

**Treyo Leisure and Entertainment Limited and Controlled Entities**

ABN: 93 131 129 489



**APPENDIX 4E  
PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### Appendix 4E Commentary on Full Year 2012 Results

The Board of Treyo Leisure and Entertainment Ltd submits the Company's fifth Appendix 4E – Preliminary Final Report to the ASX, since listing in January 2009.

Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the 2012 financial year (ended 31 December 2012). It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs January to December each year.

During the year the Treyo Group disposed of its wholly owned China based subsidiary, Hangzhou Shouken Electric Co. Ltd ("Shouken"). The results from Treyo's continued operation for the year ended 31 December 2012 do not include any Shouken results as these are shown separately as discontinued operations on the face of the Consolidated Statements of Profit and Loss and Other Comprehensive Income. In order to understand the underlying changes in the Treyo Group, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., the reader of this report must consider the impact Shouken has on certain prior year figures, and that the 2011 figures disclosed in the financial statement comparatives include the results and balances of Shouken.

The Treyo Group realised an after tax profit of \$AUD4.8 million for the 2012 financial year which represents a decrease of 5% on the previous year, including Shouken. The underlying results from continued operations show an **increase** of \$AUD0.5 million or **10%** on the previous year, excluding Shouken. As a result of the weakening of the Chinese Renminbi, the Company incurred foreign exchange loss on translation of foreign operation of \$AUD0.6 million compared to profits the last year of \$AUD1.3 million. Treyo's working capital remains strong at \$AUD31.3 million. The Company's cash and cash equivalents reserves remain strong at \$AUD38.9 million.

#### Corporate Results Summary

For the 2012 year, the Treyo Group, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., achieved:

- **Group revenue for the year (excluding interest received) was up by 9% to \$AUD68.3 million compared to 2011 revenue of \$AUD62.9 million (excluding Shouken).**
- Treyo's unit sales **increased by 8.29%** over 2011. This was as a result of **solid sales growth** by Treyo branded products in the marketplace, with Treyo, as market leader, being much sought after by consumers.
- Group NPAT of **\$AUD4.8 million. An increase of 10% over the previous year NPAT of \$AUD4.4 million (excluding Shouken);**
- Foreign exchange translation loss impacting on comprehensive income of \$AUD0.6 million;
- Continuing **strong cash reserves of \$AUD38.9 million**, despite the strong Australian dollar;
- Strong working capital of \$AUD31.3 million at 31 December 2012.

As the world's largest manufacturer of automated mahjong tables, Treyo continues to grow its market share despite strong competitive pressures. Treyo's mahjong table sales revenues alone, increased by 9% over the prior year.

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

During the 2012 financial year and to the date of this report no dividends were recommended nor paid. The Treyo Board is confident of continuing a profitable future for the Company.



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### Commentary on Full Year 2012 Results (continued)

#### 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 near Shanghai, Matsuoka designs, manufactures and markets automatic mahjong tables under the trade mark "Treyo".

Treyo through its subsidiary Matsuoka, is the industry leader. Treyo has grown rapidly to become the largest automated mahjong table manufacturer in the world.

The Treyo Group's success is a result of its innovation, technical excellence, advanced manufacturing processes, and a commitment to quality, outstanding customer service and brand development.

For further information please contact:

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### APPENDIX 4E

#### PRELIMINARY FINAL REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2012

The following information is given to ASX under listing rule 4.3A.

#### 1. Reporting period

|                |                                  |
|----------------|----------------------------------|
| Current Period | 12 months ended 31 December 2012 |
| Prior Period   | 12 months ended 31 December 2011 |

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

| Consolidated Group   | Item | % Change   |           |      |    |            |
|--|------|--|-----------|------|----|------------|
|  |      | \$   |           |      | \$ |            |
| Revenue – excluding interest received                        | 2.1  | down   | 3,002,071 | (4%) | to | 68,286,879 |
| Profit after tax attributable to members                     | 2.2  | down   | 247,612   | (5%) | to | 4,836,211  |
| Net Profit attributable to members                           | 2.3  | down   | 247,612   | (5%) | to | 4,836,211  |
| Dividend   | 2.4  | The Board has not recommended nor have paid any dividends during the 2012 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 <b>Commentary on Results</b> which accompanies this announcement.          |           |      |    |            |

#### Overview

During the year Treyo Leisure and Entertainment Ltd disposed of its 100% subsidiary, Hangzhou Shouken Electric Co. Ltd, ("Shouken").

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 and until Shouken's disposal (effective date 30 June 2012), premium-end massage and physical exercise equipment.

Since 1 July 2012, the Group now operates in one business segment, automated Mahjong tables, with all 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 other 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.



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#### PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

##### Overview of results

| <b>Consolidated Group (excluding Shouken)</b> | <b>2012 (excluding Shouken)</b> | <b>% Change</b> | <b>2011 (excluding Shouken)</b> |
|---|---------------------------------|-----------------|---------------------------------|
|   | <b>\$</b>                       |                 | <b>\$</b>                       |
| Revenue – excluding interest received         | 68,286,879                      | 9%              | 62,851,928                      |
| Profit after tax attributable to members      | 4,869,550                       | 10%             | 4,410,290                       |
| Net Profit attributable to members            | 4,869,550                       | 10%             | 4,410,290                       |

For the year ended 31 December 2012 sales revenue and net profit after tax on continuing operations have increased by \$5,434,951 (9% compared to 2011), and \$459,260 (10% compared to 2011) respectively on the prior year, as a result of a 8% increase in Mahjong tables units sold by Treyo. Total sales revenue and net profit after tax decreased by 4% and 5% respectively on the prior year as a result of discontinued operations; the disposed subsidiary, Hangzhou Shouken Electric Co. Ltd, ("Shouken"). Shouken sales for prior year amounted to \$8,427,022 and net profit after tax amounted to \$673,533.

##### Financial Position

The net assets of the consolidated group have increased by \$4,206,849 from \$40,486,007 at 31 December 2011 to \$44,692,856 at 31 December 2012. This increase has largely resulted from the following factors:

- \$4,836,211 profits after tax attributable to members; offset by
- \$629,362 increase in foreign exchange loss reserve.

The net assets of the consolidated group, excluding Shouken, have increased by \$6,709,511 from \$37,983,345 (excluding Shouken) at 31 December 2011 to \$44,692,856 at 31 December 2012.

The consolidated Group's strong financial position has enabled the group to maintain a healthy working capital ratio. The group's working capital, being current assets less current liabilities, has increased from \$25,605,010 in 2011 to \$31,276,314 in 2012.

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

During the year Treyo Leisure and Entertainment Ltd disposed of a wholly owned subsidiary, Shouken, a premium-end massage and physical exercise equipment manufacturer, which it acquired in the prior year.

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

**3. Income Statement – see accompanying preliminary financial statements**

**4. Balance Sheet – see accompanying preliminary financial statements**

**5. Cashflow Statement – see accompanying preliminary financial statements**



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#### 6. Dividends Paid or Recommended

The Board has not recommended nor paid any dividends during the year ended 31 December 2012.

#### 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

|   | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| Number of securities                      | 311,008,000      | 311,008,000      |
| Net tangible assets per security in cents | 14.0             | 13.0             |

#### 10. Changes in controlled entities

During the year Treyo Leisure and Entertainment Ltd disposed of its 100% subsidiary, Shouken, which it acquired in the prior year.

There have been no other changes in controlled entities during the year ended 31 December 2012 nor in the prior year.

#### 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

| <u>Earnings per Share on continuing operations</u> | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| Basic earnings per share in cents                  | 1.57             | 1.63             |
| Diluted earnings per share in cents                | 1.57             | 1.63             |

#### 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.



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### 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:

A handwritten signature in black ink, appearing to read "Roger Smeed", written over a horizontal line. The signature is stylized and somewhat abstract.

Roger Smeed – Deputy Chairman

Dated this 27<sup>th</sup> day of February 2013

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## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2012

|   | Note | 2012<br>\$   | 2011<br>\$   |
|---|------|--------------|--------------|
| <b>Continuing operations</b>  |      |              |              |
| Revenue   | 2    | 68,286,879   | 71,288,950   |
| Cost of goods sold  |      | (51,956,548) | (54,492,261) |
| Gross profit  |      | 16,330,331   | 16,796,689   |
| Other income  | 2    | 1,725,694    | 1,611,608    |
| Loss recognised on sale of subsidiary   | 14   | (234,679)    | -            |
| Distributions and selling expenses  |      | (3,752,898)  | (4,077,922)  |
| Administrative expenses   |      | (7,864,676)  | (7,646,246)  |
| Finance costs   |      | (373,105)    | (455,476)    |
| Profit/(loss) before income tax   | 3    | 5,830,667    | 6,228,653    |
| Income tax expense  | 4    | (961,117)    | (1,144,830)  |
| Profit/(loss) from continuing operations                                      |      | 4,869,550    | 5,083,823    |
| <b>Discontinuing operations</b>   |      |              |              |
| Profit/(loss) from discontinuing operations                                   | 14   | (33,339)     | -            |
| <b>PROFIT FOR THE YEAR</b>  |      | 4,836,211    | 5,083,823    |
| Other comprehensive income  |      |              |              |
| Exchange differences on translation of foreign operations                     |      | (629,362)    | 1,275,519    |
| Total comprehensive income for the year                                       |      | 4,206,849    | 6,359,342    |
| Profit attributable to members of the parent entity                           |      | 4,836,211    | 5,083,823    |
| Total comprehensive income attributable to members of the parent entity       |      | 4,206,849    | 6,359,342    |
| <b>Earnings per share (on profit attributable to ordinary equity holders)</b> |      |              |              |
|   |      | <b>Cents</b> | <b>Cents</b> |
| Basic earnings per share (cents per share) on continuing operations           | 7    | 1.57         | 1.63         |
| Diluted earnings per share (cents per share) on continuing operations         | 7    | 1.57         | 1.63         |

The accompanying notes form part of these financial statements.





## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

|                                      | Note | 2012<br>\$        | 2011<br>\$        |
|--------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                        |      |                   |                   |
| <b>CURRENT ASSETS</b>                |      |                   |                   |
| Cash and cash equivalents            | 8    | 38,861,335        | 33,723,184        |
| Trade and other receivables          | 9    | 1,717,257         | 917,630           |
| Prepayments and other current assets | 10   | 5,195,992         | 6,473,807         |
| Inventories                          | 11   | 3,702,475         | 6,500,772         |
| Held to maturity financial assets    | 12   | 9,156,000         | 9,295,372         |
| Current tax receivable               | 20   | -                 | 35,587            |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>58,633,059</b> | <b>56,946,352</b> |
| <b>NON-CURRENT ASSETS</b>            |      |                   |                   |
| Prepayments and other current assets | 10   | 1,153,198         | 1,174,432         |
| Long term investment                 | 10   | -                 | 49,405            |
| Property, plant and equipment        | 15   | 11,748,131        | 13,105,979        |
| Intangible assets                    | 16   | 117,429           | 153,397           |
| Deferred tax assets                  | 20   | 397,784           | 397,784           |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>13,416,542</b> | <b>14,880,997</b> |
| <b>TOTAL ASSETS</b>                  |      | <b>72,049,601</b> | <b>71,827,349</b> |
| <b>CURRENT LIABILITIES</b>           |      |                   |                   |
| Trade and other payables             | 17   | 17,192,423        | 22,278,649        |
| Notes payable                        | 18   | 5,325,740         | 4,430,993         |
| Financial liabilities                | 19   | 4,578,000         | 4,631,700         |
| Current tax liabilities              | 20   | 260,582           | -                 |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>27,356,745</b> | <b>31,341,342</b> |
| <b>TOTAL LIABILITIES</b>             |      | <b>27,356,745</b> | <b>31,341,342</b> |
| <b>NET ASSETS</b>                    |      | <b>44,692,856</b> | <b>40,486,007</b> |
| <b>EQUITY</b>                        |      |                   |                   |
| Issued capital                       | 22   | 23,302,770        | 23,302,770        |
| Foreign exchange translation reserve | 23   | (7,401,592)       | (6,772,230)       |
| Statutory general reserve            | 23   | 1,132,522         | 1,132,522         |
| Retained earnings                    |      | 27,659,156        | 22,822,945        |
| <b>TOTAL EQUITY</b>                  |      | <b>44,692,856</b> | <b>40,486,007</b> |

The accompanying notes form part of these financial statements.

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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2012

| Note                               | Share<br>Capital<br>Ordinary | Retained<br>Earnings | Foreign<br>Exchange<br>Reserve | Statutory<br>Reserves | Total      |
|------------------------------------|------------------------------|----------------------|--------------------------------|-----------------------|------------|
|                                    | \$                           | \$                   | \$                             | \$                    | \$         |
| <b>Balance at 31 December 2010</b> | 23,302,770                   | 17,739,122           | (8,047,749)                    | 1,132,522             | 34,126,665 |
| Total comprehensive income         | -                            | 5,083,823            | 1,275,519                      | -                     | 6,359,342  |
| <b>Balance at 31 December 2011</b> | 23,302,770                   | 22,822,945           | (6,772,230)                    | 1,132,522             | 40,486,007 |
| Total comprehensive income         | -                            | 4,836,211            | (629,362)                      | -                     | 4,206,849  |
| <b>Balance at 31 December 2012</b> | 23,302,770                   | 27,659,156           | (7,401,592)                    | 1,132,522             | 44,692,856 |

The accompanying notes form part of these financial statements.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### CONSOLIDATED STATEMENT OF CASH FLOW FOR YEAR ENDED 31 DECEMBER 2012

|   | Note     | 2012<br>\$        | 2011<br>\$        |
|---|----------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |          |                   |                   |
| Receipts from customers   |          | 68,528,502        | 74,246,345        |
| Payments to suppliers and employees                                   |          | (58,363,910)      | (66,102,796)      |
| Interest received   |          | 1,353,598         | 1,091,839         |
| Finance costs   |          | (373,105)         | (455,476)         |
| Income tax paid   |          | (649,752)         | (1,409,362)       |
| Net cash provided by operating activities                             | 27       | 10,495,333        | 7,370,550         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |          |                   |                   |
| Investment in term deposit not classified as cash or cash equivalents |          | -                 | -                 |
| Purchase of property, plant and equipment                             |          | (435,871)         | (517,007)         |
| Proceeds from sale of property, plant and equipment                   |          | 12,505            | 57,927            |
| Purchase of intangible assets   |          | -                 | (11,171)          |
| Purchase of investments   |          | -                 | (20,661)          |
| Purchase of subsidiary, net cash acquired                             |          | -                 | 2,723,108         |
| Disposal of subsidiary, net cash outflow                              | 14       | (3,292,395)       | -                 |
| Loans to other entities   |          | (1,223,954)       | -                 |
| Loans repaid by other entities  |          | -                 | 1,161,804         |
| Net cash provided by (used in) investing activities                   |          | (4,939,715)       | 3,394,000         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |          |                   |                   |
| Proceeds of borrowings  |          | -                 | 4,631,700         |
| Repayment of borrowings   |          | -                 | (10,390,398)      |
| Net cash used in financing activities                                 |          | -                 | (5,758,698)       |
| Net increase in cash held   |          | 5,555,618         | 5,005,852         |
| Cash at beginning of financial year                                   | 8        | 33,723,184        | 28,054,338        |
| Effect of exchange rates on cash holdings in foreign currencies       |          | (417,467)         | 662,994           |
| <b>Cash at end of financial year</b>                                  | <b>8</b> | <b>38,861,335</b> | <b>33,723,184</b> |

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 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 13 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 2012

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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 as 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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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 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:

| 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 re-valued 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.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

ABN: 93 131 129 489

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

#### *De-recognition*

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.

#### 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.





## Treyo Leisure and Entertainment Ltd and Controlled Entities

ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

##### 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.

##### 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 cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

##### j. Provisions

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

##### k. Provision for Warranties

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

##### l. Cash and Cash Equivalents

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





## Treyo Leisure and Entertainment Ltd and Controlled Entities

ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

##### 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).

##### 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. Government grants

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

##### q. Trade and other payables

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

##### r. Earnings per share

###### (i) Basic earnings per share

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

###### (ii) Diluted earnings per share

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

##### s. Comparative Figures

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



## Treyo Leisure and Entertainment Ltd and Controlled Entities

ABN: 93 131 129 489

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

#### t. Critical Accounting Estimates and Judgments

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

##### *Key Estimates — Impairment*

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

The preliminary financial report was authorised for issue on 27<sup>th</sup> February 2013 by the board of directors.

#### u. Changes in accounting policies

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the Group, including:

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* which requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its half-year financial statements.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 2: REVENUE

|                         | Note | 2012<br>\$ | 2011<br>\$ |
|-------------------------|------|------------|------------|
| Sales revenue           |      |            |            |
| Sale of goods           |      | 68,286,879 | 71,288,950 |
| Other income            |      |            |            |
| —Bank Interest received |      | 1,353,598  | 1,091,839  |
| —Other income           |      | 372,096    | 519,769    |
|                         |      | 1,725,694  | 1,611,608  |

#### NOTE 3: PROFIT FOR THE YEAR

| Expenses   | Note | 2012<br>\$ | 2011<br>\$ |
|--|------|------------|------------|
| Finance costs:   |      |            |            |
| — Interest expense   |      | 348,250    | 407,183    |
| — Bank charges   |      | 24,855     | 48,293     |
| Total finance costs  |      | 373,105    | 455,476    |
| Employee wages and benefits                                    |      | 5,480,678  | 4,954,680  |
| Included in administrative expenses are:                       |      |            |            |
| — Bad and doubtful trade receivables debts                     | 9b   | -          | -          |
| — Depreciation and amortisation                                |      | 1,009,028  | 1,145,287  |
| — Audit fees   | 5    | 130,000    | 158,500    |
| — (Gain)/loss on the disposal of property, plant and equipment |      | -          | -          |
|  |      | -          | -          |

#### NOTE 4: INCOME TAX EXPENSE

|  | Note | 2012<br>\$ | 2011<br>\$ |
|--|------|------------|------------|
| a. The components of tax expense comprise: |      |            |            |
| Current tax                                |      | 961,117    | 1,144,830  |
| Deferred tax                               | 20   | -          | -          |
| Current tax expense/(benefit)              |      | 961,117    | 1,144,830  |

The Australian assessable earning will be taxed at 30% (2011: 30%).

With regards to Chinese assessable earnings Matsuoka, as a high-technology company, was granted a tax exemption resulting in Matsuoka tax rates being reduced from the 25% standard rate to 15% for three years, from 31 December 2011 to 31 December 2013.

The tax rate in Hong Kong is 16.5% (2011: 16.5%)



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 4: INCOME TAX EXPENSE (CONTINUED)

|   | 2012           | 2011             |
|---|----------------|------------------|
|   | \$             | \$               |
| b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: |                |                  |
| Prima facie tax payable on profit from ordinary activities before income tax at local tax rates                         |                |                  |
| — consolidated group  | 1,341,207      | 1,584,144        |
| — parent entity   | -              | -                |
| Add:  |                |                  |
| Tax effect of: other non-allowable items  | 65,117         | 75,175           |
| Less:   |                |                  |
| Tax effect of tax exemptions from the People's Republic of China  | (571,553)      | (745,057)        |
| Tax effect of losses not brought into accounts as they do not meet the recognition criteria                             | 126,346        | 230,568          |
| Income tax attributable to entity   | <u>961,117</u> | <u>1,144,830</u> |
| The applicable weighted average effective tax rates are as follows:   | 20%            | 18%              |

The change in the weighted average effective consolidated tax rate for 2012 is a result of consolidated profits including the profit in sale of subsidiary, offset by overseas tax exemptions.

#### NOTE 5: AUDITORS' REMUNERATION

|   | 2012           | 2011           |
|---|----------------|----------------|
|   | \$             | \$             |
| Remuneration of the auditor of the parent entity for: |                |                |
| —auditing or reviewing the financial report           | 130,000        | 158,500        |
| —taxation services                                    | 2,500          | 5,000          |
|   | <u>132,500</u> | <u>163,500</u> |

#### NOTE 6: DIVIDENDS

The Board has not recommended nor paid any dividends during the year ended 31 December 2012 or 31 December 2011.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 7: EARNINGS PER SHARE

|  | 2012        | 2011        |
|--|-------------|-------------|
|  | \$          | \$          |
| a. Reconciliation of earnings to profit or loss  |             |             |
| Profit used to calculate basic EPS and dilutive EPS  | 4,869,550   | 5,083,823   |
| b. Reconciliation of earnings to profit or loss from continuing operations   |             |             |
| Profit for the year  | 4,836,211   | 5,083,823   |
| Less: Loss/(Profit) for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations | 33,339      | -           |
| Profit from continuing operations used to calculate basic EPS from continuing operations and dilutive EPS.                                     | 4,869,550   | 5,083,823   |
| c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS                       | 311,008,000 | 311,008,000 |

#### NOTE 8: CASH AND CASH EQUIVALENTS

|                          | 2012              | 2011              |
|--------------------------|-------------------|-------------------|
|                          | \$                | \$                |
| Cash at bank and in hand | 29,060,310        | 31,485,959        |
| Short term bank deposits | 9,801,025         | 2,237,225         |
|                          | <u>38,861,335</u> | <u>33,732,184</u> |

At 31 December 2012 \$3,849,625 (2011: \$2,219,383) was held in an interest bearing short term deposit as a guarantee for notes payable (see Note 18).

#### NOTE 9: TRADE AND OTHER RECEIVABLES

|   | 2012             | 2011           |
|---|------------------|----------------|
|   | \$               | \$             |
| CURRENT                                       |                  |                |
| Trade receivables                             | 9a 870,412       | 622,750        |
| Less provision for impaired trade receivables | 9b (52,811)      | (43,777)       |
|   | 817,601          | 578,973        |
| Other receivables                             | 9c 892,386       | 333,028        |
| Goods & service tax receivable                | 9d 7,270         | 5,629          |
|   | <u>1,717,257</u> | <u>917,630</u> |



## Treyo Leisure and Entertainment Ltd and Controlled Entities

ABN: 93 131 129 489

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2012, trade receivables of \$641,486 (2011: \$169,516) 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 |                |
|----------------|--------------------|----------------|
|                | 2012               | 2011           |
|                | \$                 | \$             |
| 30-90 days     | 598,844            | 91,397         |
| 91-180 days    | 21,324             | 17,681         |
| 181-365 days   | 6,344              | 49,055         |
| 365 days above | 14,974             | 11,384         |
| Total          | <u>641,486</u>     | <u>169,517</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 2012, trade receivables of \$52,811 (2011: \$43,777) 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:

|                                     | 2012          | 2011          |
|-------------------------------------|---------------|---------------|
|                                     | \$            | \$            |
| At 1 January                        | 43,777        | 51,641        |
| Provision for impairment recognised | -             | -             |
| Exchange difference on translation  | 9,034         | (7,864)       |
| At 31 December                      | <u>52,811</u> | <u>43,777</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.

d. Goods & service tax receivable

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



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 10: PREPAYMENTS AND OTHER CURRENT ASSETS

|                                   | 2012      | 2011      |
|-----------------------------------|-----------|-----------|
|                                   | \$        | \$        |
| CURRENT                           |           |           |
| Prepayments                       | 5,195,992 | 6,473,807 |
| NON CURRENT                       |           |           |
| Deposit paid for land acquisition | 1,153,198 | 1,174,432 |
| Long term investments             | -         | 49,405    |

#### NOTE 11: INVENTORIES

|                                  | 2012      | 2011      |
|----------------------------------|-----------|-----------|
|                                  | \$        | \$        |
| CURRENT                          |           |           |
| At cost and net realisable value |           |           |
| Raw materials and stores         | 2,080,533 | 3,654,713 |
| Work in progress                 | 499,560   | 557,502   |
| Finished goods                   | 1,423,840 | 2,659,256 |
| Provision for stock obsolescence | (301,458) | (370,699) |
|                                  | 3,702,475 | 6,500,772 |

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

#### NOTE 12: FINANCIAL ASSETS

|                                   | 2012      | 2011      |
|-----------------------------------|-----------|-----------|
|                                   | \$        | \$        |
| CURRENT                           |           |           |
| Held to maturity financial assets | 9,156,000 | 9,295,372 |

During the year, the Group placed a sum of \$9,156,000 (2011: \$9,295,372) to be held-to-maturity with Agricultural Bank of China for the bank to lend to other parties. The term of the placement is one year ending on 17 May 2013 (2011: 23 May 2012) and earns interest at 8.5% (2011: 8.5%) per annum.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### NOTE 13: CONTROLLED ENTITIES

| a. Controlled Entities Consolidated                  | Country of Incorporation  | Percentage Owned (%) <sup>(1)</sup> |           |
|--|---------------------------|-------------------------------------|-----------|
|  |                           | 2012<br>%                           | 2011<br>% |
| 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%      |
| Hangzhou Shouken Electric Co.Ltd                     | Peoples Republic of China | -                                   | 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 and previously of Hangzhou Shouken Electric Co.Ltd.

#### b. Disposal of Controlled Entities

Pursuant to a share transfer agreement dated 23 April 2012, Hangzhou Shouken Electric Co.Ltd ("Shouken") a wholly owned subsidiaries of Treyo Leisure and Entertainment Ltd ("Treyo") was disposed on effective date of 30 June 2012. Refer to Note 14 for details of discontinued operations.

#### c. Acquisition of Controlled Entities

On 21 July 2011 the parent entity acquired 100% of Shouken.

Pursuant to a share purchase and sale agreement dated 12 July 2011, Shouken became a wholly owned subsidiary of Treyo on 21 July 2011.

|  |                   |
|--|-------------------|
|  | <b>2011</b>       |
|  | <b>\$</b>         |
| Purchase price is to be paid to Tak Chuan Limited              | 1,680,000         |
|  | <hr/>             |
| The assets and liabilities of Shouken as at 21 July 2011 were: | <b>Fair Value</b> |
|  | <b>\$</b>         |
| Cash and cash equivalents                                      | 2,723,108         |
| Trade and other receivables                                    | 975,459           |
| Inventory  | 2,396,835         |
| Plant and equipment  | 600,590           |
| Intangible Assets  | 169,251           |
| Long term investments  | 28,744            |
| Total assets   | 6,893,987         |
| Trade and other payables                                       | (3,776,808)       |
| Short term loan  | (1,437,179)       |
| Total net assets acquired                                      | <u>1,680,000</u>  |

#### d. Cross guarantee

There is no deed of cross guarantee as at 31 December 2012 or 31 December 2011.





## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 14: DISCONTINUED OPERATIONS

Pursuant to a share transfer agreement dated 23 April 2012, Hangzhou Shouken Electric Co.Ltd ("Shouken") a wholly owned subsidiaries of Treyo Leisure and Entertainment Ltd ("Treyo") was disposed on effective date of 30 June 2012. The profit and loss of Shouken has been reported in these financial statements as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

##### a. Financial Performance

|  | 2012        | 2011 |
|--|-------------|------|
|  | \$          | \$   |
| Revenue  | 7,665,510   | -    |
| Expenses   | (7,621,206) | -    |
| Profit before income tax                         | 44,304      | -    |
| Income tax expense                               | (77,643)    | -    |
| Loss after income tax of discontinued operations | (33,339)    | -    |
| Loss on sale of subsidiary                       | (234,679)   | -    |
| Loss from discontinued operations                | (268,018)   | -    |

##### b. Details of the sale of subsidiary

|                                      |             |   |
|--------------------------------------|-------------|---|
| Consideration received or receivable | 2,213,731   | - |
| Carrying amount of net assets sold   | (2,448,410) | - |
| Loss on sale of subsidiary           | (234,679)   | - |

##### c. Details of assets and liabilities

|                             |             |             |
|-----------------------------|-------------|-------------|
| Cash and cash equivalents   | 3,292,395   | 3,705,558   |
| Trade and other receivables | 1,249,763   | 1,251,267   |
| Inventory                   | 1,602,540   | 1,963,972   |
| Plant and equipment         | 721,930     | 645,190     |
| Intangible Assets           | 29,042      | 18,045      |
| Long term investments       | 49,824      | 49,405      |
| Total assets                | 6,945,494   | 7,633,437   |
| Trade and other payables    | (4,497,084) | (5,130,775) |
| Short term loan             | -           | -           |
| Total net assets disposed   | 2,448,410   | 2,502,662   |



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

##### Movements in Carrying Amounts

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

|   | Land use<br>Right<br>\$ | Buildings<br>\$   | Motor<br>Vehicles<br>\$ | Office<br>Equipment<br>\$ | Plant &<br>Machinery<br>\$ | TOTAL<br>\$       |
|---|-------------------------|-------------------|-------------------------|---------------------------|----------------------------|-------------------|
| <b>31 December 2012</b>                   |                         |                   |                         |                           |                            |                   |
| <b>Cost</b>                               |                         |                   |                         |                           |                            |                   |
| At 1 January 2012                         | 1,240,254               | 12,096,793        | 997,211                 | 515,545                   | 3,735,459                  | 18,585,262        |
| Additions                                 | -                       | 114,550           | 230,443                 | 75,876                    | 15,002                     | 435,871           |
| De-recognition on disposal of subsidiary  | -                       | -                 | (150,424)               | (128,987)                 | (1,397,362)                | (1,676,773)       |
| Disposals                                 | -                       | -                 | (105,303)               | -                         | -                          | (105,303)         |
| Exchange differences                      | (14,380)                | (140,251)         | (8,567)                 | 17,727                    | 187,548                    | 42,077            |
| <b>At 31 December 2012</b>                | <b>1,225,874</b>        | <b>12,071,092</b> | <b>963,360</b>          | <b>480,161</b>            | <b>2,540,647</b>           | <b>17,281,134</b> |
| <b>Accumulated Depreciation</b>           |                         |                   |                         |                           |                            |                   |
| At 1 January 2012                         | 214,978                 | 2,286,858         | 429,418                 | 294,009                   | 2,254,020                  | 5,479,283         |
| Depreciation for the period               | 24,550                  | 561,635           | 174,129                 | 72,126                    | 176,588                    | 1,009,028         |
| Elimination on disposals of subsidiary    | -                       | -                 | (39,381)                | (68,159)                  | (847,302)                  | (954,842)         |
| Depreciation on disposal                  | -                       | -                 | (92,798)                | -                         | -                          | (92,798)          |
| Exchange differences                      | (2,526)                 | (43,602)          | 14,477                  | 11,626                    | 112,357                    | 92,332            |
| <b>At 31 December 2012</b>                | <b>237,002</b>          | <b>2,804,891</b>  | <b>485,845</b>          | <b>309,602</b>            | <b>1,695,663</b>           | <b>5,533,003</b>  |
| <b>Net book value</b>                     |                         |                   |                         |                           |                            |                   |
| <b>At 31 December 2012</b>                | <b>988,872</b>          | <b>9,266,201</b>  | <b>477,515</b>          | <b>170,559</b>            | <b>844,984</b>             | <b>11,748,131</b> |
| At 31 December 2011                       | 1,025,276               | 9,809,935         | 567,793                 | 221,536                   | 1,481,439                  | 13,105,979        |
| <b>Carrying amounts</b>                   |                         |                   |                         |                           |                            |                   |
| At 1 January 2011                         | 1,014,782               | 9,842,969         | 486,482                 | 124,275                   | 1,217,201                  | 12,685,709        |
| Additions                                 | -                       | 161,648           | 164,396                 | 104,527                   | 86,436                     | 517,007           |
| Additions on acquisition of subsidiary    | -                       | -                 | 138,848                 | 99,155                    | 1,098,605                  | 1,339,608         |
| Disposals                                 | -                       | -                 | (304,938)               | -                         | -                          | (304,938)         |
| Depreciation expense                      | (24,092)                | (526,283)         | (169,251)               | (65,606)                  | (320,896)                  | (1,106,128)       |
| Depreciation on acquisition of subsidiary | -                       | -                 | (18,738)                | (49,944)                  | (667,336)                  | (736,018)         |
| Depreciation on disposal                  | -                       | -                 | 247,011                 | -                         | -                          | 247,011           |
| Exchange differences                      | 34,586                  | 331,601           | 23,983                  | 9,129                     | 67,429                     | 466,728           |
| At 31 December 2011                       | 1,025,276               | 9,809,935         | 567,793                 | 221,536                   | 1,481,439                  | 13,105,979        |
| At 1 January 2012                         | 1,025,276               | 9,809,935         | 567,793                 | 221,536                   | 1,481,439                  | 13,105,979        |
| Additions                                 | -                       | 114,550           | 230,443                 | 75,876                    | 15,002                     | 435,871           |
| De-recognition on disposal of subsidiary  | -                       | -                 | (111,043)               | (60,828)                  | (550,060)                  | (721,931)         |
| Disposals                                 | -                       | -                 | (105,303)               | -                         | -                          | (105,303)         |
| Depreciation expense                      | (24,550)                | (561,635)         | (174,129)               | (72,126)                  | (176,588)                  | (1,009,028)       |
| Depreciation on disposal                  | -                       | -                 | 92,798                  | -                         | -                          | 92,798            |
| Exchange differences                      | (11,854)                | (96,649)          | (23,044)                | 6,101                     | 75,191                     | (50,255)          |
| <b>At 31 December 2012</b>                | <b>988,872</b>          | <b>9,266,201</b>  | <b>477,515</b>          | <b>170,559</b>            | <b>844,984</b>             | <b>11,748,131</b> |



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 16: INTANGIBLE ASSETS

|  | 31 December 2012          |                |                | 31 December 2011          |                |                |
|--|---------------------------|----------------|----------------|---------------------------|----------------|----------------|
|  | Patents and<br>Trademarks | Software       | Total          | Patents and<br>Trademarks | Software       | Total          |
|  | \$                        | \$             | \$             | \$                        | \$             | \$             |
| <b>Cost</b>                                    |                           |                |                |                           |                |                |
| At 1 January                                   | 329,011                   | 156,180        | 485,191        | 291,388                   | 140,124        | 431,512        |
| Additions                                      | -                         | 78,256         | 78,256         | 311                       | 10,860         | 11,171         |
| Additions on acquisition of subsidiary         | -                         | -              | -              | 178,041                   | -              | 178,041        |
| De-recognition on disposal of subsidiary       | (29,042)                  | (78,256)       | (107,298)      | -                         | -              | -              |
| Currency translation difference                | (1,941)                   | (1,812)        | (3,753)        | (140,729)                 | 5,196          | (135,533)      |
| At 31 December                                 | <b>298,028</b>            | <b>154,368</b> | <b>452,396</b> | <b>329,011</b>            | <b>156,180</b> | <b>485,191</b> |
| <b>Accumulated amortisation and impairment</b> |                           |                |                |                           |                |                |
| At 1 January                                   | 305,331                   | 26,463         | 331,794        | 254,421                   | 18,132         | 272,553        |
| Amortisation in the period                     | 917                       | 15,457         | 16,374         | 31,680                    | 7,479          | 39,159         |
| Additions on acquisition of subsidiary         | -                         | -              | -              | 8,667                     | -              | 8,667          |
| Currency translation difference                | (12,874)                  | (327)          | (13,201)       | 10,563                    | 852            | 11,415         |
| At 31 December                                 | <b>293,374</b>            | <b>41,593</b>  | <b>334,967</b> | <b>305,331</b>            | <b>26,463</b>  | <b>331,794</b> |
| <b>Net carrying value</b>                      |                           |                |                |                           |                |                |
| 31 December                                    | <b>4,654</b>              | <b>112,775</b> | <b>117,429</b> | <b>23,680</b>             | <b>129,717</b> | <b>153,397</b> |
| <b>Carrying amount</b>                         |                           |                |                |                           |                |                |
| At 1 January                                   | 23,680                    | 129,717        | 153,397        | 36,967                    | 121,992        | 158,959        |
| Additions                                      | -                         | 78,256         | 78,256         | 311                       | 10,860         | 11,171         |
| Additions on acquisition of subsidiary         | -                         | -              | -              | 178,041                   | -              | 178,041        |
| De-recognition on disposal of subsidiary       | (29,042)                  | (78,256)       | (107,298)      | -                         | -              | -              |
| Amortisation in the period                     | (917)                     | (15,457)       | (16,374)       | (31,680)                  | (7,479)        | (39,159)       |
| Additions on acquisition of subsidiary         | -                         | -              | -              | (8,790)                   | -              | (8,790)        |
| Currency translation difference                | 10,933                    | (1,485)        | 9,448          | (151,169)                 | 4,344          | (146,825)      |
| At 31 December                                 | <b>4,654</b>              | <b>112,775</b> | <b>117,429</b> | <b>23,680</b>             | <b>129,717</b> | <b>153,397</b> |



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 17: TRADE AND OTHER PAYABLES

|   | 2012              | 2011              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| CURRENT                                   |                   |                   |
| Unsecured liabilities                     |                   |                   |
| Trade payables                            | 9,711,768         | 11,503,023        |
| Sundry payables and accrued expenses      | 3,386,859         | 6,488,306         |
| GST, VAT and other indirect taxes payable | 457,146           | 788,731           |
| Prepayments from customers                | 3,636,650         | 3,498,589         |
|   | <u>17,192,423</u> | <u>22,278,649</u> |

Sundry payables and accrued expenses includes \$nil (2011: \$1,680,000) payable in respect of the acquisition of a wholly owned subsidiary, refer to note 13 for further details.

#### NOTE 18: NOTES PAYABLE

|                     | Note | 2012             | 2011             |
|---------------------|------|------------------|------------------|
|                     |      | \$               | \$               |
| CURRENT             |      |                  |                  |
| Secured liabilities |      |                  |                  |
| Notes payable       | 8    | <u>5,325,740</u> | <u>4,430,993</u> |

The notes payable mature from January 2013 to June 2013 (2011: from January 2012 to June 2012). The notes payable are guaranteed against interest bearing short term bank deposit of \$3,849,625 (2011: \$2,219,383) (see Note 8).

#### NOTE 19: FINANCIAL LIABILITIES

|                       | 2012             | 2011             |
|-----------------------|------------------|------------------|
|                       | \$               | \$               |
| CURRENT               |                  |                  |
| Unsecured liabilities |                  |                  |
| Short term borrowings | <u>4,578,000</u> | <u>4,631,700</u> |

During the current year, the Group obtained a short term borrowing of \$4,578,000 (RMB30,000,000) (2011: \$4,631,700 RMB30,000,000) with the Agricultural Bank of China for a term of one year; \$3,052,000 ending on 27 February 2013 and \$1,526,000 ending on 20 April 2013. Interest is payable at 5.6% and 6.63% (2011: 7.216%) per annum respectively on the borrowings.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 20: TAX

|                       | 2012<br>\$ | 2011<br>\$ |
|-----------------------|------------|------------|
| a. <b>Liabilities</b> |            |            |
| <b>CURRENT</b>        |            |            |
| Income Tax            | 260,582    | -          |
| b. <b>Assets</b>      |            |            |
| <b>CURRENT</b>        |            |            |
| Income Tax            | -          | 35,587     |
| <b>NON-CURRENT</b>    |            |            |
| Deferred tax asset    | 397,784    | 397,784    |

|                                    | Opening<br>Balance<br>\$ | Charged to<br>Income<br>\$ | Charged directly<br>to Equity<br>\$ | Changes in<br>Tax Rate<br>\$ | Exchange<br>Differences<br>\$ | Closing<br>Balance<br>\$ |
|------------------------------------|--------------------------|----------------------------|-------------------------------------|------------------------------|-------------------------------|--------------------------|
| <b>Consolidated Group</b>          |                          |                            |                                     |                              |                               |                          |
| Deferred tax asset                 |                          |                            |                                     |                              |                               |                          |
| Balance at 1 January 2012          | 397,784                  | -                          | -                                   | -                            | -                             | 397,784                  |
| Other                              | -                        | -                          | -                                   | -                            | -                             | -                        |
| <b>Balance at 31 December 2012</b> | <u>397,784</u>           | <u>-</u>                   | <u>-</u>                            | <u>-</u>                     | <u>-</u>                      | <u>397,784</u>           |

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 for year \$488,116 (2011: \$377,529)

#### NOTE 21: PROVISIONS

The Consolidated Group and Parent Entity have no provisions at 31 December 2012 (2011: \$nil). No employees are eligible for Long-term employee benefits at 31 December 2012 (2011: \$nil).

#### NOTE 22: ISSUED CAPITAL

|   | 2012<br>\$        | 2011<br>\$        |
|---|-------------------|-------------------|
| At the beginning of reporting period 311,008,000 (2011: 311,008,000) fully paid ordinary shares | 23,302,770        | 23,302,770        |
| Shares issued during the year   | -                 | -                 |
| At the end of reporting period 311,008,000 (2011: 311,008,000) fully paid ordinary shares       | <u>23,302,770</u> | <u>23,302,770</u> |

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

#### Ordinary shares

|                                      | 2012<br>Number     | 2011<br>Number     |
|--------------------------------------|--------------------|--------------------|
| At the beginning of reporting period | 311,008,000        | 311,008,000        |
| Shares issued during the year        | -                  | -                  |
| At reporting date                    | <u>311,008,000</u> | <u>311,008,000</u> |

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

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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 2012

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

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

##### Capital Management

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

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

There are no externally imposed capital requirements

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 2012 and 31 December 2011 are as follows:

|                                 | 2012         | 2011         |
|---------------------------------|--------------|--------------|
|                                 | \$           | \$           |
| Total liabilities               | 27,356,745   | 31,341,342   |
| Less: cash and cash equivalents | (38,861,335) | (33,723,184) |
| Net liabilities/(net cash)      | (11,504,590) | (2,381,842)  |
| Total equity                    | 44,692,856   | 40,486,007   |
| (Net cash) to equity ratio      | (26%)        | (6%)         |

The increase in consolidated net cash – equity ratio during 2012 is primarily due to higher comprehensive income and 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.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 24: CAPITAL AND LEASING COMMITMENTS

The Consolidated Group has capital or leasing commitments at 31 December 2012 of \$nil (2011: \$9,361).

The Consolidated Group has capital expenditure contracted as follows:

|                                 | 2012     | 2011         |
|---------------------------------|----------|--------------|
|                                 | \$       | \$           |
| Intangible assets within 1 year | -        | 9,361        |
|                                 | <u>-</u> | <u>9,361</u> |

#### Management services commitment

During the year ended 31 December 2012 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 \$109,872 (2011: \$166,752) for the period from 1 January 2013 to 31 December 2013. The outstanding commitment for Matsuoka Mechatronics as at 31 December 2012 is \$109,872.

#### Other commitment

Other commitment for Shouken Electric Co. Ltd is in relation to the consulting expenses of \$nil (2011: \$37,132) within one year.

#### NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Group has no contingent liabilities or contingent assets at 31 December 2012 (2011: \$nil).

#### NOTE 26: OPERATING SEGMENTS

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

The Group was managed primarily on the basis of geographical region as each geographical region has notably different risk profiles and performance assessment criteria. From the acquisition of the 100% subsidiary Hangzhou Shouken Electric Co.Ltd to 30 June 2012, the Group was managed on a mixture of product and geographical segments. Since the 30 June 2012 the Group has been managed on geographical segments as there is only one product. The reportable segments relate to two products over three different regions:

- Products:
- Treyo's premium-end mahjong tables.
  - Shouken's premium-end massage tables (discontinued operations effective 30 June 2012, refer to Note 14 for further details).
- Regions:
- China, the segment which all goods are manufactured and sold in.
  - Australia, the segment which manages all ASX related activities.
  - Hong Kong, the segment which manages all other corporate activities.



## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 26: OPERATING SEGMENTS (CONTINUED)

##### Accounting policies adopted

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

Segment information provided to executive directors:

|  | China<br>Matsuoka<br>\$ | China<br>Shouken<br>\$ | Hong Kong<br>\$ | Australia<br>\$ | Total<br>\$ |
|--|-------------------------|------------------------|-----------------|-----------------|-------------|
| <b>31 December 2012</b>                                    |                         |                        |                 |                 |             |
| <b>REVENUE</b>   |                         |                        |                 |                 |             |
| Total revenue -external sales                              | 68,286,879              | -                      | -               | -               | 68,286,879  |
| <b>RESULT</b>  |                         |                        |                 |                 |             |
| Segment result   | 7,008,388               | -                      | (148,955)       | (420,983)       | 6,438,450   |
| Unallocated expenses net of unallocated revenue            | -                       | -                      | -               | -               | -           |
| Finance costs  | (372,674)               | -                      | (258)           | (172)           | (373,104)   |
| Profit/(loss) before income tax                            | 6,635,714               | -                      | (149,213)       | (421,155)       | 6,065,346   |
| Income tax expense   | (961,117)               | -                      | -               | -               | (961,117)   |
| Profit after income tax on continuing operations           | 5,674,597               | -                      | (149,213)       | (421,155)       | 5,104,229   |
| Loss on sale of subsidiary                                 |                         |                        |                 |                 | (234,679)   |
| Loss from discontinued operations                          |                         |                        |                 |                 | (33,339)    |
| Profit after income tax                                    |                         |                        |                 |                 | 4,836,211   |
| <b>ASSETS</b>  |                         |                        |                 |                 |             |
| Segment assets   | 68,862,855              | -                      | 2,745,247       | 441,499         | 72,049,601  |
| <b>LIABILITIES</b>   |                         |                        |                 |                 |             |
| Segment liabilities  | 27,227,523              | -                      | 1,449           | 127,773         | 27,356,745  |
| Reconciliation of segmental net assets to Group net assets |                         |                        |                 |                 |             |
| Inter-segment eliminations                                 |                         |                        |                 |                 | -           |
| Total Group net assets from continuing operations          |                         |                        |                 |                 | 44,692,856  |
| <b>OTHER</b>   |                         |                        |                 |                 |             |
| Depreciation and amortisation of segment assets            | 1,009,028               | -                      | -               | -               | 1,009,028   |
| <b>31 December 2011</b>                                    |                         |                        |                 |                 |             |
| <b>REVENUE</b>   |                         |                        |                 |                 |             |
| Total revenue -external sales                              | 62,851,928              | 8,437,022              | -               | -               | 71,288,950  |
| <b>RESULT</b>  |                         |                        |                 |                 |             |
| Segment result   | 6,876,432               | 802,742                | (669,928)       | (325,117)       | 6,684,129   |
| Unallocated expenses net of unallocated revenue            | -                       | -                      | -               | -               | -           |
| Finance costs  | (258,639)               | (16,143)               | (180,515)       | (179)           | (455,476)   |
| Profit/(loss) before income tax                            | 6,617,793               | 786,599                | (850,443)       | (325,296)       | 6,228,653   |
| Income tax expense   | (1,031,764)             | (113,066)              | -               | -               | (1,144,830) |
| Profit after income tax on continuing operations           | 5,586,029               | 673,533                | (850,443)       | (325,296)       | 5,083,823   |





## Treyo Leisure and Entertainment Ltd and Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### NOTE 26: OPERATING SEGMENTS (CONTINUED)

|  | China<br>Matsuoka<br>\$ | China<br>Shouken<br>\$ | Hong Kong<br>\$ | Australia<br>\$ | Total<br>\$ |
|--|-------------------------|------------------------|-----------------|-----------------|-------------|
| <b>31 December 2011</b>                                    |                         |                        |                 |                 |             |
| <b>ASSETS</b>  |                         |                        |                 |                 |             |
| Segment assets   | 60,757,593              | 4,533,613              | 6,034,051       | 502,092         | 71,827,349  |
| <b>LIABILITIES</b>   |                         |                        |                 |                 |             |
| Segment liabilities  | 27,469,739              | 2,030,951              | 1,683,443       | 157,209         | 31,341,342  |
| Reconciliation of segmental net assets to Group net assets |                         |                        |                 |                 |             |
| Inter-segment eliminations                                 |                         |                        |                 |                 | -           |
| Total Group net assets from continuing operations          |                         |                        |                 |                 | 40,486,007  |
| <b>OTHER</b>   |                         |                        |                 |                 |             |
| Depreciation and amortisation of segment assets            | 1,078,293               | 66,994                 | -               | -               | 1,145,287   |

All revenue is generated from customers in China, and no single customer accounted for more than 10% of the total revenue.

#### NOTE 27: CASH FLOW INFORMATION

|  | 2012<br>\$ | 2011<br>\$  |
|--|------------|-------------|
| <b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>                |            |             |
| Profit/(loss) after income tax   | 4,836,211  | 5,083,823   |
| Non-cash flows in profit   |            |             |
| Amortisation   | 16,374     | 39,159      |
| Depreciation   | 992,654    | 1,106,128   |
| Net (gain)/loss on disposal of subsidiary  | 268,018    | -           |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries |            |             |
| (Increase)/decrease in trade receivables   | (87,743)   | 635,199     |
| (Increase)/decrease in prepayments   | 998,783    | (5,103,743) |
| (Increase)/decrease in inventories   | 1,195,757  | 1,054,042   |
| Increase/(decrease) in trade payables and accruals   | 1,963,914  | 4,820,474   |
| Increase/(decrease) in income taxes payable  | 311,365    | (264,532)   |
| (Increase)/decrease in deferred tax asset balances   | -          | -           |
| Cashflow from operations   | 10,495,333 | 7,370,550   |