Treyo Leisure and Entertainment Limited and Controlled Entities

ABN: 93 131 129 489

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Treyo Leisure and Entertainment Ltd and Controlled Entities

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Appendix 4E
Commentary on Full Year 2014 Results

The Board of Treyo Leisure and Entertainment Ltd submits the Company's seventh 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 2014 financial year (ended 31 December 2014). It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs from January to December each year. All amounts are stated in Australian Dollars unless otherwise stated.

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

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

Corporate Results Summary

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

- Sales revenue for the year (excluding interest received) of $70.4 million, a decreased by 7.5% to compared to 2013 revenue of $76.2 million.
- Group NPAT of $5.0 million. A decrease of 5% from the previous year;
- Continuing **strong cash reserves** of $30.1 million;
- **Strong working capital** of $13.7 million at 31 December 2014 an **increase of 63%** compared to 2013; and
- Foreign exchange translation gain impacting on other comprehensive income of $5.4 million;

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

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

About Treyo Leisure and Entertainment Limited

Treyo Leisure and Entertainment Ltd (Treyo) was listed on the Australian Securities Exchange (ASX) on 2 January 2009. Prior to Treyo's listing, the Company operated as Matsuoka Mechatronics (China) Co. ("Matsuoka"). Founded in March 2003, Matsuoka, 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 trademark "Treyo".

Commentary on Full Year 2014 Results (continued)

Treyo is the industry leader, and 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.

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Treyo Leisure and Entertainment Ltd and Controlled Entities

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APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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

1. Reporting period

Current Period	12 months ended 31 December 2014
Prior Period	12 months ended 31 December 2013

2. Results for announcement to the market

				% Change		
Consolidated Group	**Item**		**$**			**$**
Revenue – excluding interest received	**2.1**	Down	5,736,154	7.5%	to	70,418,618
Profit after tax attributable to members	**2.2**	Down	266,411	5.1%	to	4,961,723
Net Profit attributable to members	**2.3**	Down	266,411	5.1%	to	4,961,723
Dividend	**2.4**	The Board has not recommended nor have paid any dividends during the 2014 financial year (refer item 6).				
The record date for determining entitlements to the dividend	**2.5**	N/A				
Explanatory information	**2.6**	For further information refer ***Commentary on Results*** which accompanies this announcement.				

Overview

The principal activity of Treyo Leisure and Entertainment Ltd and controlled entities ('Consolidated Group' or 'Group') during the financial year was the manufacture of automatic Mahjong tables.

The Group 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 24 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 Securities Exchange ("ASX") on 2 January 2009. The Company is incorporated and domiciled in Australia.

Overview of results

For the year ended 31 December 2014 sales revenue and net profit after tax have decreased by $5,736,154 (7.5% compared to 2013), and $266,411 (5.1% compared to 2013) respectively on the prior year, as a result of a 14% decrease in Mahjong tables units sold by Treyo.

Financial Position

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

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

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

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

Significant Changes in the State of Affairs

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

3. Consolidated Statement of Profit and Loss and Other Comprehensive Income– see accompanying preliminary financial statements

4. Consolidated Statement of Financial Position – see accompanying preliminary financial statements

5. Consolidated Statement of Cashflow – see accompanying preliminary financial statements

6. Consolidated Statement Changes in Equity – see accompanying preliminary financial statements

7. Dividends Paid or Recommended

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

8. Details of any Dividend or distribution reinvestment plans

N/A

9. Net tangible assets per security

	31 December 2014	31 December 2013
Number of securities	311,008,000	311,008,000
Net tangible assets per security in cents	22	19

10. Changes in controlled entities

There have been no changes in controlled entities during the year ended 31 December 2014.

11. Details of associates

There have been no changes in associates during the year ended 31 December 2014. Details of the interest in associates are included in Note 13 to the Notes to the Appendix 4E Financial Report.

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

After Balance Date Events

There are no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

15. Compliance Statement

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

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

Roger Smeed – Deputy Chairman

Dated this 27th day of February 2015

Treyo Leisure and Entertainment Ltd and Controlled Entities

ABN: 93 131 129 489

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

	Note	2014 $	2013 $
Revenue	2	70,418,618	76,154,772
Cost of goods sold		(55,386,695)	(58,837,827)
Gross profit		15,031,923	17,316,945
Other income	2	864,447	1,214,352
Share of Partnership result using the equity method	13	1,930,975	1,125,393
Distributions and selling expenses		(4,314,403)	(4,165,500)
Administrative expenses		(7,366,239)	(8,483,084)
Finance costs		(184,606)	(348,546)
Profit/(loss) before income tax	3	5,962,097	6,659,560
Income tax expense	4	(1,000,374)	(1,431,426)
Profit For The Year		4,961,723	5,228,134
Other Comprehensive Income For The Year, Net of Tax			
Items that may be classified subsequently to profit or loss			
Exchange gain/(loss) differences arising on the translation of foreign operations		5,392,791	9,550,335
Total Comprehensive Income For The Year Attributable to Members		10,354,514	14,778,469
Profit attributable to members of the parent entity		4,961,723	5,228,134
Total comprehensive income attributable to members of the parent entity		10,354,514	14,778,469
Earnings per share (on profit attributable to ordinary equity holders)		**Cents**	**Cents**
Basic earnings per share (cents per share) on continuing operations	7	1.60	1.68
Diluted earnings per share (cents per share) on continuing operations	7	1.60	1.68

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 2014

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

The accompanying notes form part of these financial statements.

Treyo Leisure and Entertainment Ltd and Controlled Entities

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

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

The accompanying notes form part of these financial statements.

Treyo Leisure and Entertainment Ltd and Controlled Entities

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CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 31 DECEMBER 2014

	Note	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		70,274,133	74,095,765
Payments to suppliers and employees		(70,213,787)	(64,767,580)
Interest received		521,058	1,041,595
Finance costs		(148,364)	(348,546)
Income tax paid		(563,513)	(822,128)
Net cash (used in) / provided by operating activities	25	(130,473)	9,199,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(537,910)	(183,857)
Proceeds from sale of property, plant and equipment		-	44,695
Purchase of intangible assets		-	(38,856)
Purchase of long term investments		-	(35,005,823)
Receipts from short term investments		9,968,390	1,658,700
Loans repaid by other entities		-	1,478,491
Receipts from related parties		-	1,392,755
Net cash provided by / (used in) investing activities		9,430,480	(30,653,895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		-	737,200
Repayment of borrowings		(5,982,000)	(737,200)
Net cash used in financing activities		(5,982,000)	-
Net increase / (decrease) in cash held		3,318,007	(21,454,789)
Cash at beginning of financial year	8	24,228,920	38,861,335
Effect of exchange rates on cash holdings in foreign currencies		2,505,323	6,822,374
Cash at end of financial year	**8**	**30,052,250**	**24,228,920**

The accompanying notes form part of these financial statements.

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 Securities 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.

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This financial report is to be read in conjunction with any public announcements made by Treyo Leisure and Entertainment Ltd during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year, except as set out below.

Basis of Preparation

The financial report comprising the financial statements and notes 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 consistent with those of the previous financial year.

Principles of Consolidation

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

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

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

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

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 27th February 2015 by the board of directors.

NOTE 2: REVENUE

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

NOTE 3: PROFIT FOR THE YEAR

	Note	2014	2013
Expenses		$	$
Finance costs:			
—Interest expense		135,205	332,104
—Bank charges		13,159	16,442
—Other expenses		36,242	-
Total finance costs		184,606	348,546
Employee wages and benefits		6,657,978	6,021,086
Included in administrative expenses are:			
—Depreciation and amortisation		1,099,875	1,103,903
—Audit fees	5	102,200	100,000
—(Gain)/loss on the disposal of property, plant and equipment		-	2,257

NOTE 4: INCOME TAX EXPENSE

	Note	2014 $	2013 $
a. The components of tax expense comprise:			
Current tax		479,498	1,431,426
Deferred tax	20	520,876	-
Current tax expense/(benefit)		1,000,374	1,431,426

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

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

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

	2014 $	2013 $
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at local tax rates		
—consolidated group	1,486,958	1,284,155
—parent entity	-	-
Add:		
Tax effect of: other non-allowable items	26,561	73,803
Less:		
Tax effect of tax exemptions from the People's Republic of China	(649,209)	(639,893)
Tax effect of losses not brought into accounts as they do not meet the recognition criteria	136,064	315,577
Deferred tax assets written off	-	397,784
Income tax attributable to entity	1,000,374	1,431,426
The applicable weighted average effective tax rates are as follows:	17%	21%

NOTE 5: AUDITORS' REMUNERATION

	2014 $	2013 $
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	102,200	100,000
— taxation services	2,750	2,750
	104,950	102,750

NOTE 6: DIVIDENDS

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

NOTE 7: EARNINGS PER SHARE

	2014 $	2013 $
a. Reconciliation of earnings to profit or loss		
Profit used to calculate basic EPS and dilutive EPS	4,961,723	5,228,134

NOTE 7: EARNINGS PER SHARE (CONTINUED)

	2014 $	2013 $
b. Reconciliation of earnings to profit or loss from continuing operations		
Profit for the year	4,961,723	5,228,134
Less: Loss/(Profit) for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	-
Profit from continuing operations used to calculate basic EPS from continuing operations and dilutive EPS.	4,961,723	5,228,134
c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	311,008,000	311,008,000

NOTE 8: CASH AND CASH EQUIVALENTS

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

At 31 December 2014 $1,645,449 (2013: $1,784,050) was held in an interest bearing short term deposit as a guarantee for notes payable (see Note 18).

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT	Note	2014 $	2013 $
Trade receivables	9a	519,420	732,124
Less provision for impaired trade receivables	9b	(69,007)	(63,782)
		450,413	668,342
Other receivables	9c	548,419	15,409
Goods & service tax receivable	9d	5,166	3,267
		1,003,998	687,018

a. Trade receivables past due but not impaired:

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

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

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

b. Impaired trade receivables

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

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

c. Other receivables

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

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

d. Goods & service tax receivable

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

NOTE 10: PREPAYMENTS AND OTHER CURRENT ASSETS

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

During the year $178,308 (RMB894,221), (2013: $nil) of bad debts relating to prepayments were expensed during the year.

NOTE 11: INVENTORIES

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

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

NOTE 12: FINANCIAL ASSETS

	2014	2013
CURRENT	$	$
Held to maturity financial assets	-	9,399,300

During the year, the Group placed a sum of $nil (2013: $9,399,300) in held-to-maturity investments with the Agricultural Bank of China for the bank to lend to other parties. The term of the placement is for one year and ended on 17 May 2014 and earned interest at 8.5% (2013: 8.5%) per annum.

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2014	2013
NON-CURRENT	$	$
Investment in partnership	42,953,707	37,730,408

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

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

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

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

Under the partnership agreement, Matsuoka is entitled to a preference return on the capital of 5.4% per annum and does not share any earnings of the partnership over this level.

Matsuoka holds a 99% equity interest in the Shangzou partnership and Shangzuo Asset Management Co Ltd ("Shangzuo") holds the remaining 1%.

Matsuoka is not involved in the investment decisions of the partnership as this is undertaken wholly by Shangzuo as a professional investment advisor. As a consequence Matsuoka has been assessed to be a passive investor in the partnership and has relinquished control to the partnership manager in order to obtain better than market returns.

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

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

Information relating to the Shangzuo is set out below:

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

	2014	2013
	$	$
b. Financial Performance		
Revenue	2,792,000	1,580,535
Total profit for the period	2,756,063	1,477,358
Group's share of profits for the period	1,930,975	1,125,393
c. Details of assets and liabilities		
Total current assets	14,212,192	1,767,741
Total non-current assets	30,508,200	36,860,000
Total assets	**44,720,392**	**38,627,741**
Original partnership contribution (Treyo)	39,481,200	36,491,400
Original partnership contribution (Partnership Manager)	398,800	368,600
Total distributions payable to Treyo	3,472,507	1,239,008
Total distributions payable to the Partnership Manager	1,367,885	528,733
Total liabilities	**44,720,392**	**38,627,741**
Group's share of net assets	**42,953,707**	**37,730,408**

NOTE 14: CONTROLLED ENTITIES

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

[1] Percentage of voting power is in proportion to ownership

[2] Treyo International Holding (HK) Ltd is the intermediate parent entity of Matsuoka Mechatronics (China) Co., Ltd.

b. Cross guarantee -

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

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

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land use Right	Buildings	Motor Vehicles	Office Equipment	Plant & Machinery	TOTAL
	$	$	$	$	$	$
Carrying amounts						
At 1 January 2014	1,164,682	10,532,047	301,530	246,955	904,332	13,149,546
Additions	-	-	374,058	68,507	44,630	487,195
Disposals	-	-	-	-	-	-
Depreciation expense	(29,016)	(645,815)	(105,523)	(101,515)	(181,007)	(1,062,876)
Exchange differences	92,404	795,681	52,658	16,797	59,897	1,017,437
At 31 December 2014	**1,228,070**	**10,681,913**	**622,723**	**230,744**	**827,852**	**13,591,302**
At 1 January 2013	988,872	9,266,201	477,515	170,559	844,984	11,748,131
Additions	-	-	-	123,704	60,193	183,897
Disposals	-	-	(157,524)	-	-	(157,524)
Depreciation expense	(26,895)	(598,612)	(198,625)	(86,496)	(165,723)	(1,076,351)
Depreciation on disposal	-	-	106,203	-	-	106,203
Exchange differences	202,705	1,864,458	73,961	39,188	164,878	2,345,190
At 31 December 2013	1,164,682	10,532,047	301,530	246,955	904,332	13,149,546

NOTE 16: INTANGIBLE ASSETS

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

NOTE 17: TRADE AND OTHER PAYABLES

	2014 $	2013 $
CURRENT		
Unsecured liabilities		
Trade payables	13,715,068	13,483,011
Sundry payables and accrued expenses	4,025,067	4,287,205
GST, VAT and other indirect taxes payable	705,277	835,020
Prepayments from customers	1,231,524	1,841,230
	19,676,936	20,446,466

NOTE 18: NOTES PAYABLE

	Note	2014 $	2013 $
CURRENT			
Secured liabilities			
Notes payable	8	5,483,500	5,917,873

The notes payable mature from January 2015 to June 2015 (2013: from January 2014 to June 2014). The notes payable are guaranteed by interest bearing short term bank deposit of $1,645,449 (2013: $1,784,050) (see Note 8).

NOTE 19: FINANCIAL LIABILITIES

	2014 $	2013 $
CURRENT		
Unsecured liabilities		
Short term borrowings	-	5,529,000

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

NOTE 20: TAX

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

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

NOTE 20: TAX (CONTINUED)

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

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

— tax losses for the Parent Entity: operating losses for year $360,117 (2013: $347,714).

NOTE 21: PROVISIONS

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

NOTE 22: ISSUED CAPITAL

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

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

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

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

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

Capital Management

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

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

There are no externally imposed capital requirements.

NOTE 22: ISSUED CAPITAL

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 2013 and 31 December 2012 are as follows:

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

The improvement in consolidated net liabilities / (net cash) – equity ratio during 2014 is primarily due to higher cash 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 purposed of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

NOTE 24: OPERATING SEGMENTS

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

The Group was managed primarily on the basis of geographical region as each geographical region has notably different risk profiles and performance assessment criteria. The Group has been managed on geographical segments as there is only one product. The reportable segments relate to two products over three different regions:
Products: - Treyo's premium-end mahjong tables.
Regions: - China, the segment which all goods are manufactured and sold in.
- Australia, the segment which manages all ASX related activities.
- Hong Kong, the segment which manages all other corporate activities.

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

NOTE 24: OPERATING SEGMENTS (CONTINUED)

Segment information provided to executive directors:

	China Matsuoka $	Hong Kong $	Australia $	Total $
31 December 2014				
REVENUE				
Total revenue -external sales	70,391,240	-	27,378	70,418,618
RESULT				
Segment result	6,639,954	(133,304)	(359,947)	6,146,703
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(147,869)	(36,567)	(170)	(184,606)
Profit/(loss) before income tax	6,492,085	(169,871)	(360,117)	5,962,097
Income tax expense	(1,000,374)	-	-	(1,000,374)
Profit after income tax	5,491,711	(169,871)	(360,117)	4,961,723
ASSETS				
Segment assets	94,176,993	1,592,760	77,233	95,846,986
LIABILITIES				
Segment liabilities	25,895,382	1,545	124,220	26,021,147
Reconciliation of segmental net assets to Group net assets				
Inter-segment eliminations				-
Total Group net assets from continuing operations				69,825,839
OTHER				
Depreciation and amortisation of segment assets	1,099,875	-	-	1,099,875
31 December 2013				
REVENUE				
Total revenue -external sales	76,154,772	-	-	76,154,772
RESULT				
Segment result	7,912,255	(556,630)	(347,519)	7,008,106
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(347,840)	(509)	(197)	(348,546)
Profit/(loss) before income tax	7,564,415	(557,139)	(347,716)	6,659,560
Income tax expense	(1,033,642)	-	(397,784)	(1,431,426)
Profit after income tax	6,530,773	(557,139)	(745,500)	5,228,134
ASSETS				
Segment assets	89,726,760	2,094,154	28,154	91,849,068
LIABILITIES				
Segment liabilities	32,252,316	477	124,950	32,377,743
Reconciliation of segmental net assets to Group net assets				
Inter-segment eliminations				-
Total Group net assets from continuing operations				59,471,325
OTHER				
Depreciation and amortisation of segment assets	1,103,903	-	-	1,103,903

NOTE 25: CASH FLOW INFORMATION

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

NOTE 26: COMMITMENTS

Warehouse leasing commitment

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

Management services commitment

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

Software services commitment

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

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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