988	(1,367,619)	-	-
Retained earnings		8,749,997	11,325,457	(670,525)	-
TOTAL EQUITY		**36,136,755**	**21,174,284**	**33,855,092**	**-**

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2008

	Note	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Total
		$	$	$	$
Consolidated Group					
Balance at 1 January 2007		11,216,446	5,583,280	(660,901)	16,138,825
Profit attributable to members of parent entity		-	5,742,177	-	5,742,177
Adjustments from translation of foreign controlled entities		-	-	(706,718)	(706,718)
Balance at 31 December 2007		11,216,446	11,325,457	(1,367,619)	21,174,284
Shares issued during the year					
- Shares issued pursuant to IPO	22	12,702,000	-	-	12,702,000
- Equity based remuneration	22	48,000	-	-	48,000
- Other share issues	22	3,548	-	-	3,548
Transaction costs	22	(953,177)	-	-	(953,177)
Deferred tax benefit	22	285,953	-	-	285,953
Profit attributable to members of parent entity		-	6,616,454	-	6,616,454
Adjustments from translation of foreign controlled entities	23	-	-	5,451,607	5,451,607
Sub-total		23,302,770	17,941,911	4,083,988	45,328,669
Dividends paid or provided for	7	-	(9,191,914)	-	(9,191,914)
Balance at 31 December 2008		23,302,770	8,749,997	4,083,988	36,136,755
Parent entity					
Balance at 1 January 2007		-	-	-	-
Profit attributable to members of parent entity		-	-	-	-
Balance at 31 December 2007		-	-	-	-
Shares issued during the year					
- Shares issued pursuant to the reconstruction agreement	22	22,440,840	-	-	22,440,840
- Shares issued pursuant to IPO	22	12,702,000	-	-	12,702,000
- Equity based remuneration	22	48,000	-	-	48,000
- Other share issues	22	2,001	-	-	2,001
Transaction costs	22	(953,177)	-	-	(953,177)
Deferred tax benefit	22	285,953	-	-	285,953
Profit attributable to members of parent entity		-	(670,525)	-	(670,525)
Balance at 31 December 2008		34,525,617	(670,525)	-	33,855,092

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		91,574,854	59,336,392	-	-
Payments to suppliers and employees		(64,857,618)	(60,940,216)	(479,831)	-
Interest received		598,282	911,307	-	-
Finance costs		(495,530)	(415,065)	(30)	-
Income tax paid		(388,717)	-	-	-
Net cash provided by (used in) operating activities	27	26,431,271	(1,107,582)	(479,861)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		-	22,043	-	-
Purchase of property, plant and equipment		(631,291)	(499,166)	-	-
Proceeds from sale of intangibles		-			
Purchase of intangible assets		(94,224)	(45,949)	-	-
Net cash provided used in investing activities		(725,515)	(523,072)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	22	12,705,548	-	12,704,001	-
Payments for share issue costs		(114,998)	-	(114,998)	-
Proceeds from borrowings		-	1,422,464	-	-
Proceeds from related party loan		-	-	598,386	-
Repayment of borrowings		(4,659,181)	-	-	-
Dividends paid		(9,191,914)	-	-	-
Net cash provided by (used in) financing activities		(1,260,545)	1,422,464	13,187,389	-
Net increase in cash held		24,445,211	(208,190)	12,707,528	-
Cash at beginning of financial year	9	11,625,591	12,084,615	-	-
Effect of exchange rates on cash holdings in foreign currencies		4,195,187	(250,834)	-	-
Cash at end of financial year	**9**	**40,265,989**	**11,625,591**	**12,707,528**	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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'). Treyo Leisure and Entertainment Ltd listed on the Australian Stock Exchange ("ASX") on 2 January 2009 and is a company incorporated and domiciled in Australia.

The principal activity of the Group is the manufacture of automatic Mahjong tables.

Treyo Leisure and Entertainment Ltd was incorporated on 23 May 2008.

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 historical or reported pro-forma financial information.

a. Principles of Consolidation

A controlled entity is any entity over which Treyo Leisure and Entertainment Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 14 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the consolidated group during the year, their operating results have been included from the date control was obtained.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method, unless required under AASB 3 "Business Combination" to apply reverse acquisition.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. **Principles of Consolidation (continued)**

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

The reverse acquisition method is where the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. acquirer for accounting purposes is the entity whose equity interests have been acquired) in the form of equity instruments issued by the owners of the legal parent (i.e. acquiree for accounting purposes is the issuing entity). The method calculated the fair value by the legal parent on the basis of the fair value of the existing instruments in the legal subsidiary.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

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

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 the income statement 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 sheet 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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.

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *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.

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

e. **Financial Instruments (continued)**

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

— the likelihood of the guaranteed party defaulting in a year period;

— the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

— the maximum loss exposed if the guaranteed party were to default.

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 income statement.

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 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.

h. **Foreign Currency Transactions and Balances (continued)**

Exchange differences arising on the translation of monetary items are recognised in the income statement, 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 the income statement.

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 balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

i. **Employee Benefits**

Provision is made for the company'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.

Equity-settled compensation

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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, deposits held at call with banks.

m. **Revenue and Other Income**

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. Dividend revenue is recognised when the right to receive a dividend has been established.

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

n. **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.

o. **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 balance sheet are shown inclusive of GST and VAT.

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

p. **Earning per share**

(i) Basic earning per share

Basic earning 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.

(i) Diluted earning per share

Diluted earning per share adjust the figures used to determine basic earning 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.

q. **Comparative Figures**

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

r. **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.

The preliminary financial report was authorised for issue on 25th February 2009 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 2: BUSINESS COMBINATIONS

Treyo International Holding (HK) Ltd and its controlled entity

Pursuant to a share purchase and sale agreement dated 31 October 2008, Treyo International Holding Ltd and its controlled entity, Matsuoka Mechatronics (China) Co., Ltd ("TIH") became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") on 31 October 2008. Through this transaction effective control of Treyo will be passed to the existing shareholders TIH. The transaction is one referred to in AASB 3 "Business Combination" as a reverse acquisition, where the acquirer is TIH (i.e. the entity whose equity interests have been acquired) and Treyo is seen to be acquiree (i.e. the issuing entity). As Treyo was incorporated specifically for the purpose of this transaction and the subsequent equity raising, the fair value of the equity instruments issued has been estimated by reference to the fair value of the acquirer's (TIH's) net assets.

	2008	2007
	$	$
Fair value of the 259,999,998 ordinary shares issued to the existing shareholders of TIH in exchange for control	22,440,840	-

The assets and liabilities of TIH as at the 31 October 2008 are:	Fair Value	
	$	$
Cash and cash equivalents	23,597,633	-
Trade and other receivables	328,277	-
Plant and equipment	14,725,827	-
Inventory	7,068,895	-
Total assets	45,720,632	
Trade and other payables	(16,704,450)	-
Short term loan	(6,575342)	-
Total net assets acquired	22,440,840	
Accounted for as:		
Share capital	11,216,446	-
Retained profits	5,200,969	-
Reserve	6,023,425	-
	22,440,840	

TIH acquired its controlled entity, Matsuoka Mechatronics (China) Co., Ltd prior to becoming a controlled entity of Treyo.

NOTE 3: REVENUE

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
Sales revenue		$	$	$	$
Sale of goods		70,899,404	66,169,895	-	-
Other income					
— Sale of raw materials and parts, net		851,893	1,212,167	-	-
— Bank Interest received		598,282	911,307	-	-
— Income from penalties imposed on supplier		-	27,635	-	-
— gain on investment in market share		-	1,022,802	-	-
— rental revenue for property investment		-	56,456	-	-
— other revenue		-	14,718	-	-
		1,450,175	3,245,085	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 4: PROFIT FOR THE YEAR

		Note	Consolidated Group		Parent Entity	
			2008	2007	2008	2007
a.	**Expenses**		$	$	$	$
	Finance costs:					
	— Interest expense		486,130	415,065	-	-
	— Bank charges		9,400	-	30	-
	Total finance costs		495,530	415,065	30	-
	Employee wages and benefits		3,993,313	1,553,186	32,229	-
	Included in administrative expenses are:					
	— Bad and doubtful trade receivables debts		60,995	-	-	-
	— Depreciation and amortisation		939,655	728,958	-	-
	— Audit fees	6	68,418	42,132	20,700	-
	— Loss on the disposal of property, plant and equipment		-	18,640	-	-
	Other expenses relating to the Initial Public Offering (IPO) and share issue		740,066	-	703,202	-
	Total other expenses		740,066	-	703,202	-

NOTE 5: INCOME TAX EXPENSE

		Note	Consolidated Group		Parent Entity	
			2008	2007	2008	2007
a.	The components of tax expense comprise:		$	$	$	$
	Current tax		738,923	-	-	-
	Deferred tax	20	(279,653)	-	(279,653)	-
	Current tax		459,270	-	(279,653)	-

The Australian assessable earning will be taxed at 30% (2007: 30%).

In respect of Chinese assessable earnings a tax exemption notice was issued to Matsuoka on 16 April 2007 providing a 50% tax exemption of the 31 December 2008 to 31 December 2010 financial years. This 50% exemption results in a tax rate of 8.25% (7.5% paid to China government and 0.75% paid to local government). An additional tax ruling was released on 20 March 2008 which increased the existing tax exemption, the resulting Matsuoka tax rates are 9% for 31 December 2008, 10% for 31 December 2009 and 11% for 31 December 2010. The tax rate in the Republic of China will be 24% for 2011 and 25% for 2012 onwards.

The correct tax rate in Hong Kong is 17.5% (2007: 17.5%)

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
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 (5a)					
— consolidated group		1,724,416	1,515,934	-	-
— parent entity		-	-	(285,053)	-
Add:					
Tax effect of: other non-allowable items		18,399	-	5,400	-
Less:					
Tax effect of: Tax exemptions from the Peoples Republic of China		(1,290,531)	(1,515,934)	-	-
Tax effect of losses not brought into accounts as they do not meet the recognition criteria		6,986	-	-	-
Income tax attributable to entity		459,270	-	(279,653)	-
The applicable weighted average effective tax rates are as follows:		6%	-	(29%)	-

The change in the weighted average effective consolidated tax rate for 2008 is a result of consolidated profits offset by overseas tax exemptions.

NOTE 6: AUDITORS' REMUNERATION

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Remuneration of the auditor of the parent entity for:					
— auditing or reviewing the financial report		20,700	-	20,700	-
— auditing or reviewing the financial report of subsidiaries		47,718	42,132	-	-
— due diligence services		125,000	-	125,000	-
		193,418	42,132	145,700	-

NOTE 7: DIVIDENDS

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Distributions paid	9,191,914	-	-	-

The dividend of $9,191,914 (2007: $nil) was paid by Matsuoka Mechatronics (China) Co., Ltd to Songgang International Group Co. Ltd prior to the acquisition of Matsuoka Mechatronics (China) Co. Ltd by Treyo International Holdings (HK) Ltd.

NOTE 8: EARNINGS PER SHARE

		Consolidated Group	
		2008 $	2007 $
a.	Reconciliation of earnings to profit or loss		
	Profit used to calculate basic EPS and dilutive EPS	6,616,454	5,742,177
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.	6,616,454	5,742,177
c.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	29,684,995	n/a(1)

(1) No prior year Earning Per Share details are shown as the company did not List on the ASX until 2 January 2009.

NOTE 9: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Cash at bank and in hand		40,265,989	11,625,591	12,707,528	-

At the 31 December 2008 $3,558,068 (2007: $7,150,000) was held in an interest bearing short term deposit as a guarantee for notes payable (Note 17).

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Trade receivables		1,074,808	3,595,215	-	-
Other receivables		2,366,794	20,585,517	-	-
Goods & service tax receivable	10b	48,682	-	68,682	-
		3,490,284	24,180,732	68,682	-

NOTE 10: TRADE AND OTHER RECEIVABLES (CONTIUED)

a. Provision For Impairment of Receivables

Current trade receivables are non-interest bearing loans and generally on 30 day terms. Other receivables arise from transaction outside the usual operating activities of the company and are unsecured, interest free and repayable on demand. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired.

At the 31 December 2008 $73,143 (2007:$nil) has been assessed as and provided for as a doubtful debt.

There are no balances within trade and other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due. Any assets that are Impaired assets are provided for in full.

b. Goods & service tax receivable

Goods & service tax ("GST") receivable relates to the GST recoverable on Australian incurred IPO costs (2007: $nil).

NOTE 11: PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Prepayments		14,998	-	14,998	-

NOTE 12: INVENTORIES

	Note	Consolidated Group		Parent Entity	
CURRENT		2008 $	2007 $	2008 $	2007 $
At cost and net realisable value					
Raw materials and stores		3,666,681	2,424,205	-	-
Work in progress		524,779	369,957	-	-
Finished goods		1,877,510	597,901	-	-
		6,068,970	3,392,063	-	-

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

NOTE 13: FINANCIAL ASSETS

	Note	Consolidated Group		Parent Entity	
Non-current		2008 $	2007 $	2008 $	2007 $
Unlisted investment in shares in controlled entities	2, 14	-	-	22,440,840	-

Financial assets refer to the acquisition of the fair value of Treyo International Holding (HK) Ltd and controlled entity on 31 October 2008; refer to Note 2 and 14 for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 14: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)[1]	
		2008	**2007**
		%	**%**
Treyo Leisure and Entertainment Ltd	Australia	-	n/a
Subsidiaries of Treyo Leisure and Entertainment Ltd:			
Treyo International Holding (HK) Ltd[2]	Hong Kong	100%	n/a
Matsuoka Mechatronics (China) Co., Ltd	Peoples Republic of China	100%	n/a

[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. ***Acquisition of Controlled Entities***

On 31 October 2008 the parent entity acquired 100% of Treyo International Holding (HK) Ltd, with Treyo Leisure and Entertainment Ltd entitled to all profits earned as a result of a reverse acquisition, refer to Note 2 for further details.

c. There is no deed of cross guarantee as at 31 December 2008 or 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

Consolidated Group 31 December 2008	**Land use Right $**	**Building $**	**Construction In progress $**	**Motor Vehicle $**	**Office Equipment $**	**Plant & Machineries $**	**TOTAL $**
Cost							
At 1 January 2008	1,247,612	8,115,120	-	524,662	148,960	1,600,673	11,637,027
Additions	-	-	-	48,364	42,288	540,639	631,291
Exchange differences	450,211	2,928,407	-	198,960	62,175	685,286	4,325,039
0t 31 December 2008	**1,697,823**	**11,043,527**	**-**	**771,986**	**253,423**	**2,826,598**	**16,593,357**
Accumulated Depreciation							
At 1 January 2008	116,444	659,812	-	115,151	30,356	251,504	1,173,267
Depreciation for the period	28,317	414,425	-	107,174	38,206	279,998	868,120
Exchange differences	47,659	320,633	-	62,897	18,562	146,520	596,271
At 31 December 2008	**192,420**	**1,394,870**	**-**	**285,222**	**87,124**	**678,022**	**2,637,658**
Net book value							
At 31 December 2008	1,505,403	9,648,657	-	486,764	166,299	2,148,576	13,955,699
At 31 December 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated Group 31 December 2007	Land use Right	Building	Construction In progress	Motor Vehicle	Office Equipment	Plant & Machineries	TOTAL
	$	$	$	$	$	$	$
Cost							
At 1 January 2007	1,300,068	7,367,764	1,032,252	446,935	104,525	1,412,999	11,664,543
Additions	-	-	54,559	148,403	49,128	247,076	499,166
Disposal	-	-	-	(51,707)	-	-	(51,707)
Transfer		1,044,634	(1,044,634)	-	-	-	-
Exchange differences	(52,456)	(297,278)	(42,177)	(18,969)	(4,693)	(59,402)	(474,975)
At 31 December 2007	**1,247,612**	**8,115,120**	**-**	**524,662**	**148,960**	**1,600,673**	**11,637,027**
Accumulated Depreciation							
At 1 January 2007	95,338	323,347	-	29,879	22,412	72,007	542,983
Disposal	-	-	-	(11,024)	-	-	(11,024)
Depreciation for the period	25,196	352,923	-	98,346	8,935	184,185	669,585
Exchange differences	(4,090)	(16,458)	-	(2,050)	(991)	(4,688)	(28,277)
At 31 December 2007	**116,444**	**659,812**	**-**	**115,151**	**30,356**	**251,504**	**1,173,267**
Net book value							
At 31 December 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760
At 31 December 2006	1,204,730	7,044,417	1,032,252	417,056	82,113	1,340,992	11,121,560

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

Consolidated Group Carrying amounts	Land use Right $	Building $	Construction In progress[1] $	Motor Vehicle $	Office Equipment $	Plant & Machineries $	TOTAL $
At 1 January 2007	1,204,730	7,044,417	1,032,252	417,056	82,113	1,340,992	11,121,560
Additions	-	-	54,559	148,403	49,128	247,076	499,166
Transfer	-	1,044,634	(1,044,634)	-	-	-	-
Disposal	-	-	-	(40,683)	-	-	(40,683)
Depreciation expense	(25,196)	(352,923)	-	(98,346)	(8,935)	(184,185)	(669,585)
Exchange differences	(48,366)	(280,820)	(42,177)	(16,919)	(3,702)	(54,714)	(446,698)
At 31 December 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760
At 1 January 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760
Additions	-	-	-	48,363	42,288	540,640	631,291
Disposal	-	-	-	-	-	-	-
Depreciation expense	(28,317)	(414,425)	-	(107,174)	(38,206)	(279,998)	(868,120)
Exchange differences	402,552	2,607,774	-	136,064	43,613	538,765	3,728,768
At 31 December 2008	1,505,403	9,648,657	-	486,764	166,299	2,148,576	13,955,699

[1] Construction costs are at cost and there are no capitalised finance costs.

Parent entity

The parent entity does not hold any Property plant and equipment in the financial year ended 31 December 2008 and 31 December 2007.

NOTE 16: INTANGIBLE ASSETS

	Consolidated Group				Parent Entity	
	Patents and Trademarks	Software	Total	Patents and Trademarks Total	Total	Total
	2008	2008	2008	2007	2008	2007
	$	$	$	$	$	$
Cost						
At 1 January	293,994	-	293,994	263,141	-	-
Additions	10,575	87,908	98,483	45,949	-	-
Currency translation difference	108,196	17,507	125,703	(15,096)	-	-
At 31 December	412,765	105,415	518,180	293,994	-	-
Accumulated amortisation and impairment						
At 1 January	85,719	-	85,719	32,256	-	-
Amortisation in the period	67,697	3,838	71,535	59,373	-	-
Currency translation difference	44,414	764	45,178	(5,911)	-	-
At 31 December	197,830	4,602	202,432	85,718	-	-
Cost						
Net carrying value						
31 December	214,935	100,813	315,748	208,276	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 16: INTANGIBLE ASSETS (CONTINUED)

	Consolidated Group				Parent Entity	
	Patents and Trademarks	Software	Total	Patents and Trademarks Total	Total	Total
	2008	2008	2008	2007	2008	2007
	$	$	$	$	$	$
Carrying amount						
At 1 January	208,276	-	208,276	230,885	-	-
Additions	10,575	87,908	98,483	45,949	-	-
Disposal	-	-	-	-	-	-
Amortisation in the period	(67,697)	(3,838)	(71,535)	(59,373)	-	-
Currency translation difference	63,781	16,743	80,524	(9,185)	-	-
At 31 December	214,935	100,813	315,748	208,276	-	-

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.

NOTE 17: TRADE AND OTHER PAYABLES

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Unsecured liabilities					
Trade payables		11,421,332	6,568,843	558,389	
Sundry payables and accrued expenses		6,186,547	3,625,728	784,287	-
Value Added Tax (VAT) and other indirect taxes payable		675,499	342,463	-	-
Prepayments from customers		1,984,521	7,172,755	-	-
Net amount due to shareholders under IPO cancelled application		1,500	-	1,500	-
Amounts payable to:					
— Director, Guohua Wei		804,797	-	-	-
		21,074,196	17,709,789	1,344,176	-

NOTE 18: NOTES PAYABLE

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Secured liabilities					
Notes payable	9	7,116,137	6,327,168	-	-

The notes payable mature from January 2009 to June 2009. The notes payable are guaranteed against interest bearing short term bank deposit of $3,558,068 (2007: $7,150,000) (see Note 9) and by a personal guarantee from a director, Guohua Wei and a corporate guarantee from related party Zhejiang Matsuoka Mechatronics Industry Co. Ltd.

NOTE 19: FINANCIAL LIABILITIES

	Note	Consolidated Group		Parent Entity	
CURRENT		2008 $	2007 $	2008 $	2007 $
Secured liabilities					
Bank loan		-	4,659,181	-	-
Unsecured liabilities					
Advances from wholly-owned subsidiary, Treyo International Holdings (HK) Ltd		-	-	598,386	-
		-	4,659,181	598,386	-

NOTE 19: FINANCIAL LIABILITIES (CONTINUED)

		Note	Consolidated Group		Parent Entity	
			2008 $	2007 $	2008 $	2007 $
a.	Total current and non-current secured liabilities:					
	Bank loan		-	4,659,181	-	-
b.	The carrying amounts of non-current assets pledged as security are:					
	Land use rights	15	-	1,131,168	-	-
	Buildings	15	-	7,455,308	-	-
			-	8,586,476	-	-

The bank borrowings are short term loans repayment within a year period, and are secured over the company's building and land use rights. The facility was provided by Bank of China and is denominated in Chinese Renminbi. Interest is charged at 5.58% to 6.84% (2007: 5.58% to 6.84%) per annum.

NOTE 20: TAX

		Note	Consolidated Group		Parent Entity	
			2008 $	2007 $	2008 $	2007 $
a.	**Liabilities**					
	CURRENT					
	Income Tax		350,206	-	-	-
b.	**Assets**					
	NON-CURRENT					
	Deferred tax asset		565,606	-	565,606	-

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Consolidated Group	$	$	$	$	$	$
Deferred tax asset						
Balance at 31 December 2008	-	-	-	-	-	-
Transaction costs on equity issue	-	-	285,953	-	-	285,953
Other	-	279,653	-	-	-	279,653
Balance at 31 December 2008	-	279,653	285,953	-	-	565,606
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:						
— tax losses: operating losses $39,916 (2007: $nil)	-	6,985	-	-	-	6,985

NOTE 20: TAX (CONTINUED)

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Parent Entity	$	$	$	$	$	$
Deferred tax asset						
Balance at 31 December 2008	-	-	-	-	-	-
Transaction costs on equity issue	-	-	285,953	-	-	285,953
Other	-	279,653	-	-	-	279,653
Balance at 31 December 2008	-	279,653	285,953	-	-	565,606
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:						
— tax losses: operating losses $nil(2007: $nil)	-	-	-	-	-	-

NOTE 21: PROVISIONS

The Consolidated Group and Parent Entity have no provisions at the 31 December 2008 (2007: $nil). No employees are eligible for Long-term employee benefits at the 31 December 2008 (2007: $nil).

NOTE 22: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
At the beginning of reporting period 8,000,000 (2007: 8,000,000) fully paid ordinary shares	11,216,446	11,216,446	-	-
Shares issued during the year				
19 December 2008(1)	12,702,000	-	12,702,000	-
19 December 2008(2)	50,000	-	50,000	-
31 October 2008(3)	-	-	22,440,840	-
23 May 2008(4)	1		1	-
31 October 2008(5)	1,547	-	-	-
Share issue costs	(953,177)	-	(953,177)	-
Deferred tax benefit associated with the Share Issue Costs	285,953	-	285,953	-
At the end of reporting period 311,008,000 (2007: 8,000,000) fully paid ordinary shares	23,302,770	11,216,446	34,525,617	-

NOTE 22: ISSUED CAPITAL (CONTINUED)

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

	Consolidated Group		Parent Entity	
	2008 Number	2007 Number	2008 Number	2007 Number
a. **Ordinary shares**				
At the beginning of reporting period	8,000,000	8,000,000	-	-
Shares issued during the year				
— 19 December 2008[1]	50,808,000	-	50,808,000	-
— 19 December 2008[2]	200,000	-	200,000	-
— 31 October 2008[3]	251,999,998	-	259,999,998	-
— 23 May 2008[4]	2	-	2	-
At reporting date	311,008,000	8,000,000	311,008,000	-

(1) The company raised $12,702,000 from the issue of 50,808,000 ordinary shares at $0.25, as a results of the IPO. On 2nd January 2008 Treyo Leisure and Entertainment Ltd and was admitted to the Official List of the ASX Limited and commences official quotation on 8th January 2009.

(2) Equity compensation shares issued (Edward Byrt 100,000 and Roger Smeed 100,000), of which $2,000 was paid in cash.

(3) Pursuant the reconstructions agreement dated 31 October 2008, refer to Note 2 for further details.

(4) On incorporation of Treyo Leisure and Entertainment Ltd.

(5) Shares of Treyo International Holding (HK) Ltd on acquisition of Matsuoka Mechatronics (China) Co., Ltd.

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.

For the consolidated entity the comparative information is based on Matsuoka Mechatronics (China) Co. Ltd in accordance with AASB 3 "Business Combination" as the acquisition was a reverse acquisition, refer to Note 2 for further details.

b. **Performance Options**

Under the Directors and Executives Options Plan ("Plan") the Board may offer directors and senior executives of the company or its controlled entities corporate options which may be exercised for new ordinary shares. The Board has the discretion to set the issue price, exercise price and other conditions applying to the options. These terms and condition will be set with a view to providing a long term incentive to directors and senior executives and align the financial interest of the directors and senior executives with shareholders for the benefit of the company.

If there is a reorganisation of the capital of the company or a bonus issue to the holders of shares in the company, there will be a corresponding adjustment to the number of options. If the company undertakes a rights issue, the exercise price of the options will be reconstructed in accordance with the ASX listing rules. There provisions are designed to preserve the participants' proportion entitlement to shares on the exercise of options.

NOTE 22: ISSUED CAPITAL (CONTINUED)

The number of shares which are subject of an offer of options when aggregated with the number of shares which would be issued if each outstanding offer of options was accepted, together with the number of shares issued during the five years prior to the offer of options under the Plan or any other employee share plan (excluding shares or options issued in circumstances that would not require a disclosure documents within the meaning of section 708 of the Corporations Act 2001), will not exceed 5% of the total number of shares on issue at the time of the offer of options.

Shares arising on the exercise of options will have the same rights as, and rank equally with, other shares (subject to any further conditions or restrictions imposed by the Board.

No options have been issued under the Plan at as the reporting date. Approvals have been granted in principle for the issue of a total of 1,500,000 options.

These shares are exercisable in three tranches subject to the participants continuing to be employees of the Company for two, three and four years respectively. The exercise prices for the options are $0.35, $0.50 and $0.65 respectively. Options expire if not exercised by the date that occurs five years after the official quotation on the ASX commences. Other relevant terms as follows:

(i) each option confers the right to acquire one fully paid ordinary share in the capital of Treyo Leisure and Entertainment Ltd and may be exercised at a price of are $0.35, $0.50 and $0.65 (as detailed above);

(ii) options may not be exercised unless:
   a. performance target set with the participants are achieved; and
   b. the company itself achieves defined performance targets;

(iii) options may be exercised at any time after two years, three years and five years from the 8 January 2009 to date of expiry;

(iv) options expire upon the earliest of:
   a. a date being the day of the fifth anniversary for the date of Listing by 5.00pm AEDT; or
   b. a date, being the date of termination of the service agreement with the relevant director or senior executive; and

(v) options will not be listed on the ASX.

The participation of the directors and senior executives in the Plan will be as follow:

	Number of Options				
Name of participant	**Year 2**	**Year 3**	**Year 4**	**Total**	**Vesting conditions**
Allan Mao (Ling Mao)	150,000	150,000	150,000	450,000	(1)
Guohua Wei	150,000	150,000	150,000	450,000	(1)
Weiyun Chen	100,000	100,000	100,000	300,000	(1)
Zhongliang Zeng	50,000	50,000	50,000	150,000	(2)
Bin Hu	50,000	50,000	50,000	150,000	(3)
Total	500,000	500,000	500,000	1,500,000	

(1) Company meets projected earning for 31 December 2009.

(2) Monitoring the company's financial activities and producing financial reports to a satisfactory standard set by the Board.

(3) Increase in sales revenue by 30%, 45% and 60% from financial year ended 31 December 2008 to year 2 (31 December 2009), year 3 (31 December 2010) and year 4 (31 December 2011) respectively.

NOTE 22: ISSUED CAPITAL (CONTINUED)

e. **Capital Management**

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains negative. The gearing ratio's for the year ended 30 June 2008 and 30 June 2007 are as follows:

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Total borrowings	19	-	4,659,181	598,386	-
Less cash and cash equivalents	9	40,265,989	11,625,591	12,707,528	-
Net debt		(40,265,989)	(6,966,410)	(12,109,142)	-
Total equity		36,136,755	21,174,284	33,855,092	-
Gearing ratio					
Net debt(assets) to equity ratio		(111%)	(33%)	(36%)	-

NOTE 23: RESERVES

Foreign Currency Translation Reserve

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

NOTE 24: CAPITAL AND LEASING COMMITMENTS

The Consolidated Group and Parent Entity have no capital or leasing commitments at the 31 December 2008 (2007: $nil).

NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CFIH LTD commitments

The consolidated group entered into an engagement letter for management fee for CFIH (China Finance and Investment Holding) Ltd amounting to $42,270 (RMB200,000) per month, the term of the engagement is 12 months.

Advertisement commitments

The consolidated group has entered into a contract with Hangzhou Guoshi Advertising Co Ltd, a related party, for it to provide advertising service to the company for a period of two years from 1 January 2008 to 31 December 2009 at a fee of $76,086 (RMB360,000) per annum. At the 31 December 2008 the commitment amounted to $76,086 (2007: $152,172).

NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

The Consolidated Group and Parent Entity have no other contingent liabilities or contingent assets at the 31 December 2008 (2007: $nil).

NOTE 26: SEGMENT REPORTING

The Consolidated Group carries on the business of manufacturing automatic Mahjong tables. The Group currently operates in one business segment with all goods being manufactures and distributed from a single facility in China.

Geographical Segments

31 December 2008	**China** **$**	**Hong Kong** **$**	**Australia** **$**	**Total** **$**
REVENUE				
Total revenue -external sales	70,899,404	-	-	70,899,404
RESULT				
Segment result	8,561,318	(39,916)	(950,148)	7,571,254
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(495,500)	-	(30)	(495,530)
Profit/(loss) before income tax	8,065,818	(39,916)	(950,178)	7,075,724
Income tax expense	(738,923)	-	279,653	(459,270)
Profit after income tax	7,326,895	(39,916)	(670,525)	6,616,454
ASSETS				
Segment assets	51,311,675	8,805	12,791,208	64,111,688
Unallocated assets				-
Total assets				64,111,688
LIABILITIES				
Segment liabilities	26,041,178	804,979	1,344,176	28,190,333
Unallocated liabilities				-
Total liabilities				28,190,333
OTHER				
Depreciation and amortisation of segment assets	939,655	-	-	939,655

NOTE 26: SEGMENT REPORTING (CONTINUED)

31 December 2007	China $	Hong Kong $	Australia $	Total $
REVENUE				
Total revenue -external sales	66,169,895	-	-	66,169,895
RESULT				
Segment result	6,157,242	-	-	6,157,242
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(415,065)	-	-	(415,065)
Profit/(loss) before income tax	5,742,177	-	-	5,742,177
Income tax expense	-	-	-	-
Profit after income tax	5,742,177	-	-	5,742,177
ASSETS				
Segment assets	49,870,422	-	-	49,870,422
Unallocated assets				-
Total assets				49,870,422
LIABILITIES				
Segment liabilities	28,696,138	-	-	28,696,138
Unallocated liabilities				-
Total liabilities				28,696,138
OTHER				
Depreciation and amortisation of segment assets	728,958	-	-	728,958

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation. At the 31 December 2008 and 31 December 2008 there were no such intersegment transfers.

NOTE 27: CASH FLOW INFORMATION

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**				
	Profit/(loss) after income tax	6,616,454	5,742,177	(670,525)	-
	Non-cash flows in profit				-
	Amortisation	71,535	59,373	-	-
	Depreciation	868,120	669,585	-	-
	Net loss on disposal of property, plant and equipment	-	18,640		-
	Equity Based remuneration	48,000	-	48,000	-
	Net foreign exchange difference	(2,557,134)	-	-	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
	(Increase)/decrease in trade and term receivables	19,852,271	(9,167,280)	(68,682)	-
	(Increase)/decrease in prepayments	(14,998)	-	(14,998)	-
	(Increase)/decrease in inventories	(2,676,907)	1,400,136	-	-
	Increase/(decrease) in trade payables and accruals (excluding share issue costs balances)	4,153,377	169,787	505,997	-
	Increase/(decrease) in income taxes payable	350,206	-	-	-
	(Increase)/decrease in deferred tax asset balances	(279,653)	-	(279,653)	-
	Cashflow from operations	26,431,271	(1,107,582)	(479,861)	-

b. **Acquisition of Entities**

During the year 100% of the controlled entity Treyo International Holdings (HK) Ltd and controlled entity (Matsuoka Mechatronics (China) Co., Ltd) was acquired. Details of this transaction are:

Purchase consideration	22,440,840	-	-	-
Cash consideration	-	-	-	-
Cash outflow	-	-	-	-

Refer to Note 2 for assets and liabilities held at acquisition date.

The assets and liabilities arsing from the reverse acquisition are recognised as if the acquirer is Matsuoka Mechatronics (China) Co., Ltd and Treyo Leisure and Entertainment Ltd is the acquiree in accordance with AASB 3 “Business Combinations”. As Treyo Leisure and Entertainment Ltd was incorporated specifically for the purpose of this transaction and the equity raised the fair value of the equity instruments issued has been eliminated by reference to the fair value of the acquirer’s (Matsuoka Mechatronics (China) Co., Ltd’s) net assets.

NOTE 27: CASH FLOW INFORMATION (CONTINUED)

Losses of Treyo Leisure and Entertainment Ltd included in the consolidated profit of the group since acquisition date 31 October 2008 amounted to $950,178, these include $549,866 of expenses incurred prior to reverse acquisition that is considered to be relating to the listing process and has been consolidated in the results for the period. Had the results relating to Treyo Leisure and Entertainment Ltd been consolidated from 31 October 2008, consolidated revenue would have been $70,899,404 and consolidated profit $7,166,320 for the period ended 31 December 2008.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its end carrying value.

d. **Non-cash Financing and Investing Activities**

Share issue

259,999,998 ordinary fully paid shares were issued at $11,216,446 as part of the consideration for the purchase of Treyo International Holdings (HK) Ltd and controlled entity. The share issue was based on the fair value of the company; refer to Note 2 for further details.