# APPENDIX 4E

# PRELIMINARY FINAL REPORT

# FOR THE YEAR ENDED 31 DECEMBER 2013

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

**ABN: 93 131 129 489**

# Appendix 4E
# Commentary on Full Year 2013 Results

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

Through this report, the Board seeks to provide an update to it's Shareholders and the market on the results achieved for the 2013 financial year (ended 31 December 2013). It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs January to December each year.

The Treyo Group realised an after tax profit of $AUD5.2 million for the 2013 financial year which represents an increase of 7% on the previous year. On a direct like-for-like comparison basis, the results from continued operations show an **increase** of $AUD0.4 million or **7%** on the previous year.

As a result of the strengthening of the Chinese Renminbi, the Company incurred foreign exchange profit on translation of foreign operation of $AUD9.6 million compared to losses in the last year of $AUD0.6 million. Treyo's working capital remains strong at $AUD8.4 million. The Company's cash and cash equivalents reserves remain strong at $AUD24.2 million.

During the current year Treyo Leisure and Entertainment Ltd acquired a 99% interest in Shangzhou Asset Management Centre (Limited Partnership) for $AUD35.0 million. The 2013 results include $AUD1.1 million share of Partnership profits since its acquisition on 11 March 2013. The Partnership's principal activity is to enable Treyo's funds to be loaned to third party borrowers facilitate through Chinese banks. The Company is entitled to priority partnership profits of up to 5.4% per annum and is seen by the Board as a prudent method of using the Group's excess funds.

**Corporate Results Summary**

For the 2013 year, the Treyo Group, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., achieved:

- Sales revenue for the year (excluding interest received) was **up** by 12% to $AUD76.2 million compared to 2012 revenue of $AUD68.3 million.
- Treyo's unit sales **increased by 2.6%** over 2012. **This was as a result of** continuing solid sales growth by Treyo branded products in the marketplace, despite strong completion. Treyo remains the market leader, with the Treyo brand highly regarded by consumers.
- Group NPAT of $AUD5.2 **million. An increase of 7% over the previous year;** continuing **strong cash reserves** of $AUD24.2 million;
- **Strong working capital** of $AUD8.4 million at 31 December 2013; and
- Foreign exchange translation gain impacting on comprehensive income of $AUD9.6 million;

As the world's largest manufacturer of automated mahjong tables, Treyo continues to grow its market share despite strong competitive pressures. Treyo's mahjong table sales revenues alone, increased by 12% over the prior year.

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

During the 2013 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.

# Treyo Leisure and Entertainment Ltd and Controlled Entities

**ABN: 93 131 129 489**

## Commentary on Full Year 2013 Results (continued)

### 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".

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

**ABN: 93 131 129 489**

**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

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

## 1. Reporting period

| | |
|---|---|
| Current Period | 12 months ended 31 December 2013 |
| Prior Period | 12 months ended 31 December 2012 |

## 2. Results for announcement to the market

| Consolidated Group | Item | | $ | % Change | | $ |
|---|---|---|---|---|---|---|
| Revenue – excluding interest received | **2.1** | up | 7,867,893 | 12% | to | 76,154,772 |
| Profit after tax attributable to members | **2.2** | up | 358,584 | 7% | to | 5,228,134 |
| Net Profit attributable to members | **2.3** | up | 391,923 | 8% | to | 5,228,134 |
| Dividend | **2.4** | The Board has not recommended nor have paid any dividends during the 2013 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.

During the current year Treyo Leisure and Entertainment Ltd acquired a 99% interest in Shangzuo Asset Management Centre (Limited Partnership) for $35,005,823. The results above include $1,125,393 share of Partnership profits. The Partnership's principal activity is to enable Treyo's funds to be loaned to third party borrowers facilitated through Chinese banks. The Company is entitled to priority partnership profits of up to 5.4% per annum and is seen by the Board as a prudent method of using the Group's excess funds.

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 27 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.

# Treyo Leisure and Entertainment Ltd and Controlled Entities

**ABN: 93 131 129 489**

**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

Overview of results

For the year ended 31 December 2013 sales revenue and net profit after tax have increased by $7,867,893 (12% compared to 2012), and $358,584 (7% compared to 2012) respectively on the prior year, as a result of a 2.6% increase in Mahjong tables units sold by Treyo.

Financial Position

The net assets of the consolidated group have increased by $14,778,469 from $44,692,856 at 31 December 2012 to $59,471,325 at 31 December 2013. This increase has largely resulted from the following factors:

- $5,228,134 profits after tax attributable to members; and
- $9,550,335 decrease in foreign exchange loss reserve.

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 decreased from $31,276,314 in 2012 to $8,437,102 in 2013. The decrease is a result of the $35,005,823 investment in Shangzuo Asset Management Centre (Limited Partnership), which has resulted in extra profits of $1,125,393.

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

Significant Changes in the State of Affairs

During the year Treyo Leisure and Entertainment Ltd acquired an investment in Shangzuo Asset Management Centre (Limited Partnership) for $35,005,823. The Partnership's principal activity is to enable Treyo's funds to be loaned to third party borrowers facilitate through Chinese banks. The Company is entitled to priority partnership profits of up to 5.4% per annum and is seen by the Board as a prudent method of using the Group's excess funds.

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

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

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

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

**6. Statement of movements in Retained Earnings – 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 2013.

**8. Details of any Dividend or distribution reinvestment plans**

N/A

## 9. Net tangible assets per security

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Number of securities | 311,008,000 | 311,008,000 |
| Net tangible assets per security in cents | 19 | 14 |

## 10. Changes in controlled entities

There have been no changes in controlled entities during the year ended 31 December 2013. In the prior year, Hangzhou Shouken Electric Co.Ltd ("Shouken") a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") was disposed on effective date of 30 June 2012.

## 11. Details of associates and joint venture entities

During the year the Group acquired a 99% partnership in Shangzuo Asset Management Centre (Limited Partnership) for $35,005,823. The Group's share of the Joint Venture results amounted $1,125,393 for the period since acquisition.

## 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 on continuing operations | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Basic earnings per share in cents | 1.68 | 1.57 |
| Diluted earnings per share in cents | 1.68 | 1.57 |

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 26th day of February 2014**

# 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 2013

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | 76,154,772 | 68,286,879 |
| Cost of goods sold | | (58,837,827) | (51,956,548) |
| Gross profit | | 17,316,945 | 16,330,331 |
| Other income | 2 | 1,214,352 | 1,725,694 |
| Share of Partnership result using the equity method | 13 | 1,125,393 | - |
| Loss recognised on sale of subsidiary | 15 | - | (234,679) |
| Distributions and selling expenses | | (4,165,500) | (3,752,898) |
| Administrative expenses | | (8,483,084) | (7,864,676) |
| Finance costs | | (348,546) | (373,105) |
| Profit/(loss) before income tax | 3 | 6,659,560 | 5,830,667 |
| Income tax expense | 4 | (1,431,426) | (961,117) |
| Profit/(loss) from continuing operations | | 5,228,134 | 4,869,550 |
| **Discontinuing operations** | | | |
| Profit/(loss) from discontinuing operations | 15 | - | (33,339) |
| **Profit For The Year** | | 5,228,134 | 4,836,211 |
| **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 | | 9,550,335 | (629,362) |
| **Total Comprehensive Income For The Year Attributable to Members** | | 14,778,469 | 4,206,849 |
| Profit attributable to members of the parent entity | | 5,228,134 | 4,836,211 |
| Total comprehensive income attributable to members of the parent entity | | 14,778,469 | 4,206,849 |
| **Earnings per share (on profit attributable to ordinary equity holders)** | | **Cents** | **Cents** |
| Basic earnings per share (cents per share) on continuing operations | 7 | 1.68 | 1.57 |
| Diluted earnings per share (cents per share) on continuing operations | 7 | 1.68 | 1.57 |

The accompanying notes form part of these financial statements.

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# Treyo Leisure and Entertainment Ltd and Controlled Entities

**ABN: 93 131 129 489**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2013

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 8 | 24,228,920 | 38,861,335 |
| Trade and other receivables | 9 | 687,018 | 1,717,257 |
| Prepayments and other current assets | 10 | 1,329,511 | 5,195,992 |
| Inventories | 11 | 5,170,096 | 3,702,475 |
| Held to maturity financial assets | 12 | 9,399,300 | 9,156,000 |
| Current tax receivable | 21 | - | - |
| **TOTAL CURRENT ASSETS** | | 40,814,845 | 58,633,059 |
| **NON-CURRENT ASSETS** | | | |
| Prepayments and other current assets | 10 | - | 1,153,198 |
| Investments accounted for using the equity method | 13 | 37,730,408 | - |
| Property, plant and equipment | 16 | 13,149,546 | 11,748,131 |
| Intangible assets | 17 | 154,269 | 117,429 |
| Deferred tax assets | 21 | - | 397,784 |
| **TOTAL NON-CURRENT ASSETS** | | 51,034,223 | 13,416,542 |
| **TOTAL ASSETS** | | 91,849,068 | 72,049,601 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 18 | 20,446,466 | 17,192,423 |
| Notes payable | 19 | 5,917,873 | 5,325,740 |
| Financial liabilities | 20 | 5,529,000 | 4,578,000 |
| Current tax liabilities | 21 | 484,404 | 260,582 |
| **TOTAL CURRENT LIABILITIES** | | 32,377,743 | 27,356,745 |
| **TOTAL LIABILITIES** | | 32,377,743 | 27,356,745 |
| **NET ASSETS** | | **59,471,325** | **44,692,856** |
| **EQUITY** | | | |
| Issued capital | 23 | 23,302,770 | 23,302,770 |
| Foreign exchange translation reserve | 24 | 2,148,743 | (7,401,592) |
| Statutory general reserve | 24 | 1,132,522 | 1,132,522 |
| Retained earnings | | 32,887,290 | 27,659,156 |
| **TOTAL EQUITY** | | **59,471,325** | **44,692,856** |

The accompanying notes form part of these financial statements.

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

**ABN: 93 131 129 489**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR YEAR ENDED 31 DECEMBER 2013

| | Share Capital Ordinary | Retained Earnings | Foreign Exchange Reserve | Statutory Reserves | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 31 December 2011** | 23,302,770 | 22,822,945 | (6,772,230) | 1,132,522 | 40,486,007 |
| Profit for the year | - | 4,836,211 | - | - | 4,836,211 |
| Other comprehensive income | - | - | (629,362) | - | (629,362) |
| **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 |
| **Balance at 31 December 2013** | 23,302,770 | 32,887,290 | 2,148,743 | 1,132,522 | 59,471,325 |

The accompanying notes form part of these financial statements.

## Treyo Leisure and Entertainment Ltd and Controlled Entities

**ABN: 93 131 129 489**

### CONSOLIDATED STATEMENT OF CASH FLOW
### FOR YEAR ENDED 31 DECEMBER 2013

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 74,095,765 | 68,528,502 |
| Payments to suppliers and employees | | (64,767,580) | (58,363,910) |
| Interest received | | 1,041,595 | 1,353,598 |
| Finance costs | | (348,546) | (373,105) |
| Income tax paid | | (822,128) | (649,752) |
| Net cash provided by operating activities | 28 | 9,199,106 | 10,495,333 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (183,857) | (435,871) |
| Proceeds from sale of property, plant and equipment | | 44,695 | 12,505 |
| Purchase of intangible assets | | (38,856) | - |
| Purchase of long term investments | | (35,005,823) | - |
| Receipts from short term investments | | 1,658,700 | - |
| Disposal of subsidiary, net cash outflow | 15 | - | (3,292,395) |
| Loans to other entities | | - | (1,223,954) |
| Loans repaid by other entities | | 1,478,491 | - |
| Receipts from related parties | | 1,392,755 | - |
| Net cash provided by (used in) investing activities | | (30,653,895) | (4,939,715) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds of borrowings | | 737,200 | - |
| Repayment of borrowings | | (737,200) | - |
| Net cash used in financing activities | | - | - |
| Net increase in cash held | | (21,454,789) | 5,555,618 |
| Cash at beginning of financial year | 8 | 38,861,335 | 33,723,184 |
| Effect of exchange rates on cash holdings in foreign currencies | | 6,822,374 | (417,467) |
| **Cash at end of financial year** | **8** | **24,228,920** | **38,861,335** |

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.

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**

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2013. 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.

*Interest in Joint ventures*

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

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

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.

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

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.

b. **Income Tax**

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

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

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

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

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

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.

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

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Buildings | 5% |
| Land use rights | 2% |
| Plant, machinery, office equipment and motor vehicles | 5%-20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. **Financial Instruments**

*Recognition and Initial Measurement*

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

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

*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.

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

*Classification and Subsequent Measurement*

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

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

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Financial Liabilities*

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

**Fair value**

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

**Impairment**

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

f. **Impairment of Assets**

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

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

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

g. **Intangibles**

**Patents and trademarks**

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

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.

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

**Group companies**

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

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

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

i. **Employee Benefits**

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

j. **Provisions**

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

k. **Provision for Warranties**

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

l. **Cash and Cash Equivalents**

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

m. **Revenue and Other Income**

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

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

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

n. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

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

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

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

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

p. **Government grants**

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

q. **Trade and other payables**

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

r. **Earnings per share**

*(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

s. **Comparative Figures**

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

t. **Critical Accounting Estimates and Judgments**

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

*Key Estimates — Impairment*

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

u. **New and amended standards adopted by the Group**

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

***AASB 10 Consolidated Financial Statements***

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

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

***AASB 11 Joint Arrangements***

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

***AASB 13 Fair Value Measurement***

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

v. **New Standards not previously applied**

The Consolidated Entity has adopted new and revised IFRS issued by the IASB during the current financial year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available. There is no material financial impact from adopting the new Standards.

The preliminary financial report was authorised for issue on 26th February 2014 by the board of directors.

## NOTE 2: REVENUE

| | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| Sales revenue | | | |
| Sale of goods | | 76,154,772 | 68,286,879 |
| Other income | | | |
| — Bank Interest received | | 1,041,595 | 1,353,598 |
| — Other income | | 172,757 | 372,096 |
| | | 1,214,352 | 1,725,694 |

## NOTE 3: PROFIT FOR THE YEAR

| **Expenses** | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| Finance costs: | | | |
| —Interest expense | | 332,104 | 348,250 |
| —Bank charges | | 16,442 | 24,855 |
| Total finance costs | | 348,546 | 373,105 |
| | | | |
| Employee wages and benefits | | 6,152,930 | 5,480,678 |
| Included in administrative expenses are: | | | |
| —Depreciation and amortisation | | 1,103,903 | 1,025,402 |
| —Audit fees | 5 | 100,000 | 130,000 |
| —Loss recognised on the sale of subsidiary | 15 | - | 234,679 |
| —(Gain)/loss on the disposal of property, plant and equipment | | 2,257 | - |

## NOTE 4: INCOME TAX EXPENSE

| a. The components of tax expense comprise: | Note | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| Current tax | | 1,431,426 | 961,117 |
| Deferred tax | 21 | - | - |
| Current tax expense/(benefit) | | 1,431,426 | 961,117 |

The Australian tax rate is 30% (2012: 30%).

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% for three years, from 31 December 2011 to 31 December 2013.

The tax rate in Hong Kong is 16.5% (2012: 16.5%).

## NOTE 4: INCOME TAX EXPENSE (CONTINUED)

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| 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 | 1,284,155 | 1,341,207 |
| —parent entity | - | - |
| Add: | | |
| Tax effect of: other non-allowable items | 73,803 | 65,117 |
| Less: | | |
| Tax effect of tax exemptions from the People's Republic of China | (639,893) | (571,553) |
| Tax effect of losses not brought into accounts as they do not meet the recognition criteria | 315,577 | 126,346 |
| Deferred tax assets written off | 397,784 | - |
| Income tax attributable to entity | 1,431,426 | 961,117 |
| The applicable weighted average effective tax rates are as follows: | 28% | 20% |

## NOTE 5: AUDITORS' REMUNERATION

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| — auditing or reviewing the financial report | 100,000 | 130,000 |
| — taxation services | 2,750 | 2,500 |
| | 102,750 | 132,500 |

## NOTE 6: DIVIDENDS

The Board has not recommended nor paid any dividends during the year ended 31 December 2013 or 31 December 2012.

## NOTE 7: EARNINGS PER SHARE

| | 2013 $ | 2012 $ |
|---|---|---|
| a. Reconciliation of earnings to profit or loss | | |
| Profit used to calculate basic EPS and dilutive EPS | 5,228,134 | 4,869,550 |
| b. Reconciliation of earnings to profit or loss from continuing operations | | |
| Profit for the year | 5,228,134 | 4,836,211 |
| Less: Loss/(Profit) for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations | - | 33,339 |
| Profit from continuing operations used to calculate basic EPS from continuing operations and dilutive EPS. | 5,228,134 | 4,869,550 |
| 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

| | 2013 $ | 2012 $ |
|---|---|---|
| Cash at bank and in hand | 22,444,870 | 29,060,310 |
| Short term bank deposits | 1,784,050 | 9,801,025 |
| | 24,228,920 | 38,861,335 |

At 31 December 2013 $1,784,050 (2012: $3,849,625) was held in an interest bearing short term deposit as a guarantee for notes payable (see Note 19).

## NOTE 9: TRADE AND OTHER RECEIVABLES

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| CURRENT | | | |
| Trade receivables | 9a | 732,124 | 870,412 |
| Less provision for impaired trade receivables | 9b | (63,782) | (52,811) |
| | | 668,342 | 817,601 |
| Other receivables | 9c | 15,409 | 892,386 |
| Goods & service tax receivable | 9d | 3,267 | 7,270 |
| | | 687,018 | 1,717,257 |

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 2013, trade receivables of $527,465 (2012: $588,675) 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:

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

| | Consolidated Group | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| 30-90 days | 332,742 | 598,844 |
| 91-180 days | 228,828 | 21,324 |
| 181-365 days | 3,936 | 6,344 |
| 365 days above | 25,741 | 14,974 |
| Total | 591,247 | 641,486 |

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 2013, trade receivables of $63,782 (2012: $52,811) were impaired. These relates to individual customers which have experienced an unexpectedly difficult economic situation. Movements in the provision for impairment of receivables are as follows:

| | **2013** | **2012** |
|---|---|---|
| | **$** | **$** |
| At 1 January | 52,811 | 43,777 |
| Exchange difference on translation | 10,971 | 9,034 |
| At 31 December | 63,782 | 52,811 |

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**

| | **2013** | **2012** |
|---|---|---|
| CURRENT | **$** | **$** |
| Prepayments | 1,329,511 | 5,195,992 |
| | | |
| NON CURRENT | | |
| Deposit paid for land acquisition | - | 1,153,198 |

## NOTE 11: INVENTORIES

| | 2013 | 2012 |
|---|---|---|
| CURRENT | $ | $ |
| At cost and net realisable value | | |
| Raw materials and stores | 2,696,398 | 2,080,533 |
| Work in progress | 609,618 | 499,560 |
| Finished goods | 2,197,784 | 1,423,840 |
| Provision for stock obsolescence | (333,704) | (301,458) |
| | 5,170,096 | 3,702,475 |

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

## NOTE 12: FINANCIAL ASSETS

| | 2013 | 2012 |
|---|---|---|
| CURRENT | $ | $ |
| Held to maturity financial assets | 9,399,300 | 9,156,000 |

During the year, the Group placed a sum of $9,399,300 (2012: $9,156,000) to be held-to-maturity with Agricultural Bank of China for the bank to lend to other parties. The term of the placement is for one year ended on 17 May 2014 (2012: 17 May 2013) and earns interest at 8.5% (2012: 8.5%) per annum.

## NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | 2013 | 2012 |
|---|---|---|
| NON-CURRENT | $ | $ |
| Group's share of net profits | 1,125,393 | - |
| Group's acquisition cost of investment in partnership | 35,005,823 | - |
| Exchange difference on translation | 1,599,192 | |
| | 37,730,408 | - |

| a. Joint Venture Entities/Partnership | Country of Incorporation | Percentage Owned (%) 2013 % | 2012 % |
|---|---|---|---|
| Shangzuo Asset Management Centre (Limited Partnership) | Peoples Republic of China | 99 | - |

On 11 March 2013, the Group invested $35,005,823 (RMB 198,000,000) to obtain a 99% partnership interest in the Shangzuo Asset Management Centre (Limited Partnership). The Partnership is a separate legal entity under Chinese Partnership law and is registered as an independent legal entity at the Department of Company Registration.

Under the Partnership Agreement, the Company has priority interest to partnership profits of up to 5.4% of contributed equity. During the year $1,125,393 (RMB 6,722,778) of profits were distributed/distributable.

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

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **b . Financial Performance** | | |
| Revenue | 1,580,535 | - |
| Total profit for the period | 1,477,358 | - |
| Group's share of profits for the period | 1,125,393 | - |
| | | |
| **c. Details of assets and liabilities** | | |
| Total current assets | 1,767,741 | - |
| Total non-current assets | 36,860,000 | - |
| Total liabilities | (1,767,741) | - |
| Net assets | 36,860,000 | - |
| Group's share of net assets | 36,605,015 | - |

## NOTE 14: CONTROLLED ENTITIES

| a. Controlled Entities Consolidated | Country of Incorporation | Percentage Owned (%)(1)<br>2013<br>% | <br>2012<br>% |
|---|---|---|---|
| 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. Disposal of Controlled Entities

Pursuant to a share transfer agreement dated 23 April 2012, Hangzhou Shouken Electric Co.Ltd ("Shouken") a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") was disposed on effective date of 30 June 2012. Refer to Note 15 for details of discontinued operations.

### c. Cross guarantee

There is no deed of cross guarantee as at 31 December 2013 or 31 December 2012.

## NOTE 15: DISCONTINUED OPERATIONS

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

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

### a. Financial Performance

| | 2013 $ | 2012 $ |
|---|---|---|
| Revenue | - | 7,665,510 |
| Expenses | - | (7,621,206) |
| Profit before income tax | - | 44,304 |
| Income tax expense | - | (77,643) |
| Loss after income tax of discontinued operations | - | (33,339) |
| Loss on sale of subsidiary | - | (234,679) |
| Loss from discontinued operations | - | (268,018) |

### b. Details of the sale of subsidiary

| | 2013 $ | 2012 $ |
|---|---|---|
| Consideration received or receivable | - | 2,213,731 |
| Carrying amount of net assets sold | - | (2,448,410) |
| Loss on sale of subsidiary | - | (234,679) |

### c. Details of assets and liabilities

| | 2013 $ | 2012 $ |
|---|---|---|
| Cash and cash equivalents | - | 3,292,395 |
| Trade and other receivables | - | 1,249,763 |
| Inventory | - | 1,602,540 |
| Plant and equipment | - | 721,930 |
| Intangible Assets | - | 29,042 |
| Long term investments | - | 49,824 |
| Total assets | - | 6,945,494 |
| Trade and other payables | - | (4,497,084) |
| Short term loan | - | - |
| Total net assets disposed | - | 2,448,410 |

## NOTE 16: 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 2013** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2013 | 1,225,874 | 12,071,092 | 963,360 | 480,161 | 2,540,647 | 17,281,134 |
| Additions | - | - | - | 123,704 | 60,193 | 183,897 |
| Disposals | - | - | (157,524) | - | - | (157,524) |
| Exchange differences | 254,654 | 2,507,560 | 184,218 | 112,233 | 533,853 | 3,592,518 |
| **At 31 December 2013** | **1,480,528** | **14,578,652** | **990,054** | **716,098** | **3,134,693** | **20,900,025** |
| **Accumulated Depreciation** | | | | | | |
| At 1 January 2013 | 237,002 | 2,804,891 | 485,845 | 309,602 | 1,695,663 | 5,533,003 |
| Depreciation for the period | 26,895 | 598,612 | 198,625 | 86,496 | 165,723 | 1,076,351 |
| Depreciation on disposal | - | - | (106,203) | - | - | (106,203) |
| Exchange differences | 51,949 | 643,102 | 110,257 | 73,045 | 368,975 | 1,247,328 |
| **At 31 December 2013** | **315,846** | **4,046,605** | **688,524** | **469,143** | **2,230,361** | **7,750,479** |
| **Net book value** | | | | | | |
| **At 31 December 2013** | **1,164,682** | **10,532,047** | **301,530** | **246,955** | **904,332** | **13,149,546** |
| At 31 December 2012 | 988,872 | 9,266,201 | 477,515 | 170,559 | 844,984 | 11,748,131 |
| **Carrying amounts** | | | | | | |
| 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** |
| At 1 January 2012 | 1,025,276 | 9,809,935 | 567,793 | 221,536 | 1,481,439 | 13,105,979 |
| Additions | - | 114,550 | 230,443 | 75,876 | 15,002 | 435,871 |
| De-recognition on disposal of subsidiary | - | - | (111,043) | (60,828) | (550,060) | (721,931) |
| Disposals | - | - | (105,303) | - | - | (105,303) |
| Depreciation expense | (24,550) | (561,635) | (174,129) | (72,126) | (176,588) | (1,009,028) |
| Depreciation on disposal | - | - | 92,798 | - | - | 92,798 |
| Exchange differences | (11,854) | (96,649) | (23,044) | 6,101 | 75,191 | (50,255) |
| At 31 December 2012 | 988,872 | 9,266,201 | 477,515 | 170,559 | 844,984 | 11,748,131 |

## NOTE 17: INTANGIBLE ASSETS

| | 31 December 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Patents and Trademarks | Software | Total | Patents and Trademarks | Software | Total |
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| At 1 January | 298,028 | 154,368 | 452,396 | 329,011 | 156,180 | 485,191 |
| Additions | - | 38,856 | 38,856 | - | 78,256 | 78,256 |
| De-recognition on disposal of subsidiary | - | - | - | (29,042) | (78,256) | (107,298) |
| Currency translation difference | 61,910 | 35,991 | 97,901 | (1,941) | (1,812) | (3,753) |
| At 31 December | **359,938** | **229,215** | **589,153** | **298,028** | **154,368** | **452,396** |
| **Accumulated amortisation and impairment** | | | | | | |
| At 1 January | 293,374 | 41,593 | 334,967 | 305,331 | 26,463 | 331,794 |
| Amortisation in the period | 1,004 | 26,548 | 27,552 | 917 | 15,457 | 16,374 |
| Currency translation difference | 61,045 | 11,320 | 72,365 | (12,874) | (327) | (13,201) |
| At 31 December | **355,423** | **79,461** | **434,884** | **293,374** | **41,593** | **334,967** |
| **Net carrying value** | | | | | | |
| 31 December | **4,515** | **149,754** | **154,269** | **4,654** | **112,775** | **117,429** |
| **Carrying amount** | | | | | | |
| At 1 January | 4,654 | 112,775 | 117,429 | 23,680 | 129,717 | 153,397 |
| Additions | - | 38,856 | 38,856 | - | 78,256 | 78,256 |
| De-recognition on disposal of subsidiary | - | - | - | (29,042) | (78,256) | (107,298) |
| Amortisation in the period | (1,004) | (26,548) | (27,552) | (917) | (15,457) | (16,374) |
| Currency translation difference | 865 | 24,671 | 25,536 | 10,933 | (1,485) | 9,448 |
| At 31 December | 4,515 | 149,754 | 154,269 | 4,654 | 112,775 | 117,429 |

## NOTE 18: TRADE AND OTHER PAYABLES

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| Unsecured liabilities | | |
| Trade payables | 13,483,011 | 9,711,768 |
| Sundry payables and accrued expenses | 4,287,205 | 3,386,859 |
| GST, VAT and other indirect taxes payable | 835,020 | 457,146 |
| Prepayments from customers | 1,841,230 | 3,636,650 |
| | 20,446,466 | 17,192,423 |

## NOTE 19: NOTES PAYABLE

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| CURRENT | | | |
| Secured liabilities | | | |
| Notes payable | 8 | 5,917,873 | 5,325,740 |

The notes payable mature from January 2014 to June 2014 (2012: from January 2013 to June 2013). The notes payable are guaranteed by interest bearing short term bank deposit of $1,784,050 (2012: $3,849,625) (see Note 8).

## NOTE 20: FINANCIAL LIABILITIES

| | 2013 $ | 2012 $ |
|---|---|---|
| CURRENT | | |
| Unsecured liabilities | | |
| Short term borrowings | 5,529,000 | 4,578,000 |

During the current year, the Group obtained a short term borrowing of $5,529,000 (RMB30,000,000) (2012: $4,578,000, RMB30,000,000) from the Agricultural Bank of China for a term of one year; $3,686,000 ending on 26 February 2014 (2012: $3,052,000 ending on 27 February 2013) and $1,843,000 ending on 31 January 2014 (2012: $1,526,000 ending on 20 April 2013). Interest is payable at 6.00% and 6.16% (2012: 5.6% and 6.63% per annum) respectively on the borrowings.

## NOTE 21: TAX

| | 2013 $ | 2012 $ |
|---|---|---|
| a. **Liabilities** | | |
| CURRENT | | |
| Income Tax | 484,404 | 260,582 |
| b. **Assets** | | |
| CURRENT | | |
| Income Tax | - | - |
| NON-CURRENT | | |
| Deferred tax asset | - | 397,784 |

| **Consolidated Group** | Opening Balance $ | Charged to Income $ | Charged directly to Equity $ | Changes in Tax Rate $ | Exchange Differences $ | Closing Balance $ |
|---|---|---|---|---|---|---|
| Deferred tax asset | | | | | | |
| Balance at 1 January 2013 | 397,784 | (397,784) | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Balance at 31 December 2013** | 397,784 | (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 $803,693 (2012: $488,116).

**NOTE 22: PROVISIONS**

The Consolidated Group and Parent Entity have no provisions at 31 December 2013 (2012: $nil). No employees are eligible for Long-term employee benefits at 31 December 2013 (2012: $nil).

**NOTE 23: ISSUED CAPITAL**

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| At the beginning of reporting period 311,008,000 (2012: 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 (2012: 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** | 2013<br>Number | 2012<br>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

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:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Total liabilities | 32,377,743 | 27,356,745 |
| Less: cash and cash equivalents | (24,228,920) | (38,861,335) |
| Net liabilities/(net cash) | 8,148,823 | (11,504,590) |
| Total equity | 59,471,325 | 44,692,856 |
| | | |
| Net liabilities/(net cash) to equity ratio | 14% | (26%) |

The decrease in consolidated net liabilities /(net cash) – equity ratio during 2013 is primarily due to higher non-current assets.

## NOTE 24: 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 25: CAPITAL AND LEASING COMMITMENTS

The Consolidated Group has capital or leasing commitments at 31 December 2013 of $nil (2012: $nil).

The Consolidated Group has capital expenditure contracted as follows:

**Management services commitment**

During the year ended 31 December 2012 Matsuoka Mechatronics (China) Co., Ltd entered into an agreement for the provision of management services with China Finance and Investment Holding Ltd, a related party, amounting to $nil (2012: $109,872) for the period from 1 January 2013 to 31 December 2013. The outstanding commitment for Matsuoka Mechatronics as at 31 December 2013 is $nil (2012 $109,872).

**Software services commitment**

During the year ended 31 December 2013 Matsuoka Mechatronics (China) Co., Ltd entered into an agreement for the provision of software services with Ding Jie Software, amounting to $18,854 (2012: nil). The outstanding commitment for Matsuoka Mechatronics as at 31 December 2013 is $13,198 (2012: $nil).

## NOTE 26: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Group has no contingent liabilities or contingent assets at 31 December 2013 (2012: $nil).

## NOTE 27: OPERATING SEGMENTS

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

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

Products:
- Treyo's premium-end mahjong tables.
- Shouken's premium-end massage tables (discontinued operations effective 30 June 2012, refer to Note 14 for further details).

Regions:
- China, the segment which all goods are manufactured and sold in.
- Australia, the segment which manages all ASX related activities.
- Hong Kong, the segment which manages all other corporate activities.

**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 27: OPERATING SEGMENTS (CONTINUED)

Segment information provided to executive directors:

| | China Matsuoka $ | Hong Kong $ | Australia $ | Total $ |
|---|---|---|---|---|
| **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 |
| 0Income 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 |
| **31 December 2012** | | | | |
| REVENUE | | | | |
| Total revenue -external sales | 68,286,879 | - | - | 68,286,879 |
| RESULT | | | | |
| Segment result | 7,008,389 | (148,955) | (420,983) | 6,438,451 |
| Unallocated expenses net of unallocated revenue | - | - | - | - |
| Finance costs | (372,675) | (258) | (172) | (373,105) |
| Profit/(loss) before income tax | 6,635,714 | (149,213) | (421,155) | 6,065,346 |
| Income tax expense | (961,117) | - | - | (961,117) |
| Profit after income tax on continuing operations | 5,674,597 | (149,213) | (421,155) | 5,104,229 |
| Loss on sale of subsidiary | | | | (234,679) |
| Loss from discontinued operations | | | | (33,339) |
| Profit after income tax | | | | 4,836,211 |
| ASSETS | | | | |
| Segment assets | 68,862,855 | 2,745,247 | 441,499 | 72,049,601 |
| LIABILITIES | | | | |
| Segment liabilities | 27,227,523 | 1,449 | 127,773 | 27,356,745 |
| Reconciliation of segmental net assets to Group net assets | | | | |
| Inter-segment eliminations | | | | - |
| Total Group net assets from continuing operations | | | | 44,692,856 |
| OTHER | | | | |
| Depreciation and amortisation of segment assets | 1,025,402 | - | - | 1,025,402 |

## NOTE 28: CASH FLOW INFORMATION

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **Reconciliation of Cash Flow from Operations with Profit after Income Tax** | | |
| Profit/(loss) after income tax | 5,228,134 | 4,836,211 |
| Non-cash flows in profit | | |
| Amortisation | 27,552 | 16,374 |
| Depreciation | 1,076,351 | 992,654 |
| Net (gain)/loss on disposal of property, plant and equipment | 2,257 | - |
| Net (gain)/loss on disposal of subsidiary | - | 268,018 |
| Net (gain)/loss on investment account for using equity accounting | (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 | (3,537,046) | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | |
| (Increase)/decrease in trade receivables | 249,986 | (87,743) |
| (Increase)/decrease in prepayments | 3,866,481 | 998,783 |
| (Increase)/decrease in inventories | (1,467,621) | 1,195,757 |
| Increase/(decrease) in trade payables and accruals | 3,846,176 | 1,963,914 |
| Increase/(decrease) in income taxes payable | 223,822 | 311,365 |
| Cashflow from operations | 9,199,106 | 10,495,333 |