Treyo Leisure and Entertainment Limited and Controlled Entities

ABN: 93 131 129 489

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

Appendix 4E
Commentary on Full Year 2010 Results

The Board of Treyo Leisure and Entertainment Ltd submits the Company's third 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 2010 financial year (ended 31 December 2010). It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs January to December each year.

Treyo realised an after tax profit of $AUD2.74 million for the 2010 financial year which represents a decrease of $4.45 million on the previous year. As a result of the strengthening of the Australian dollar, the Company incurred exchange rate losses over the last year of $AUD3.17 million. Treyo's working capital remains strong at $AUD20.79 million. The Company's cash and cash equivalents reserves remain strong at $AUD28.05 million.

As stated in the Commentary to the Company's recent Appendix 4C, the 2010 trading year saw considerable consolidation of the automatic mahjong table industry in China, with fierce price competition in the market, and increases in labour costs of 10% as the Chinese Government imposed new labour laws across all industries throughout the country.

Although the Company remains profitable, the intense competition and consolidation of the market in 2010 has resulted in a negative impact on the financial performance of the Company when compared to 2009.

For the 2010 year, Treyo, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co. achieved:

- Revenue for the year – (excluding interest received) was down by 18% to $AUD54.73 million. This was as a result of increased competition in the form of strong price cutting and low quality competitive products.
- Unit sales increased by 6% over 2009 indicating strong market growth despite the intense price competition.
- NPAT of $AUD2.74 million. An decrease of 62% over the previous year;
- Foreign exchange losses impacting on NPAT of $AUD3.17 million
- Continuing strong cash reserves of $AUD28.05 million, despite the strong Australian dollar;
- Strong working capital of $AUD20.79 million

As the world's largest manufacturer of automated mahjong tables, Treyo continues to grow its market share despite strong competitive pressures. The introduction of new models and product platforms during 2010 has resulted in record unit sales for the last quarter of 2010.

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

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With a forecast by the World Bank of an increase in GDP of over 8% for 2011, the Chinese economy continues to experience solid growth and is now recognised as the world's second largest and fastest growing economy.

The total annual sales for automatic mahjong tables in the Chinese domestic market, Treyo's primary focus, exceeds RMB7.5 billion per annum (approx $AUD1.19 billion[1]).

During the 2010 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.

About Treyo Leisure and Entertainment Limited

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

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

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

Treyo holds approximately 70% of the premium end of the market for automatic mahjong tables. The Company's success is a result of its innovation, technical excellence, environmental standards, investment in advanced production lines manufacturing processes, commitment to quality, outstanding customer service and brand development.

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[1] Exchange rate $0.159:RMB1

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

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

1. Reporting period

Current Period	12 months ended 31 December 2010
Prior Period	12 months ended 31 December 2009

2. Results for announcement to the market

Consolidated Group	**Item**		**$**	**% Change**		**$**
Revenue – excluding interest received	**2.1**	down	11,785,454	(18%)	to	54,737,794
Profit after tax attributable to members	**2.2**	down	4,450,769	(62%)	to	2,739,161
Net Profit attributable to members	**2.3**	down	4,450,769	(62%)	to	2,739,161
Dividend	**2.4**	The Board has not recommended nor have paid any dividends during the 2010 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 currently operates in one business segment with all goods being manufactured and distributed from a single facility in China and the Group currently operates in three geographical segments; refer to Note 25 for further details.

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

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

Overview of results

For the year ended 31 December 2010 sales revenue and net profit after tax have decreased by 18% and 62% respectively on the prior year, as a result of this increased competition.

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Financial Position

The net assets of the consolidated group have decreased by $427,075 from 31 December 2009 to $34,033,375 at 31 December 2010. This decrease has largely resulted from the following factors:

i. $3,166,236 decrease in foreign exchange reserve; offset by

ii. $2,739,161 profits after tax attributable to members;

The consolidated group's strong financial position has enabled the group maintain a healthy working capital ratio despite the decrease in foreign exchange reserve and working capital. The group's working capital, being current assets less current liabilities, has decreased from $23,856,599 in 2009 to $20,790,923 in 2010.

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

Significant Changes in the State of Affairs

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

6. Dividends Paid or Recommended

The Board has not recommended nor have paid any dividends during the year ended 31 December 2010.

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 2010	**31 December 2009**
Number of securities	311,080,000	311,080,000
Net tangible assets per security in cents	10.9	11

10. Changes in controlled entities

There have been no changed in controlled entities during the year ended 31 December 2010 nor in 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

Earnings per Share	31 December 2010	31 December 2009
Basic earnings per share in cents	0.88	2.3
Diluted earnings per share in cents	0.88	2.3

After Balance Date Events

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

15. Compliance Statement

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

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

Roger Smeed – Deputy Chairman
Dated this 25th day of February 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2010

	Note	2010 $	2009 $
Revenue	2	54,737,794	66,523,248
Cost of goods sold		(44,541,742)	(51,535,722)
Gross Profit		10,196,052	14,987,526
Other income	2	946,705	834,393
Distributions and selling expenses		(2,864,724)	(3,765,670)
Administrative expenses		(4,747,868)	(4,056,312)
Finance costs		(361,361)	(15,580)
Profit/(loss) before income tax	3	3,168,804	7,984,357
Income tax (expense)/benefit	4	(429,643)	(794,427)
Profit/(loss) from continuing operations attributable to ordinary equity holders		2,739,161	7,189,930
Other comprehensive income			
Exchange differences on translation of foreign operations		(3,166,236)	(8,866,235)
Total comprehensive income for the year		(427,075)	(1,676,305)
Earning per share (on profit attributable to ordinary equity holders)		**Cents**	**Cents**
Basic earnings per share (cents per share)	7	0.88	2.3
Diluted earnings per share (cents per share)	7	0.88	2.3

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	28,054,338	31,892,398
Trade and other receivables	9	2,076,258	3,205,036
Prepayments and other current assets	10	2,141,693	709,360
Inventories	11	5,126,625	4,083,982
Held to maturity financial assets	12	8,953,609	-
TOTAL CURRENT ASSETS		46,352,523	39,890,776
NON-CURRENT ASSETS			
Other financial assets	13	-	-
Property, plant and equipment	14	12,685,709	10,033,027
Intangible assets	15	158,959	173,040
Deferred tax assets	19	397,784	397,784
TOTAL NON-CURRENT ASSETS		13,242,452	10,603,851
TOTAL ASSETS		59,594,975	50,494,627
CURRENT LIABILITIES			
Trade and other payables	16	13,468,496	11,356,519
Notes payable	17	2,972,468	4,475,077
Financial liabilities	18	8,953,219	-
Current tax liabilities	19	167,417	202,581
TOTAL CURRENT LIABILITIES		25,561,600	16,034,177
TOTAL LIABILITIES		25,561,600	16,034,177
NET ASSETS		**34,033,375**	**34,460,450**
EQUITY			
Issued capital	21	23,302,770	23,302,770
Foreign exchange translation reserve	22	(7,948,483)	(4,782,247)
Statutory general reserve	22	1,132,522	1,132,522
Retained earnings		17,546,566	14,807,405
TOTAL EQUITY		**34,033,375**	**34,460,450**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2010

	Note	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory Reserves	Total
		$	$	$	$	$
Balance at 31 December 2008		23,302,770	7,617,475	4,083,988	1,132,522	36,136,755
Total comprehensive income		-	7,189,930	(8,866,235)	-	(1,676,305)
Balance at 31 December 2009		23,302,770	14,807,405	(4,782,247)	1,132,522	34,460,450
Total comprehensive income		-	2,739,161	(3,166,236)	-	(427,075)
Balance at 31 December 2010		23,302,770	17,546,566	(7,948,483)	1,132,522	34,033,375

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR YEAR ENDED 31 DECEMBER 2010

	Note	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		55,623,972	76,010,349
Payments to suppliers and employees		(52,341,554)	(73,072,046)
Interest received		763,161	391,076
Finance costs		(356,361)	(15,580)
Income tax paid		(471,439)	(862,052)
Net cash provided by (used in) operating activities	26	3,217,779	2,451,747
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in term deposit not classifies as cash or cash equivalents		-	-
Purchase of property, plant and equipment		(4,877,733)	(215,903)
Proceeds from sale of property, plant and equipment		23,666	-
Purchase of intangible assets		(70,772)	-
Loans to related parties		-	-
Loans to other entities		(322,681)	(11,960,110)
Loans repaid by other entities		187,681	10,648,729
Placement of funds in financial assets		(8,953,219)	-
Other		-	(1,456,416)
Net cash provided used in investing activities		(14,013,058)	(2,983,700)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	21	-	-
Payments for share issue costs		-	(155,042)
Proceeds of borrowings		8,953,219	-
Dividends paid		-	-
Net cash provided by (used in) financing activities		8,953,219	(155,042)
Net increase in cash held		(1,842,060)	(686,995)
Cash at beginning of financial year	8	31,892,328	40,265,989
Effect of exchange rates on cash holdings in foreign currencies		(1,995,930)	(7,686,666)
Cash at end of financial year	**8**	**28,054,338**	**31,892,328**

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 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b. **Income Tax**

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

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

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

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

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

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

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

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

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. **Financial Instruments**

Recognition and Initial Measurement

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

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Impairment of Assets

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

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

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

g. Intangibles

Patents and trademarks

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

h. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

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

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

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

Group companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. **Employee Benefits**

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

Equity-settled compensation

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

j. **Provisions**

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

k. **Provision for Warranties**

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

l. **Cash and Cash Equivalents**

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

m. **Revenue and Other Income**

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Goods and Services Tax (GST) and Value Added Tax (VAT)

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

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

p. Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

q. Comparative Figures

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

r. Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

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

The preliminary financial report was authorised for issue on 25th February 2010 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

NOTE 2: REVENUE

	Note	2010 $	2009 $
Sales revenue			
Sale of goods		54,737,794	66,523,248
Other income			
— Bank Interest received		763,161	391,076
— Government Grant		-	308,387
— Other income		183,544	134,930
		946,705	834,393

NOTE 3: PROFIT FOR THE YEAR

		Note	2010 $	2009 $
a.	**Expenses**			
	Finance costs:			
	— Interest expense		332,987	-
	— Bank charges		28,374	15,580
	Total finance costs		361,361	15,580
	Employee wages and benefits		3,862,048	4,690,493
	Included in administrative expenses are:			
	— Bad and doubtful trade receivables debts	9b	-	-
	— Depreciation and amortisation		1,124,139	1,145,876
	— Audit fees	5	160,463	150,000
	— Loss on the disposal of property, plant and equipment		8,256	-
	— Other expenses relating to the Initial Public Offering (IPO) and share issue		-	(360,612)

NOTE 4: INCOME TAX EXPENSE

		Note	2010 $	2009 $
a.	The components of tax expense comprise:			
	Current tax		429,643	794,427
	Deferred tax	19	-	-
	Current tax expense/(benefit)		429,643	794,427

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

The Australian assessable earning will be taxed at 30% (2009: 30%).

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

The tax rate in Hong Kong is 17.5% (2009: 17.5%)

		2010 $	2009 $
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax payable on profit from ordinary activities before income tax at local tax rates (5a)		
	— consolidated group	665,219	1,997,674
	— parent entity	-	-
	Add:		
	Tax effect of: other non-allowable items	31,477	122
	Less:		
	Tax effect of: Tax exemptions from the Peoples Republic of China	(398,166)	(1,250,785)
	Tax effect of losses not brought into accounts as they do not meet the recognition criteria	131,113	47,416
	Income tax attributable to entity	429,643	794,427
	The applicable weighted average effective tax rates are as follows:	14%	10%

The change in the weighted average effective consolidated tax rate for 2010 is a result of consolidated profits offset by overseas tax exemptions.

NOTE 5: AUDITORS' REMUNERATION

	2010 $	2009 $
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	150,000	150,000
— taxation services	10,463	14,134
— due diligence services	-	37,072
	160,463	201,206

NOTE 6: DIVIDENDS

The Board has not recommended nor have paid any dividends during the year ended 31 December 2010 or 31 December 2009.

NOTE 7: EARNINGS PER SHARE

		2010 $	2009 $
a.	Reconciliation of earnings to profit or loss		
	Profit used to calculate basic EPS and dilutive EPS	2,739,161	7,189,930
b.	Reconciliation of earnings to profit or loss from continuing operations		
	Profit from continuing operations used to calculate basic EPS from continuing operations and dilutive EPS.	2,739,161	7,189,930
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

	2010 $	2009 $
Cash at bank and in hand	25,090,442	28,625,919
Short term bank deposits	2,963,896	3,266,479
	28,054,338	31,892,398

At 31 December 2010 $1,486,032 (2009: $2,237,484) was held in an interest bearing short term deposit as a guarantee for notes payable (Note 17).

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT	Note	2010 $	2009 $
Trade receivables	9a	873,109	581,118
Less provision for impaired trade receivables	9b	(51,641)	(56,519)
		821,468	524,599
Other receivables	9c	1,243,086	2,669,123
Goods & service tax receivable	9d	11,704	11,314
		2,076,258	3,205,036

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 2010, trade receivables of $388,561 (2009: $324,706) 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	
	2010	**2009**
	$	**$**
30-90 days	301,654	303,840
90-180 days	86,907	20,866
Total	388,561	324,706

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 2010, trade receivables of $51,641 (2009: $56,519) 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:

	2010	**2009**
	$	**$**
At 1 January	56,519	73,143
Provision for impairment recognised	-	-
Exchange difference on translation	(4,878)	(16,624)
At 31 December	51,641	56,519

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 expenses and in the prior year included the GST recoverable on Australian incurred expenses and IPO costs.

NOTE 10: PREPAYMENTS AND OTHER CURRENT ASSETS

CURRENT	**2010**	**2009**
	$	**$**
Prepayments	2,141,693	709,360

NOTE 11: INVENTORIES

	2010	2009
CURRENT	$	$
At cost and net realisable value		
Raw materials and stores	2,644,363	1,927,216
Work in progress	386,810	500,762
Finished goods	2,095,452	1,656,004
	5,126,625	4,083,982

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

NOTE 12: FINANCIAL ASSETS

	Note	2010	2009
CURRENT		$	$
Held to maturity financial assets		8,953,609	-

During the year, the Group places a sum of $8,953,609 to be held to maturity with Agricultural Bank of China for the bank to lend to other parties. The term of the placement is once year ending on 3 June 2011 and earns interest at 6.8% per annum.

		2010	2009
NON-CURRENT		$	$
Unlisted investment in shares in controlled entities	13	-	-
		-	-

Unlisted investment in shares in controlled entities

Financial assets refer to the acquisition of the fair value of Treyo International Holding (HK) Ltd and controlled entity on 31 October 2008; refer to Note 13 for further details.

NOTE 13: CONTROLLED ENTITIES

a. Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)[1] 2010 %	2009 %
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.

NOTE 13: CONTROLLED ENTITIES (CONTINUED)

b. ***Acquisition of Controlled Entities***

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

c. **Cross guarantee**

There is no deed of cross guarantee as at 31 December 2010 or 31 December 2009.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Land use Right $	Building $	Motor Vehicle $	Office Equipment $	Plant & Machinery $	TOTAL $
31 December 2010						
Cost						
At 1 January 2010	1,312,022	8,534,076	678,331	247,212	2,242,102	13,013,743
Additions	-	4,020,994	425,258	70,485	360,996	4,877,733
Disposals	-	-	(59,529)	-	-	(59,529)
Exchange differences	(113,461)	(1,025,762)	(84,679)	(26,423)	(219,728)	(1,470,053)
At 31 December 2010	**1,198,561**	**11,529,308**	**959,381**	**291,274**	**2,383,370**	**16,361,894**
Accumulated Depreciation						
At 1 January 2010	174,936	1,461,942	338,009	115,979	889,850	2,980,716
Depreciation for the period	25,819	377,864	204,379	65,756	380,501	1,054,319
Depreciation on disposal	-	-	(31,921)	-	-	(31,921)
Exchange differences	(16,976)	(153,467)	(37,568)	(14,736)	(104,182)	(326,929)
At 31 December 2010	**183,779**	**1,686,339**	**472,899**	**166,999**	**1,166,169**	**3,676,185**
Net book value						
At 31 December 2010	**1,014,782**	**9,842,969**	**486,482**	**124,275**	**1,217,201**	**12,685,709**
At 31 December 2009	1,137,086	7,072,134	340,322	131,233	1,352,252	10,033,027
31 December 2009						
Cost						
At 1 January 2009	1,697,823	11,043,527	771,986	253,423	2,826,598	16,593,357
Additions	-	-	92,456	58,092	65,355	215,903
Exchange differences	(385,801)	(2,509,451)	(186,111)	(64,303)	(649,851)	(3,795,517)
At 31 December 2009	**1,312,022**	**8,534,076**	**678,331**	**247,212**	**2,242,102**	**13,013,743**
Accumulated Depreciation						
At 1 January 2009	192,420	1,394,870	285,222	87,124	678,022	2,637,658
Depreciation for the period	29,671	434,244	132,974	55,013	413,736	1,065,638
Exchange differences	(47,155)	(367,172)	(80,187)	(26,158)	(201,908)	(722,580)
At 31 December 2009	**174,936**	**1,461,942**	**338,009**	**115,979**	**889,850**	**2,980,716**

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value						
At 31 December 2009	**1,137,086**	**7,072,134**	**340,322**	**131,233**	**1,352,252**	**10,033,027**
At 31 December 2008	1,505,403	9,648,657	486,764	166,299	2,148,576	13,955,699

Movements in Carrying Amounts

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

	Land use Right $	Building $	Motor Vehicle $	Office Equipment $	Plant & Machinery $	TOTAL $
Carrying amounts						
At 1 January 2009	1,505,403	9,648,657	486,764	166,299	2,148,576	13,955,699
Additions	-	-	92,456	58,092	65,356	215,903
Depreciation expense	(29,671)	(434,244)	(132,974)	(55,013)	(413,736)	(1,065,638)
Exchange differences	(338,646)	(2,142,279)	(105,924)	(38,145)	(447,943)	(3,072,937)
At 31 December 2009	1,137,086	7,072,134	340,322	131,233	1,352,252	10,033,027
At 1 January 2010	1,137,086	7,072,134	340,322	131,233	1,352,252	10,033,027
Additions	-	4,020,994	425,258	70,485	360,996	4,877,733
Disposals	-	-	(59,529)	-	-	(59,529)
Depreciation expense	(25,819)	(377,864)	(204,379)	(65,756)	(380,501)	(1,054,319)
Depreciation on disposal	-	-	31,921	-	-	31,921
Exchange differences	(96,485)	(872,295)	(47,111)	(11,687)	(115,546)	(1,143,124)
At 31 December 2010	**1,014,782**	**9,842,969**	**486,482**	**124,275**	**1,217,201**	**12,685,709**

NOTE 15: INTANGIBLE ASSETS

	Patents and Trademarks	Software	Total	Patents and Trademarks	Software	Total
	31 December 2010			31 December 2009		
	$	$	$	$	$	$
Cost						
At 1 January	318,972	81,461	400,433	412,765	105,415	518,180
Additions	-	70,772	70,772	-	-	-
Currency translation difference	(27,584)	(12,109)	(39,693)	(93,793)	(23,954)	(117,747)
At 31 December	**291,388**	**140,124**	**431,512**	**318,972**	**81,461**	**400,433**

NOTE 15: INTANGIBLE ASSETS (CONTINUED)

	Patents and Trademarks	Software	Total	Patents and Trademarks	Software	Total
		31 December 2010			31 December 2009	
	$	$	$	$	$	$
Accumulated amortisation and impairment						
At 1 January	215,691	11,702	227,393	197,830	4,602	202,432
Amortisation in the period	61,805	8,015	69,820	71,027	9,211	80,238
Currency translation difference	(23,075)	(1,585)	(24,660)	(53,166)	(2,111)	(55,277)
At 31 December	**254,421**	**18,132**	**272,553**	**215,691**	**11,702**	**227,393**
Net carrying value						
31 December	**36,967**	**121,992**	**158,959**	**103,281**	**69,759**	**173,040**
Carrying amount						
At 1 January	103,281	69,759	173,040	214,935	100,813	315,748
Additions	-	70,772	70,772	-	-	-
Amortisation in the period	(61,805)	(8,015)	(69,820)	(71,027)	(9,211)	(80,238)
Currency translation difference	(4,509)	(10,524)	(15,033)	(40,627)	(21,843)	(62,470)
At 31 December	**36,967**	**121,992**	**158,959**	**103,281**	**69,759**	**173,040**

NOTE 16: TRADE AND OTHER PAYABLES

CURRENT	2010 $	2009 $
Unsecured liabilities		
Trade payables	8,352,150	6,439,173
Sundry payables and accrued expenses	3,450,726	3,662,752
Value Added Tax (VAT) and other indirect taxes payable	413,368	442,093
Prepayments from customers	1,252,252	812,501
	13,468,496	11,356,519

NOTE 17: NOTES PAYABLE

	Note	Consolidated Group	
		2010	**2009**
		$	**$**
CURRENT			
Secured liabilities			
Notes payable	8	2,972,468	4,475,077

The notes payable mature from January 2011 to June 2011 (2009: from January 2010 to June 2010). The notes payable are guaranteed against interest bearing short term bank deposit of $1,486,032 (2009: $2,237,484) (see Note 8) and by a personal guarantee from a director, Guohua Wei and a corporate guarantee from related party Zhejiang Matsuoka Mechatronics Industry Co. Ltd.

NOTE 18: FINANCIAL LIABILITIES

	2010	**2009**
CURRENT	**$**	**$**
Unsecured liabilities		
Short term borrowings	8,953,219	-

During the year, the Group obtained a short term borrowing of $8,953,219 with Bank of China for a term of one year ending on 28 May 2011. The borrowing is secured over the group's land-use right and buildings. Interest is payable at 5.31% per annum.

NOTE 19: TAX

		2010	**2009**
		$	**$**
a.	**Liabilities**		
	CURRENT		
	Income Tax	167,417	202,581
b.	**Assets**		
	NON-CURRENT		
	Deferred tax asset	397,784	397,784

NOTE 19: TAX (CONTINUED)

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Consolidated Group	$	$	$	$	$	$
Deferred tax asset						
Balance at 1 January 2010	565,606	-	(167,822)	-	-	397,784
Other	-	-	-	-	-	-
Balance at 31 December 2010	565,606	-	(167,822)	-	-	397,784
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:						
— tax losses: operating losses for year $131,113 (2009: $47,416)	19,211	-	-	-	-	19,211

NOTE 20: PROVISIONS

The Consolidated Group and Parent Entity have no provisions at the 31 December 2010 (2009: $nil). No employees are eligible for Long-term employee benefits at the 31 December 2010 (2009: $nil).

NOTE 21: ISSUED CAPITAL

	2010	2009
	$	$
At the beginning of reporting period 311,008,000 (2009: 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 (2009: 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	2010 Number	2009 Number
At the beginning of reporting period	311,008,000	311,008,000
Shares issued during the prior year	-	-
At reporting date	311,008,000	311,008,000

NOTE 21: ISSUED CAPITAL (CONTINUED)

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

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year, which is to maintain the debt to equity ratio at not more than 100%. The debt-equity ratios as at 31 December 2009 and 31 December 2008 are as follows:

	2009	2008
	$	$
Total liabilities	25,561,600	16,034,177
Less: Cash and cash equivalent	(28,054,338)	(31,892,398)
Net liabilities/(net cash)	(2,492,738)	(15,858,221)
Total equity	34,033,375	34,460,450
(Net cash) to equity ratio	(7%)	(46%)

The decrease in consolidated net cash – equity ratio during 2010 is primarily due to foreign exchange difference, and higher liabilities.

NOTE 22: RESERVES

Foreign Currency Translation Reserve

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

NOTE 22: RESERVES (CONTINUED)

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 23: CAPITAL AND LEASING COMMITMENTS

The Consolidated Group has no capital or leasing commitments at the 31 December 2010 (2009: $nil).

NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Group has no other contingent liabilities or contingent assets at the 31 December 2010 (2009: $nil).

Management services commitment

During the year ended 31 December 2010, 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 $321,400 (2009: $32,660 RMB 200,000 per month). The term of the engagement was for the 12 months and ended on 31 December 2011.

NOTE 25: OPERATING SEGMENTS

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

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

Segment information provided to executive directors:

	China $	Hong Kong $	Australia $	Total $
31 December 2010				
REVENUE				
Total revenue -external sales	54,737,794	-	-	54,737,794
RESULT				
Segment result	3,980,723	(33,138)	(417,420)	3,530,165

NOTE 25: OPERATING SEGMENTS (CONTINUED)

	China $	Hong Kong $	Australia $	Total $
31 December 2010				
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(361,025)	(101)	(235)	(361,361)
Profit/(loss) before income tax	3,619,698	(33,239)	(417,655)	3,168,804
Income tax expense	(429,643)	-	-	(429,643)
Profit after income tax	3,190,055	(33,239)	(417,655)	2,739,161
ASSETS				
Segment assets	55,994,272	2,970,884	629,819	59,594,975
LIABILITIES				
Segment liabilities	25,404,975	588	156,037	25,561,600
Reconciliation of segmental assets to group assets				
Inter-segment eliminations				-
Total group assets from continuing operations				34,033,375
OTHER				
Depreciation and amortisation of segment assets	1,124,139	-	-	1,124,139
31 December 2009				
REVENUE				
Total revenue -external sales	66,523,248	-	-	66,523,248
RESULT				
Segment result	8,195,910	(91,112)	(104,861)	7,999,937
Unallocated expenses net of unallocated revenue	-	-	-	-
Finance costs	(15,062)	(167)	(351)	(15,580)
Profit/(loss) before income tax	8,180,848	(91,279)	(105,212)	7,984,357
Income tax expense	(794,427)	-	-	(794,427)
Profit after income tax	7,386,421	(91,279)	(105,212)	7,189,930
ASSETS				
Segment assets	46,035,906	3,370,520	1,088,201	50,494,627
LIABILITIES				
Segment liabilities	15,887,411	-	146,766	16,034,177

NOTE 25: OPERATING SEGMENTS (CONTINUED)

	China $	Hong Kong $	Australia $	Total $
31 December 2009				
Reconciliation of segmental assets to group assets				
Inter-segment eliminations				-
Total group assets from continuing operations				34,460,450
OTHER				
Depreciation and amortisation of segment assets	1,145,876	-	-	1,145,876

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

NOTE 26: CASH FLOW INFORMATION

	2010 $	2009 $
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) after income tax	2,739,161	7,189,930
Non-cash flows in profit		
Amortisation	69,820	80,238
Depreciation	1,054,319	1,065,638
Net loss on disposal of property, plant and equipment	8,256	-
Net foreign exchange difference	538,607	1,966,768
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	1,128,388	285,248
(Increase)/decrease in prepayments	(1,432,333)	(694,362)
(Increase)/decrease in inventories	(1,042,643)	1,984,988
Increase/(decrease) in trade payables and accruals (excluding share issue costs balances)	196,000	(9,446,898)
Increase/(decrease) in income taxes payable	(41,796)	(147,625)
(Increase)/decrease in deferred tax asset balances	-	167,822
Cashflow from operations	3,217,779	2,451,747