

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



**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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## **Appendix 4E**

### **Commentary on 2009 Results**

The Board of Treyo Leisure and Entertainment Ltd has pleasure in submitting its second 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 2009 financial year (ended 31 December 2009).

Treyo realised an after tax profit of \$AUD7.2 million for the 2009 financial year which represents a 9% increase on the previous year. Treyo's working capital has also improved from \$21,299,702 in 2008 to \$23,856,599 in 2009, a 12% increase. This result has been achieved despite increasing competition and, due to the strengthening of the Australian dollar, the AUD/RMB exchange rate not being as favourable as the previous year. It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs January to December each year.

With a forecast increase in GDP of 8% for 2010, the Chinese economy continues to experience solid growth. To date, the Chinese domestic market, Treyo's primary focus, has not been affected to the same degree as many other countries, by the Global Economic Crisis.

For the 2009 year, Treyo, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., has achieved:

- NPAT of \$AUD7,189,930. An **increase** of **9%** over the previous year;
- Revenue for the year – excluding interest received, was **down** by **7%** to \$AUD66.5 million. This was due to due to increased competition in the form of desperate price cutting and low quality competitive product;
- Continuing **strong cash reserves** of \$AUD31.9 million, despite the strong Australian dollar;
- An **12% increase** in working capital to \$AUD23.9 million

Treyo's improvement in profitability is due to diligent cost control, strong brand recognition and stability in the premium end of the market – which Treyo dominates.

In a market where the total annual sales for automatic mahjong tables exceeds RMB7.5 billion per annum (approx \$AUD1.22 billion<sup>1</sup>), Treyo continues to grow its market share despite competitive pressures. As the world's largest manufacturer of automated mahjong tables, Treyo's domestic market sector continues to experience strong growth and, with the introduction of new products, strong quality control, and its extensive distributor network throughout China, Treyo will continue to promote the mahjong culture and in turn drive sales growth.

During the 2009 financial year and to the date of this report no dividends were recommended nor paid. The possible payment of a dividend to Shareholders is under current review by the Board, with a decision to be made and announced in the near future.

The Treyo Board is confident of continuing a profitable future for the Company.

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<sup>1</sup> Exchange rate: \$0.163:RMB1

## **Treyo Leisure and Entertainment Ltd and Controlled Entities**

### **ABN: 93 131 129 489**

#### **About Treyo Leisure and Entertainment Limited**

Treyo Leisure and Entertainment Ltd (Treyo) was listed on the Australian Stock 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, now a wholly owned subsidiary of Treyo, is a wholly foreign-owned limited liability company incorporated in the People's Republic of China

From its modern purpose built production facility ideally located in the Xiaoshan Business District south of Shanghai, Matsuoka designs, manufactures and markets automatic mahjong tables under the trade mark "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.

Treyo holds approximately 65% of the premium end of the market for automatic mahjong tables. The Company's 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.

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 2009
Prior Period	12 months ended 31 December 2008

**2. Results for announcement to the market**

<b>Consolidated Group</b>	<b>Item</b>		<b>\$</b>	<b>%</b>	<b>Change</b>		<b>\$</b>
Revenue – excluding interest received	<b>2.1</b>	down	5,228,049	(7%)	to		66,523,248
Profit after tax attributable to members	<b>2.2</b>	up	573,476	9%	to		7,189,930
Net Profit attributable to members	<b>2.3</b>	up	573,476	9%	to		7,189,930
Dividend	<b>2.4</b>	The Board has not recommended nor have paid any dividends during the 2009 financial year (refer item 6).					
The record date for determining entitlements to the dividend	<b>2.5</b>	N/A					
Explanatory information	<b>2.6</b>	For further information refer <b>Commentary on Results</b> which accompanies this announcement.					

Overview

The principal activity of Treyo Leisure and Entertainment Ltd and controlled entities ('Consolidated Group' or '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 the Consolidated 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 (HK) 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 (HK) Ltd (i.e. the entity whose equity interests have been acquired) and Treyo Leisure and Entertainment Ltd is seen to be acquire (i.e. the issuing entity).

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Overview of results

For the year ended 31 December 2009 sales revenue had decreased by 7% on the prior year, as a result of this increased competition.

Management have taken steps to reduce costs that have resulted in net profit after tax increasing by 9% compared to the prior year.

During the year the Directors and Senior Executives Options Plan ("Plan") was withdrawn as a result of the Board issuing revised forecasts results. The revised forecast reduced the Plan's effectiveness to provide long term incentives to directors and senior executives.

Financial Position

The net assets of the consolidated group have decreased by \$1,676,305 from 31 December 2008 to \$34,460,450 at 31 December 2009. This decrease has largely resulted from the following factors:

- i. \$8,866,235 decrease in foreign exchange reserve; offset by
- ii. \$7,189,930 profits after tax attributable to members;

The consolidated group's strong financial position has enabled the group maintain a healthy working capital ratio despite the decrease in foreign exchange reserve. The group's working capital, being current assets less current liabilities, has improved from \$21,299,702 in 2008 to \$23,856,599 in 2009.

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

There have been no significant changes in the state of affairs of the parent entity during the financial year. In the prior 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 2008 the company issued 259,999,998 ordinary shares to the shareholders of Treyo International Holding (HK) Ltd pursuant to a share purchase and sale agreement as purchase consideration resulting in Treyo International Holding (HK) Ltd became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") on 31 October 2008. Treyo International Holding (HK) Ltd shareholders received 26,000 Treyo Leisure and Entertainment Ltd shares for each Treyo International Holding (HK) 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 of the IPO.

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**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 \$nil (2008:\$9,191,914) was paid by Matsuoka Mechatronics (China) Co., Ltd to Songgang International Group Co. Ltd, prior to the acquisition date.

The cash flow forecast disclosed in the prospectus for the year ended 31 December 2009 assumed that a dividend payment of not less than 40% of after-tax profits will be paid to Shareholders. However, payment of this dividend was not guaranteed.

The Board has not recommended nor have paid any dividends during the year ended 31 December 2009.

**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**

**9. Net tangible assets per security<sup>(1)</sup>**

	<b>31 December 2009</b>	<b>31 December 2008</b>
Number of securities	311,080,000	311,080,000
Net tangible assets per security in cents	11	12

**10. Changes in controlled entities**

There have been no changes in controlled entities during the year ended 31 December 2009. In the prior year:

- 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*.

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**14. Additional information**

<u>Earnings per Share</u> <sup>(1)</sup>	<b>31 December 2009</b>	<b>31 December 2008</b>
Basic earnings per share in cents	2.3	22.3
Diluted earnings per share in cents	2.3	22.3

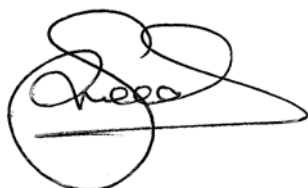
After Balance Date Events

There are 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 25<sup>th</sup> day of February 2010**

**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	3	66,523,248	71,751,297	-	-
Cost of goods sold		(51,535,722)	(54,608,191)	-	-
Gross Profit		14,987,526	17,143,106	-	-
Other income	3	834,393	598,282	-	-
Distributions and selling expenses		(3,765,670)	(6,085,843)	-	-
Administrative expenses		(4,056,312)	(4,036,291)	(104,861)	(902,148)
Equity based remuneration		-	(48,000)	-	(48,000)
Finance costs		(15,580)	(495,530)	(351)	(30)
Profit/(loss) before income tax	4	7,984,357	7,075,724	(105,212)	(950,178)
Income tax (expense)/benefit	5	(794,427)	(459,270)	-	279,653
Profit/(loss) from continuing operations attributable to ordinary equity holders		7,189,930	6,616,454	(105,212)	(670,525)
Other comprehensive income					
Exchange differences on translation of foreign operations		(8,866,235)	5,451,607	-	-
Total comprehensive income for the year		(1,676, 305)	12,068,061	(105,212)	(670,525)
<b>Earning per share (on profit attributable to ordinary equity holders)</b>		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share (cents per share)	8	2.3	22.3		
Diluted earnings per share (cents per share)	8	2.3	22.3		

The accompanying notes form part of these financial statements.

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**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009**

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	9	31,892,398	40,265,989	646,215	12,707,528
Trade and other receivables	10	3,205,036	3,490,284	11,314	68,682
Prepayments and other current assets	11	709,360	14,998	32,888	14,998
Inventories	12	4,083,982	6,068,970	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>39,890,776</b>	<b>49,840,241</b>	<b>690,417</b>	<b>12,791,208</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	13	-	-	32,808,445	22,440,840
Property, plant and equipment	15	10,033,027	13,955,699	-	-
Intangible assets	16	173,040	315,748	-	-
Deferred tax assets	20	397,784	565,606	397,784	565,606
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,603,851</b>	<b>14,837,053</b>	<b>33,206,229</b>	<b>23,006,446</b>
<b>TOTAL ASSETS</b>		<b>50,494,627</b>	<b>64,677,294</b>	<b>33,896,646</b>	<b>35,797,654</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	11,356,519	21,074,196	146,766	1,344,176
Notes payable	18	4,475,077	7,116,137	-	-
Financial liabilities	19	-	-	-	598,386
Current tax liabilities	20	202,581	350,206	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>16,034,177</b>	<b>28,540,539</b>	<b>146,766</b>	<b>1,942,562</b>
<b>TOTAL LIABILITIES</b>		<b>16,034,177</b>	<b>28,540,539</b>	<b>146,766</b>	<b>1,942,562</b>
<b>NET ASSETS</b>		<b>34,460,450</b>	<b>36,136,755</b>	<b>33,749,880</b>	<b>33,855,092</b>
<b>EQUITY</b>					
Issued capital	22	23,302,770	23,302,770	34,525,617	34,525,617
Foreign exchange translation reserve	23	(4,782,247)	4,083,988	-	-
Statutory general reserve	23	1,132,522	1,132,522	-	-
Retained earnings		14,807,405	7,617,475	(775,737)	(670,525)
<b>TOTAL EQUITY</b>		<b>34,460,450</b>	<b>36,136,755</b>	<b>33,749,880</b>	<b>33,855,092</b>

The accompanying notes form part of these financial statements.

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**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2009**

	Note	Share Capital Ordinary \$	Retained Earnings \$	Foreign Exchange Reserve \$	Statutory Reserves \$	Total \$
<b>Consolidated Group</b>						
<b>Balance at 1 January 2008</b>		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
Transfer to statutory reserves	23		(1,132,522)		1,132,522	-
Adjustments from translation of foreign controlled entities	23	-	-	5,451,607	-	5,451,607
<b>Sub-total</b>		<b>23,302,770</b>	<b>16,809,389</b>	<b>4,083,988</b>	<b>1,132,522</b>	<b>45,328,669</b>
Dividends paid or provided for	7	-	(9,191,914)	-	-	(9,191,914)
<b>Balance at 31 December 2008</b>		<b>23,302,770</b>	<b>7,617,475</b>	<b>4,083,988</b>	<b>1,132,522</b>	<b>36,136,755</b>
Profit attributable to members of parent entity		-	7,189,930	-	-	7,189,930
Adjustments from translation of foreign controlled entities	23	-	-	(8,866,235)	-	(8,866,235)
<b>Balance at 31 December 2009</b>		<b>23,302,770</b>	<b>14,807,405</b>	<b>(4,782,247)</b>	<b>1,132,522</b>	<b>34,460,450</b>

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**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2009**

	Note	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory Reserves	Total
		\$	\$	\$	\$	\$
<b>Parent entity</b>						
<b>Balance at 1 January 2008</b>		-	-	-	-	-
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)
<b>Balance at 31 December 2008</b>		<u>34,525,617</u>	<u>(670,525)</u>	-	-	<u>33,855,092</u>
Profit attributable to members of parent entity		-	(105,212)	-	-	(105,212)
<b>Balance at 31 December 2009</b>		<u><u>34,525,617</u></u>	<u><u>(775,737)</u></u>	-	-	<u><u>33,749,880</u></u>

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**STATEMENT OF CASH FLOW FOR YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		76,010,349	91,574,854	-	-
Payments to suppliers and employees		(73,072,046)	(64,857,618)	(1,061,299)	(479,831)
Interest received		391,076	598,282	121,370	-
Finance costs		(15,580)	(495,530)	(351)	(30)
Income tax paid		(862,052)	(388,717)	-	-
Net cash provided by (used in) operating activities	27	2,451,747	26,431,271	(940,280)	(479,861)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment in term deposit not classifies as cash or cash equivalents		-	-	-	-
Purchase of property, plant and equipment		(215,903)	(631,291)	-	-
Proceeds from sale of intangibles		-	-	-	-
Purchase of intangible assets		-	(94,224)	-	-
Loans to related parties		-	-	(10,367,605)	-
Loans to other entities		(11,960,110)	-	-	-
Loans repaid by other entities		10,648,729	-	-	-
Other		(1,456,416)	-	-	-
Net cash provided used in investing activities		(2,983,700)	(725,515)	(10,367,605)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares	22	-	12,705,548	-	12,704,001
Payments for share issue costs		(155,042)	(114,998)	(155,042)	(114,998)
Proceeds from related party loan		-	-	-	598,386
Repayment of related party loan		-	-	(598,386)	-
Repayment of borrowings		-	(4,659,181)	-	-
Dividends paid		-	(9,191,914)	-	-
Net cash provided by (used in) financing activities		(155,042)	(1,260,545)	(753,428)	13,187,389
Net increase in cash held		(686,995)	24,445,211	(12,061,313)	12,707,528
Cash at beginning of financial year	9	40,265,989	11,625,591	12,707,528	-
Effect of exchange rates on cash holdings in foreign currencies		(7,686,666)	4,195,187	-	-
<b>Cash at end of financial year</b>	<b>9</b>	<b>31,892,328</b>	<b>40,265,989</b>	<b>646,215</b>	<b>12,707,528</b>

The accompanying notes form part of these financial statements.

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# Treyo Leisure and Entertainment Ltd and Controlled Entities

## ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### 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' and 'Company'). 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.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. acquire 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.

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# Treyo Leisure and Entertainment Ltd and Controlled Entities

## ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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.

# Treyo Leisure and Entertainment Ltd and Controlled Entities

## ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

###### iii. *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.



# Treyo Leisure and Entertainment Ltd and Controlled Entities

## ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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) or value added tax (VAT).

**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. **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.

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 25<sup>th</sup> February 2010 by the board of directors.

# Treyo Leisure and Entertainment Ltd and Controlled Entities

## ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### 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 (HK) 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 of 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 acquire (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.

	<b>31 October 2008</b>
	<b>\$</b>
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 31 October 2008 are:

	<b>Fair Value</b>
	<b>\$</b>
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	(6,575,342)
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

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales revenue				
Sale of goods	66,523,248	71,751,297	-	-
Other income				
— Bank Interest received	391,076	598,282	-	-
— Government Grant	308,387	-	-	-
— Other income	134,930	-	-	-
	834,393	598,282	-	-

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**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 4: PROFIT FOR THE YEAR**

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
a. <b>Expenses</b>					
Finance costs:					
— Interest expense		-	486,130	-	-
— Bank charges		15,580	9,400	351	30
Total finance costs		15,580	495,530	351	30
Employee wages and benefits		4,690,493	3,993,313	138,144	32,229
Included in administrative expenses are:					
— Bad and doubtful trade receivables debts	10b	-	60,995	-	-
— Depreciation and amortisation		1,145,876	939,655	-	-
— Audit fees	6	187,072	130,000	30,000	20,000
— Loss on the disposal of property, plant and equipment		-	-	-	-
— Other expenses relating to the Initial Public Offering (IPO) and share issue		(360,612)	740,066	(360,612)	703,202

**NOTE 5: INCOME TAX EXPENSE**

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
a. The components of tax expense comprise:					
Current tax		794,427	738,923	-	-
Deferred tax	20	-	(279,653)	-	(279,653)
Current tax expense/(benefit)		794,427	459,270	-	(279,653)

The Australian assessable earning will be taxed at 30% (2008: 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 tax rate in Hong Kong is 17.5% (2008: 17.5%)

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 5: INCOME TAX EXPENSE (CONTINUED)**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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	1,997,674	1,724,416	-	-
— parent entity	-	-	(31,564)	(285,053)
Add:				
Tax effect of: other non-allowable items	122	18,399	122	5,400
Less:				
Tax effect of: Tax exemptions from the Peoples Republic of China	(1,250,785)	(1,290,531)	-	-
Tax effect of losses not brought into accounts as they do not meet the recognition criteria	47,416	6,986	31,442	-
Income tax attributable to entity	<u>794,427</u>	<u>459,270</u>	<u>-</u>	<u>(279,653)</u>
The applicable weighted average effective tax rates are as follows:	10%	6%	-%	(29%)

The change in the weighted average effective consolidated tax rate for 2009 is a result of consolidated profits offset by overseas tax exemptions.

**NOTE 6: AUDITORS' REMUNERATION**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	187,072	130,000	30,000	20,000
— taxation services	14,134	-	-	-
— due diligence services	-	125,000	-	125,000
	<u>201,206</u>	<u>255,000</u>	<u>30,000</u>	<u>145,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 7: DIVIDENDS**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Distributions paid	-	9,191,914	-	-

The Board has not recommended nor have paid any dividends during the year ended 31 December 2009.

In the prior year a dividend of \$9,191,914 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**

	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
a. Reconciliation of earnings to profit or loss		
Profit used to calculate basic EPS and dilutive EPS	7,189,930	6,616,454
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.	7,189,930	6,616,454
c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	311,008,000	29,684,995

**NOTE 9: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	28,625,919	40,265,989	646,215	12,707,528
Short term bank deposits	3,266,479	-	-	-
	<u>31,892,398</u>	<u>40,265,989</u>	<u>646,215</u>	<u>12,707,528</u>

At 31 December 2009 \$2,237,484 (2008: \$3,558,068) was held in an interest bearing short term deposit as a guarantee for notes payable (Note 18).

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 10: TRADE AND OTHER RECEIVABLES**

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
CURRENT		\$	\$	\$	\$
Trade receivables	10a	581,118	1,147,951	-	-
Less provision for impaired trade receivables	10a	(56,519)	(73,143)		
		524,599	1,074,808	-	-
Other receivables	10b	2,669,123	2,346,794	-	-
Goods & service tax receivable	10b	11,314	68,682	11,314	68,682
		<u>3,205,036</u>	<u>3,490,284</u>	<u>11,314</u>	<u>68,682</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 2009, trade receivables of \$324,706 (2008: \$94,707) were past due but not impaired. These relates to independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
30-90 days	303,840	94,707	-	-
90-180 days	20,866	-	-	-
Total	<u>324,706</u>	<u>94,707</u>	<u>-</u>	<u>-</u>

The other balances within trade receivables are not past due and do not contained 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

As at 31 December 2009, trade receivables of \$56,519 (2008: \$73,143) were impaired. These relates to individual customers which are in unexpectedly difficult economic situation. Movements in the provision for impairment of receivables are as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
At 1 January	73,143	-	-	-
Provision for impairment recognised	-	60,995	-	-
Exchange difference on translation	(16,624)	12,148	-	-
At 31 December	<u>56,519</u>	<u>73,143</u>	<u>-</u>	<u>-</u>

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 impaired. It is expected these balances will be received when demanded.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 10: TRADE AND OTHER RECEIVABLES (CONTINUED)**

d. Goods & service tax receivable

Goods & service tax ("GST") receivable relates to the GST recoverable on Australian incurred expenses and in the prior year included the GST recoverable on Australian incurred expenses and IPO costs (2008: \$68,682).

**NOTE 11: PREPAYMENTS AND OTHER CURRENT ASSETS**

CURRENT	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Prepayments	709,360	14,998	32,888	14,998

**NOTE 12: INVENTORIES**

CURRENT	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
At cost and net realisable value				
Raw materials and stores	1,927,216	3,666,681	-	-
Work in progress	500,762	524,779	-	-
Finished goods	1,656,004	1,877,510	-	-
	4,083,982	6,068,970	-	-

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

**NOTE 13: FINANCIAL ASSETS**

NON-CURRENT	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Unlisted investment in shares in controlled entities	2, 14	-	-	22,440,840	22,440,840
Advances to wholly-owned subsidiary, Treyo International Holdings (HK) Ltd		-	-	10,367,605	-
		-	-	32,808,445	22,440,840

Unlisted investment in shares in controlled entities

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.

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# Treyo Leisure and Entertainment Ltd and Controlled Entities

## ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### NOTE 14: CONTROLLED ENTITIES

a. <b>Controlled Entities Consolidated</b>	<b>Country of Incorporation</b>	<b>Percentage Owned (%)<sup>(1)</sup></b>	
		<b>2009</b>	<b>2008</b>
		%	%
Treyo Leisure and Entertainment Ltd	Australia	-	-
Subsidiaries of Treyo Leisure and Entertainment Ltd:			
Treyo International Holding (HK) Ltd <sup>(2)</sup>	Hong Kong	100%	100%
Matsuoka Mechatronics (China) Co., Ltd	Peoples Republic of China	100%	100%

<sup>(1)</sup> Percentage of voting power is in proportion to ownership

<sup>(2)</sup> 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. **Cross guarantee**

There is no deed of cross guarantee as at 31 December 2009 or 31 December 2008.

#### NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	<b>Land use Right</b>	<b>Building</b>	<b>Consolidated Group Motor Vehicle</b>	<b>Office Equipment</b>	<b>Plant &amp; Machinery</b>	<b>TOTAL</b>
	\$	\$	\$	\$	\$	\$
<b>31 December 2009</b>						
<b>Cost</b>						
At 1 January 2009	1,697,823	11,043,527	771,986	253,423	2,826,598	16,593,357
Additions	-	-	92,456	58,092	65,355	215,903
Exchange differences	(385,801)	(2,509,41)	(186,111)	(64,303)	(649,851)	(3,795,517)
<b>At 31 December 2009</b>	<b>1,312,022</b>	<b>8,534,076</b>	<b>678,331</b>	<b>247,212</b>	<b>2,242,102</b>	<b>13,013,743</b>
<b>Accumulated Depreciation</b>						
At 1 January 2009	192,420	1,394,870	285,222	87,124	678,022	2,637,658
Depreciation for the period	29,671	434,244	132,974	55,013	413,736	1,065,638
Exchange differences	(47,155)	(367,172)	(80,187)	(26,158)	(201,908)	(722,580)
<b>At 31 December 2009</b>	<b>174,936</b>	<b>1,461,942</b>	<b>338,009</b>	<b>115,977</b>	<b>889,850</b>	<b>2,980,716</b>
<b>Net book value</b>						
<b>At 31 December 2009</b>	<b>1,137,086</b>	<b>7,072,134</b>	<b>340,322</b>	<b>131,233</b>	<b>1,352,252</b>	<b>10,033,027</b>
At 31 December 2008	1,505,403	9,648,657	486,764	166,299	2,148,576	13,955,699

**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land use Right \$	Building \$	Consolidated Group Motor Vehicle \$	Office Equipment \$	Plant & Machinery \$	TOTAL \$
<b>31 December 2008</b>						
<b><u>Cost</u></b>						
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
<b>At 31 December 2008</b>	<b>1,697,823</b>	<b>11,043,527</b>	<b>771,986</b>	<b>253,423</b>	<b>2,826,598</b>	<b>16,593,357</b>
<b><u>Accumulated Depreciation</u></b>						
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
<b>At 31 December 2008</b>	<b>192,420</b>	<b>1,394,870</b>	<b>285,222</b>	<b>87,124</b>	<b>678,022</b>	<b>2,637,658</b>
<b><u>Net book value</u></b>						
<b>At 31 December 2008</b>	<b>1,505,403</b>	<b>9,648,657</b>	<b>486,764</b>	<b>166,299</b>	<b>2,148,576</b>	<b>13,955,699</b>
At 31 December 2007	1,131,168	7,455,308	409,511	118,604	1,349,169	10,463,760

**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 \$	Building \$	Consolidated Group Motor Vehicle \$	Office Equipment \$	Plant & Machinery \$	TOTAL \$
<b><u>Carrying amounts</u></b>						
At 1 January 2008	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
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
<b>At 31 December 2008</b>	<b>1,505,403</b>	<b>9,648,657</b>	<b>486,764</b>	<b>166,299</b>	<b>2,148,576</b>	<b>13,955,699</b>
At 1 January 2009	1,505,403	9,648,657	486,764	166,299	2,148,576	13,955,699
Additions	-	-	92,456	58,092	65,356	215,903
Depreciation expense	(29,671)	(434,244)	(132,974)	(55,013)	(413,736)	(1,065,638)
Exchange differences	(338,646)	(2,142,279)	(105,924)	(38,145)	(447,943)	(3,072,937)
<b>At 31 December 2009</b>	<b>1,137,086</b>	<b>7,072,134</b>	<b>340,322</b>	<b>131,233</b>	<b>1,352,252</b>	<b>10,033,027</b>

**Parent entity**

The parent entity does not hold any Property plant and equipment in the financial year ended 31 December 2009 and 31 December 2008.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 16: INTANGIBLE ASSETS**

	Consolidated Group					
	31 December 2009			31 December 2008		
	Patents and Trademarks	Software	Total	Patents and Trademarks	Software	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
At 1 January	412,765	105,415	518,180	293,994	-	293,994
Additions	-	-	-	10,575	87,908	98,483
Currency translation difference	(93,793)	(23,954)	(117,747)	108,196	17,507	125,703
At 31 December	<b>318,972</b>	<b>81,461</b>	<b>400,433</b>	412,765	105,415	518,180
<b>Accumulated amortisation and impairment</b>						
At 1 January	197,830	4,602	202,432	85,719	-	85,719
Amortisation in the period	71,027	9,211	80,238	67,697	3,838	71,535
Currency translation difference	(53,166)	(2,111)	(55,277)	44,414	764	45,178
At 31 December	<b>215,691</b>	<b>11,702</b>	<b>227,393</b>	197,830	4,602	202,432
<b>Net carrying value</b>						
31 December	<b>103,281</b>	<b>69,759</b>	<b>173,040</b>	214,935	100,813	315,748
<b>Carrying amount</b>						
At 1 January	214,935	100,813	315,748	208,276	-	208,276
Additions	-	-	-	10,575	87,908	98,483
Amortisation in the period	(71,027)	(9,211)	(80,238)	(67,697)	(3,838)	(71,535)
Currency translation difference	(40,627)	(21,843)	(62,470)	63,781	16,743	80,524
At 31 December	<b>103,281</b>	<b>69,759</b>	<b>173,040</b>	214,935	100,813	315,748

**Parent entity**

The parent entity does not hold any intangible assets in the financial year ended 31 December 2009 and 31 December 2008.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 17: TRADE AND OTHER PAYABLES**

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
CURRENT	\$	\$	\$	\$
Unsecured liabilities				
Trade payables	6,439,173	11,421,332	21,510	558,389
Sundry payables and accrued expenses	3,662,752	6,186,547	125,256	784,287
Value Added Tax (VAT) and other indirect taxes payable	442,093	675,499	-	-
Prepayments from customers	812,501	1,984,521	-	-
Net amount due to shareholders under IPO cancelled application	-	1,500	-	1,500
Amounts payable to:				
— Director, Guohua Wei	-	804,797	-	-
	11,356,519	21,074,196	146,766	1,344,176

**NOTE 18: NOTES PAYABLE**

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
CURRENT		\$	\$	\$	\$
Secured liabilities					
Notes payable	9	4,475,077	7,116,137	-	-

The notes payable mature from January 2010 to June 2010 (2008: from January 2009 to June 2009). The notes payable are guaranteed against interest bearing short term bank deposit of \$2,237,484 (2008: \$3,558,068) (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**

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
CURRENT	\$	\$	\$	\$
Unsecured liabilities				
Advances from wholly-owned subsidiary, Treyo International Holdings (HK) Ltd	-	-	-	598,386

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 20: TAX**

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>a. Liabilities</b>				
<b>CURRENT</b>				
Income Tax	202,581	350,206	-	-
<b>b. Assets</b>				
<b>NON-CURRENT</b>				
Deferred tax asset	397,784	565,606	397,784	565,606

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	\$	\$	\$	\$	\$	\$
<b>Consolidated Group</b>						
Deferred tax asset						
Balance at 1 January 2009	565,606	-	-	-	-	565,606
Transaction costs on equity issue	-	-	(185,822)	-	-	(185,822)
Other	-	-	-	-	-	-
<b>Balance at 31 December 2009</b>	565,606	-	(185,822)	-	-	397,784
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 \$47,416 (2008: \$39,916)	6,985	12,226	-	-	-	19,211
<b>Parent Entity</b>						
Deferred tax asset						
Balance at 1 January 2009	565,606	-	-	-	-	565,606
Transaction costs on equity issue	-	-	(185,822)	-	-	(185,822)
Other	-	-	-	-	-	-
<b>Balance at 31 December 2008</b>	565,606	-	(185,822)	-	-	397,784
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 \$31,422 (2008: \$nil)	-	9,433	-	-	-	9,433

**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 21: PROVISIONS**

The Consolidated Group and Parent Entity have no provisions at the 31 December 2009 (2008: \$nil). No employees are eligible for Long-term employee benefits at the 31 December 2009 (2008: \$nil).

**NOTE 22: ISSUED CAPITAL**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At the beginning of reporting period 311,008,000 (2008: 8,000,000) fully paid ordinary shares	23,302,770	11,216,446	34,525,617	-
Shares issued during the year	-	-	-	-
Shares issued during the prior year				
— 19 December 2008 <sup>(1)</sup>	-	12,702,000	-	12,702,000
— 19 December 2008 <sup>(2)</sup>	-	50,000	-	50,000
— 31 October 2008 <sup>(3)</sup>	-	-	-	22,440,840
— 23 May 2008 <sup>(4)</sup>	-	1	-	1
— 31 October 2008 <sup>(5)</sup>	-	1,547	-	-
Share issue costs during the prior year	-	(953,177)	-	(953,177)
Deferred tax benefit associated with the Share Issue Costs during the prior year	-	285,953	-	285,953
At the end of reporting period 311,008,000 (2008: 311,008,000) fully paid ordinary shares	23,302,770	23,302,770	34,525,617	34,525,617

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

<b>Ordinary shares</b>	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009 Number</b>	<b>2008 Number</b>	<b>2009 Number</b>	<b>2008 Number</b>
At the beginning of reporting period	311,008,000	8,000,000	311,008,000	-
Shares issued during the prior year	-	-	-	-
Shares issued during the prior year				
— 19 December 2008 <sup>(1)</sup>	-	50,808,000	-	50,808,000
— 19 December 2008 <sup>(2)</sup>	-	200,000	-	200,000
— 31 October 2008 <sup>(3)</sup>	-	251,999,998	-	259,999,998
— 23 May 2008 <sup>(4)</sup>	-	2	-	2
At reporting date	311,008,000	311,008,000	311,008,000	311,008,000

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# Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### NOTE 22: ISSUED CAPITAL (CONTINUED)

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

#### Performance Options

During the year the Board withdrew the Directors and Senior Executives Options Plan ("Plan") with the approval of the effected directors and senior executives.

Under the Plan the Board could offer directors and senior executives of the Company or its controlled entities corporate options which may be exercised for new ordinary shares. The Board had the discretion to set the issue price, exercise price and other conditions applying to the options. These terms and condition were 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.

No options have been issued under the Plan at as the reporting date (2008: nil).

#### 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



**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 22: 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 2009 and 31 December 2008 are as follows:

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total liabilities	16,034,177	28,540,539	146,766	1,942,562
Less: Cash and cash equivalent	(31,892,398)	(40,265,989)	(646,215)	(12,707,528)
Net liabilities/(net cash)	(15,855,221)	(11,725,450)	(499,449)	(10,764,966)
Total equity	34,460,450	36,136,755	33,855,092	33,855,092
(Net cash) to equity ratio	(46%)	(32%)	(1.5)%	(32%)

The increase in consolidated net cash – equity ratio during 2009 is primarily due to foreign exchange difference, and lower liabilities.

The decrease in parent entity's net cash – equity ratio during 2009 is primarily due to cash being transferred to a subsidiary, offset by lower liabilities.

**NOTE 23: 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 24: CAPITAL AND LEASING COMMITMENTS**

The Consolidated Group and Parent Entity have no capital or leasing commitments at the 31 December 2009 (2008: \$nil).

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**Treyo Leisure and Entertainment Ltd and Controlled Entities**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Consolidated Group and Parent Entity have no other contingent liabilities or contingent assets at the 31 December 2009 (2008: \$nil).

**Management services commitment**

During the prior year Matsuoka Mechatronics (China) Co., Ltd entered into an agreement for the provision of management services with China Finance and Investment Holding Ltd, a related party, amounting to \$nil (2008: \$42,270 (RMB200,000) per month). The term of the engagement was for the 12 months and ended on 31 December 2009.

**Advertisement commitments**

During the prior year Matsuoka Mechatronics (China) Co., Ltd 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 31 December 2009 the commitment remaining amounted to \$nil (2008: \$76,086).

**NOTE 26: SEGMENT REPORTING**

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 accessing performance and determining the allocation of resources.

Similar to the last reporting period ended 31 December 2008; the Group is currently managed primarily on the basis of geographical segments as the Group only has one business segment, being the business of manufacturing automatic Mahjong tables. The Geographical segments relate to three different countries, being China, Australia and Hong Kong.

**Geographical Segments**

	China \$	Hong Kong \$	Australia \$	Total \$
<b>31 December 2009</b>				
<b>REVENUE</b>				
Total revenue -external sales	66,523,248	-	-	66,523,248
<b>RESULT</b>				
Segment result	8,195,910	(91,112)	(104,861)	7,999,937
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(15,062)	(167)	(351)	(15,580)
Profit/(loss) before income tax	8,180,848	(91,279)	(105,212)	7,984,357
Income tax expense	(794,427)	-	-	(794,427)
Profit after income tax	7,386,421	(91,279)	(105,212)	7,189,930

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 26: SEGMENT REPORTING (CONTINUED)**

**Geographical Segments (continued)**

	China \$	Hong Kong \$	Australia \$	Total \$
<b>31 December 2009</b>				
<b>ASSETS</b>				
Segment assets	46,035,906	3,370,520	1,088,201	50,494,627
<b>LIABILITIES</b>				
Segment liabilities	15,887,411	-	146,766	16,034,177
Reconciliation of segmental assets to group assets				
Inter-segment eliminations				-
Total group assets from continuing operations				34,460,450
<b>OTHER</b>				
Depreciation and amortisation of segment assets	1,145,876	-	-	1,145,876
<b>31 December 2008</b>				
<b>REVENUE</b>				
Total revenue -external sales	71,751,297	-	-	71,751,297
<b>RESULT</b>				
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
<b>ASSETS</b>				
Segment assets	51,311,675	8,805	13,356,814	64,677,294
<b>LIABILITIES</b>				
Segment liabilities	26,391,384	804,979	1,344,176	28,540,539

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 26: SEGMENT REPORTING (CONTINUED)**

**Geographical Segments (continued)**

	China \$	Hong Kong \$	Australia \$	Total \$
<b>31 December 2008</b>				
Reconciliation of segmental assets to group assets				
Inter-segment eliminations				-
Total group assets from continuing operations				<u>36,136,755</u>
<b>OTHER</b>				
Depreciation and amortisation of segment assets	939,655	-	-	<u>939,655</u>

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.

**NOTE 27: CASH FLOW INFORMATION**

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>				
Profit/(loss) after income tax	7,189,929	6,616,454	(105,212)	(670,525)
Non-cash flows in profit				-
Amortisation	80,238	71,535	-	-
Depreciation	1,065,638	868,120	-	-
Net loss on disposal of property, plant and equipment	-	-	-	-
Equity Based remuneration	-	48,000	-	48,000
Net foreign exchange difference	1,966,769	(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	285,248	20,690,448	57,368	(68,682)
(Increase)/decrease in prepayments	(694,362)	(14,998)	(17,890)	(14,998)
(Increase)/decrease in inventories	1,984,988	(2,676,907)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 27: CASH FLOW INFORMATION (CONTINUED)**

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Increase/(decrease) in trade payables and accruals (excluding share issue costs balances)	(9,446,898)	3,315,200	(1,042,368)	505,997
Increase/(decrease) in income taxes payable	(147,625)	350,206	-	-
(Increase)/decrease in deferred tax asset balances	167,822	(279,653)	167,822	(279,653)
Cashflow from operations	<u>2,451,747</u>	<u>26,431,271</u>	<u>(940,280)</u>	<u>(479,861)</u>

**b. Acquisition of Entities**

During the prior 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 arising 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.

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.

**Non-cash Financing and Investing Activities**

Share issue

In the prior year 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.

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