TREYO LEISURE AND ENTERTAINMENT LTD

ABN 93 131 129 489

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS

CORPORATE INFORMATION

ABN 93 131 129 489

Directors
Ling (Allan) Mao (Executive Chairman)
Roger Smeed (Deputy Chairman)
Guohua Wei
Kwong Fat Tse
Zhongliang Zheng
Minghua Yu
Edward Byrt

Company Secretary
Jo-Anne Dal Santo

Registered Office
Level 2, 371 Spencer Street
Melbourne, Victoria 3000, Australia

Share Registry
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnstone Street
Abbotsford, Victoria 3067, Australia
Phone: 1300 850 505

Treyo Leisure and Entertainment Limited Shares are listed on the Australian Securities Exchange (ASX)
ASX Code: TYO

Bankers
Westpac Banking Corporation Limited
360 Collins Street
Melbourne, Victoria 3000

Auditors
Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville, South Australia 5034

Legal Advisors
Norton Rose
RACV Tower, 485 Bourke Street
Melbourne, Victoria 3000

Website Address
www.treyo.com.au

All monetary amounts in this Report are in Australian dollars unless stated otherwise.
The financial year begins on 1 January and ends on 31 December each year.

REVIEW BY EXECUTIVE CHAIRMAN

On behalf of the Board of Treyo Leisure and Entertainment Ltd (Treyo) I am pleased to submit the sixth Annual Report to our Shareholders.

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

I am very pleased to advise that, despite a challenging market, the Treyo Group, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co., realised an after tax profit of $AUD5.2 million for the 2013 financial year which, on a direct like-for-like comparison basis, represents an **increase** of 7% on the previous year.

The Treyo brand is now the most recognised brand by consumers and the clear market leader. We have achieved this high standing in the market by continuously providing high quality products, and new technology innovation. Treyo has become the industry standard for quality and service.

With strong cash and cash equivalent reserves of $AUD24.2 million, the Treyo Board is conscious of the need to manage the cash reserves of the Company in a responsible and diligent manner. During the 2013 financial year Treyo acquired a 99% interest in Shangzuo Asset Management Centre (Limited Partnership). For 2013, Treyo has earned $AUD1.1 million share of the Shangzuo Partnership's profits since its acquisition on 11 March 2013. The Partnership's principal activity is to enable Treyo's surplus 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.

Other results for the 2013 year include:

- 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 competition. 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; and
- **Strong working capital** of $AUD8.4 million at 31 December 2013.

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.

I urge you to read the Annual Report, which provides further details of the Company's operations.

Throughout the year, Treyo has been presented with a number of market challenges. These include, price competition and continuing attempts to copy the "Treyo" brand and technology. The Chinese Government, both National and Provincial, are very conscious of the need to protect the brands and technology of prominent China based companies. Treyo has been strongly supported and assisted by the Chinese authorities in taking action against companies that infringe our patents and copyright. As a result, Treyo has continued to be successful in the Chinese courts in defending our brand and intellectual property. These actions have had a positive effect on Treyo's market.

Treyo is now without a doubt the world's largest manufacturer of automated mahjong tables. The Company experiences high recognition with consumers and continues to grow its market share and expand its already extensive distributor network throughout China.

Despite a small contraction of the Chinese economy, China continues to experience solid growth and is recognised as the world's fastest growing and second largest economy. With its primary market in China, Treyo expects continuing growth for the Company.

TREYO

As in previous years, I would like to thank my Board, all of the staff and management of the Treyo Group, our distributors and our suppliers, for their outstanding efforts on behalf of the Group over the last year.

Finally, I would like to thank you, our Shareholders, for your continuing belief in Treyo and our future. I can assure you that your Board will continue to focus on identifying growth opportunities, and growing the Company's market share and profitability.

Yours sincerely

Ling (Allan) Mao **Dated this 26th day of March 2014**
Executive Chairman

BUSINESS OVERVIEW

THE COMPANY

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, is a wholly foreign-owned limited liability company incorporated in the People's Republic of China, now a wholly owned subsidiary of Treyo.

Matsuoka

From its modern purpose built production facilities ideally located in the Xiaoshan Business District near Shanghai, Matsuoka designs, manufactures and markets automatic mahjong tables under the trademark "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. Matsuoka was founded in March 2003 and carries on the business of manufacturing Treyo automated mahjong tables.

Treyo holds approximately 70% of the premium end of the market for automated mahjong tables. As the largest manufacturer of automated mahjong tables, Treyo continues to grow its market share despite strong competitive pressures. Treyo's revenues, increased by 12% over the prior year. The Company's continued 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.

The Company currently employs approximately 760 staff and while its operations and its product distribution is mainly based in China, although there have been increasing international enquiries for the Treyo product range. Treyo intends to both leverage its market presence and reputation for high quality products, innovation and customer service to continue its domestic growth and increase international sales.

OPERATIONAL HIGHLIGHTS

The Treyo Group realised an after tax profit of AUD$5.2 million for the 2013 financial year which represents an increase of AUD$0.4 million or 7% on the previous year. As a result of the strengthening of the Chinese Renminbi, the Company incurred foreign exchange gain on translation of foreign operation of AUD$9.6 million compared to losses in the prior year of AUD$0.6 million, an increase of AUD$10.2 million over the prior year. Treyo's working capital remains strong at AUD$8.4 million.

Total sales revenue and net profit after tax increased by 12% and 7% respectively on the prior year.

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 **<u>up</u> by 12%** to $AUD76.2 million compared to 2012 revenue of $AUD68.3 million.
- Treyo's unit sales **<u>increased</u> 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 <u>increase</u> of 7% over the previous year;** continuing **<u>strong cash reserves</u>** of $AUD24.2 million;
- **<u>Strong working capital</u>** 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.

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

The total annual sales for automatic mahjong tables in the Chinese domestic market, one of Treyo's primary focus, exceeds RMB7.5 billion per annum (approximately AUD$1.38 billion[1]).

[1] Exchange rate $0.1843:RMB / AUD

DIRECTORS' REPORT

Your directors present their Report on Treyo Leisure and Entertainment Limited and its controlled entities for the financial year ended 31 December 2013.

In this Report, Treyo Leisure and Entertainment Limited and its controlled entities are referred to as "the Group" or the "Consolidated Group". The Parent Entity, Treyo Leisure and Entertainment Limited, is referred to as "the Company".

DIRECTORS

The names and details of the Company's directors in office during the financial period and until the date of this Report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ling (Allan) Mao
Executive Chairman

Mr Mao was appointed to the Board on 12 August, 2008 as Executive Chairman and is the Chief Executive Officer of the Group. He also serves on the Audit and Risk Committee. Mr Mao has held various leadership positions at Japan Da Yang Chemistry Ltd, Shanghai Da Yang Chemistry Ltd and Shanghai Lili Plastic Products Co.,Ltd. Mr Mao is a citizen of China and is a graduate of the Zhejiang Academy of Art.

Roger Smeed FAICD, FAIM
Independent, Non-Executive Deputy Chairman

Mr Smeed was appointed to the Board on 28 October 2008 as Deputy Chairman. He also serves on the Remuneration and Nomination Committee and as Chairman of the Audit and Risk Committee. Mr Smeed is an experienced company director with over 25 years of experience at chief executive and board level with large publicly listed and private companies and government business enterprises (GBEs). Currently, Mr Smeed is a member of the Board and Deputy Chairman of two China based, ASX listed companies. He is also Chairman of four Australian companies, where he is involved in strategic acquisitions and the planning, and the implementation of growth strategy initiatives. Mr Smeed is a citizen of Australia.

Guohua Wei EMBA (Zhejiang University, China)
Executive Director

Mr Wei was appointed to the Board on 13 August 2008 and is also the Chairman of the Company's subsidiary - Matsuoka Mechatronics. He also serves on the Remuneration and Nomination Committee. Mr Wei currently holds senior positions at China Finance & Investment Holding Co.,Ltd. Mr Wei is a citizen of China.

Kwong Fat Tse
Non-Executive Director

Mr Tse was appointed to the Board on 13 August 2008. Mr Tse currently holds the position of General Manager of Song Gang International Group Co., Ltd. Mr Tse is a citizen of Hong Kong.

Zhongliang Zheng MBA (Xi'an University of Technology, China)
Executive Director

Mr Zheng was appointed to the Board on 1 June 2010. Mr Zheng has held the position of Chief Financial Officer of Matsuoka Mechatronics since 12 May 2005. Prior to joining Matsuoka, Mr Zheng held senior positions in Shanghai Baosteel Metallurgical construction company, Walsin Investment (China) Company, and Nong Fu Spring Co., Ltd. Mr Zheng is a citizen of China.

Minghua Yu
Independent, Non-Executive Director

Mr Yu was appointed to the Board on 1 June 2010. Mr Yu currently holds the position of General Manager of Zhejiang Songgang Co., Ltd. Mr Yu is well regarded Chinese businessman with many years of commercial experience. Mr Yu is a citizen of China.

TREYO

DIRECTORS' REPORT (CONTINUED)

Edward Byrt LLB (Adelaide University)
Independent, Non-Executive Director

Mr Byrt was appointed to the Board on 28 October 2008. He also serves on the Audit and Risk Committee and as Chairman of the Remuneration and Nomination Committee. Mr Byrt is a company director and legal consultant who for 35 years was a Partner of Norman Waterhouse Lawyers, where he provided strategic commercial advice to industry, commerce and government enterprises. Organisational development, corporate governance and succession planning have been the focus of his professional attention in recent years. In his professional career Mr Byrt has advised many companies undertaking business in Australia and overseas markets, as well as foreign companies operating in Australia. He has a particular interest in promoting Australia-China business. He is Chairman of the South Australian China Cluster and is a past National Vice-President of the Australia China Business Council. Over the past decade Mr Byrt has been appointed to a number of private and public corporation boards to which he brings general commercial legal skills and a diversity of experience from his legal and business background. Mr Byrt is a citizen of Australia.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

In the three years immediately before the end of the financial year the only directors to hold other listed directorships are:

- Edward Byrt, who is also a director and chairman of Papyrus Australia Ltd (ASX:PPY), and a previous director of China JXY Group Ltd (ASX:CJG); companies listed on the ASX; and
- Roger Smeed, who is a previous director of, Xiaoxiao Education Limited (ASX:XXL) Rongtai International Group Holdings Limited (ASX:RIG) and the China JXY Group Limited (ASX:CJG); companies listed on the ASX.

COMPANY SECRETARY

Jo-Anne Dal Santo B.Bus, ACIS, MAICD

Ms Dal Santo was appointed as Company Secretary to the Board on 28 October 2008. Ms Dal Santo has held a variety of roles in private industry and the finance sector and is currently company secretary to a number of private businesses. She is also Director of Red Consulting International Pty Ltd, an accounting and taxation support business located in Melbourne. Ms Dal Santo is a citizen of Australia.

DIRECTORS' INTEREST IN SHARES AND OPTIONS

	Ordinary Shares	Options over Ordinary Shares
Ling (Allan) Mao (1) (2)	55,900,000	-
Roger Smeed (3)	100,000	-
Guohua Wei (4)	179,400,000	-
Kwong Fat Tse	-	-
Zhongliang Zheng (5)	7,800,000	-
Minghua Yu	-	-
Edward Byrt(6)	100,000	-
Total	243,300,000	-

[1] Shares held by Laury Commercial Inc. in which Ling (Allan) Mao has a beneficial interest – 7,800,000 shares in total.
[2] Shares held by Balatina Group Ltd in which Ling (Allan) Mao has a beneficial interest – 48,100,000 shares in total.
[3] Shares held by Roger Smeed and Associates Pty Ltd (as trustee for RF Investment Trust) in which Roger Smeed has a beneficial interest.
[4] Shares held by Matoury Overseas Corp. in which Guohua Wei has a beneficial interest.
[5] Shares held by Yerigton Assets Inc. in which Zhongliang Zheng has a beneficial interest.
[6] Shares held by Stroud Nominees Pty Ltd (as trustee for Byrt Super Fund) in which Edward Byrt has a beneficial interest.

CORPORATE INFORMATION

Corporate Structure

Treyo Leisure and Entertainment Limited is a company limited by shares and is incorporated and domiciled in Australia.

Nature of operations and principal activities

The Company was listed on the Australian Securities Exchange on 2 January 2009 and official quotation commenced on 8 January 2009. The principal activity of the Group during the course of the financial year was the manufacture of automated mahjong tables. Refer to Note 28 for details of the Group's operating segments. 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 operating results for the year 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.

There were no other significant changes in the nature of the Consolidated Group's principal activities during the financial year.

REVIEW OF FINANCIAL POSITION

Financial Results

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:

i. $5,228,134 profits after tax attributable to members; and

ii. $9,550,335 increase in foreign exchange translation 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 is non-current in nature.

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

DIVIDENDS

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

DIRECTORS' REPORT (CONTINUED)

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.

FUTURE DEVELOPMENTS

No 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.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows.

	Audit and Risk Committee Meetings	Remuneration and Nomination Meetings
Number of meetings held	2	-
Ling (Allan) Mao	2	n/a
Roger Smeed	2	-
Guohua Wei	n/a	-
Kwong Fat Tse	n/a	n/a
Zhongliang Zheng	n/a	n/a
Minghua Yu	n/a	n/a
Edward Byrt	2	-

	Board of Directors' Meetings	
	Number of meetings eligible to attend	Number of meetings attended
Ling (Allan) Mao	8	5
Roger Smeed	8	8
Guohua Wei	8	-
Kwong Fat Tse	8	6
Zhongliang Zheng	8	6
Minghua Yu	8	-
Edward Byrt	8	8

TREYO

DIRECTORS' REPORT (CONTINUED)

Committee Membership

As at the date of this Report, the Company had an Audit and Risk Management Committee and a Remuneration and Nomination Committee comprising members of the Board.

Members acting on the Committees of the Board at the date of this Report were as follows:

Audit and Risk Management Committee	Remuneration and Nomination Committee
Roger Smeed (Chairman)	Edward Byrt (Chairman)
Ling (Allan) Mao	Roger Smeed
Edward Byrt	Guohua Wei

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the Director and key management remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this Report key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this Report, the term KMP encompasses the Chief Executive, senior executives, general managers and secretaries of the Company and the Group.

Details of Key Management Personnel of the Company and the Group.

Directors		Date Appointed	
Ling (Allan) Mao	Chairman (Executive)	13 Aug 2008	
Roger Smeed	Deputy Chairman (Independent, Non-Executive)	28 Oct 2008	
Guohua Wei	Director (Executive)	18 Mar 2003	(1)
Kwong Fat Tse	Director (Non-Executive)	13 Aug 2008	
Zhongliang Zheng	Director (Executive) and Chief Finance Officer	12 May 2005	(2)
Minghua Yu	Director (Independent, Non-Executive)	1 June 2010	
Edward Byrt	Director (Independent, Non-Executive)	28 Oct 2008	

Other Key Management Personnel		Date Appointed
Lin Pan	Operating Deputy General Manager	30 Aug 2004
Yinan He	Marketing Deputy General Manager	1 Aug 2005
Lixin Wang	Integrated Management Centre Director	29 Jun 2005
Jo-Anne Dal Santo	Company Secretary	28 Oct 2008

(1) Appointed to the Board on 13 August 2008.

(2) Appointed to the Board on 1 June 2010.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration policy

There were no changes of key management personnel between the reporting date and the date the financial report was authorised for issue.

The remuneration policy of Treyo Leisure and Entertainment Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Treyo Leisure and Entertainment Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- All key management personnel receive a base salary (which is based on factors such as length of service and experience).
- The Remuneration and Nomination Committee intends to review key management personnel packages by reference to the Group's performance, executive performance and comparable information from industry sectors.

All remuneration paid to key management personnel is valued at the cost to the Consolidated Group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black-Scholes methodology.

Non-Executive Remuneration

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee will determine changes to the payments made to non-executive directors and will review their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at an Annual General Meeting. The maximum aggregate remuneration of the non-executives is presently fixed at $300,000. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance-based remuneration

The Group pays out a "13th Month" salary annually to all staff, including executive key management personnel. The payment of the 13th month salary is not contractual and is dependent on Group performance and KPI assessments.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives by processing fixed remuneration adjustments annual for inflation and increased responsibility.

	2013	2012	2011	2010	2009
	$	$	$	$	$
Revenue	76,154,772	68,286,879	71,288,950	55,285,342	66,523,248
Net profit after tax	5,228,134	4,869,550	5,083,823	2,931,717	7,189,930
Share price at end of year	0.20	0.17	0.34	0.34	0.33
Dividends paid	-	-	-	-	-

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel Remuneration Policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group. The standard Chinese Government three year contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. The contract for service automatically renews at the end of the term.

The employment conditions of the executive director, Allan Mao and other Matsuoka Mechatronics (China) Co., Ltd's key management personnel are formalised in standard Chinese Government contracts of employment. With the exception of Roger Smeed, Edward Byrt and the Company Secretary, Jo-Anne Dal Santo all key management personnel are permanent employees of Matsuoka Mechatronics (China) Co., Ltd employed under a fixed three year contract, which commenced on the date of appointment, as shown in the 'Details of key management personnel' above and are renewed automatically at the end of term.

The Remuneration and Nomination Committee determine the compensation for each key management personnel. Refer below.

Key Management Personnel Remuneration

	Short term benefit Cash, salary and commissions	Equity based remuneration	Total	Equity Based percentage
31 December 2013	**$**	**$**	**$**	**%**
Directors				
Ling (Allan) Mao	29,814	-	29,814	-
Roger Smeed	50,000	-	50,000	-
Guohua Wei	36,594	-	36,594	-
Kwong Fat Tse	13,627	-	13,627	-
Zhongliang Zheng	32,812	-	32,812	-
Minghua Yu	11,567	-	11,567	-
Edward Byrt	50,000	-	50,000	-
Total Directors' Remuneration	224,414	-	224,414	-
Other Key Management Personnel				
Jo-Anne Dal Santo	38,000	-	38,000	-
Yinan He	32,510	-	32,510	-
Lin Pan	30,906	-	30,906	-
Lixin Wang	25,952	-	25,952	-
Total Directors' and Other Key Management Personnel Remuneration	351,782	-	351,782	-

DIRECTORS’ REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

	Short term benefit Cash, salary and commissions	Equity based remuneration	Total	Equity Based percentage
	$	$	$	%
31 December 2012				
Directors				
Ling (Allan) Mao	20,628	-	20,628	-
Roger Smeed	50,000	-	50,000	-
Guohua Wei	31,813	-	31,813	-
Kwong Fat Tse	12,699	-	12,699	-
Zhongliang Zheng	24,618	-	24,618	-
Minghua Yu	10,314	-	10,314	-
Edward Byrt	50,000	-	50,000	-
Total Directors’ Remuneration	200,072	-	200,072	-
Other Key Management Personnel				
Jo-Anne Dal Santo	38,000	-	38,000	-
Yinan He	29,455	-	29,455	-
Lin Pan	24,683	-	24,683	-
Lixin Wang	20,739	-	20,739	-
Total Directors’ and Other Key Management Personnel Remuneration	312,949	-	312,949	

Shares and options issued as part of remuneration

During the year, prior year and since the end of the financial year no shares were issued to the directors or the other KMP of the Company as part of their remuneration.

No remuneration consultants were engaged during the year.

At the most recent AGM the Company received a 100% ‘Yes’ vote on its remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the annual general meeting on its remuneration report.

Retirement, election and continuation in office of directors

Directors are subject to retirement by rotation and election by shareholders at general meetings. No directors other than the Managing Director, Ling (Allan) Mao, may remain on the Board for more than three years without re-election.

Where a director is appointed during the year, the directors will hold office until the next Annual General Meeting and then be eligible for election.

A third of the directors will retire at the 2014 Annual General Meeting of the Company. These directors, being eligible, will offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

INDEMNIFYING OFFICERS OR AUDITOR

The Company has entered into Deeds of Indemnity with each of the current Directors and had paid insurance premiums to insure each of past, present and future directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The aggregate annual amount of the premium was $16,500 (2012: $15,000).

OPTIONS

No options were on issue at the year end. No options were issued or exercised during the year and to the date of this report.

ENVIRONMENTAL ISSUES

The Group's operations are not subject to any significant environmental regulation under the law of the Chinese Government or any Australian Commonwealth or State Government.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

DIRECTORS' REPORT (CONTINUED)

NON-AUDIT SERVICES (CONTINUED)

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 December 2013:

	2013	2012
	$	$
Taxation Services	2,500	2,500
	2,500	2,500

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2013 has been received and can be found on page 15 of the annual report.

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 March 2014

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TREYO LEISURE AND ENTERTAINMENT LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Treyo Leisure and Entertainment Limited for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 March 2014

CORPORATE GOVERNANCE STATEMENT

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance these objectives in the best interests of the Group as a whole. The focus of the Board is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Treyo is committed to maintaining high standards of corporate governance appropriate to the size and operations of the Company and the Company complies with all Australian Securities Exchange ("ASX") Corporate Governance Council Best Practice Recommendations ('ASX Recommendations'), unless otherwise stated. This statement incorporates the required recommendations of the ASX Corporate Governance Council issued in August 2007 and amendments published in June 2010. All corporate governance documents noted in this Statement are available on the Company's website www.treyo.com.au.

Day to day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the Managing Director and the senior management team.

Principle 1: Lay solid foundations for management and oversight

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals and responsibilities for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee.

Whilst there is ongoing interaction between the Board and Management, the Board functions independently of management to establish the policy framework of the Company from which management works to perform the daily functions of the business.

The Board's Responsibilities

The primary responsibilities of the Board include:

- Setting the criteria for Board membership and reviewing the composition of the Board;
- Establishing the long term goals of the Group, and working with management to develop strategic and business plans to achieve those goals;
- Monitoring implementation of the Group's strategic and business plans and its financial performance;
- Appointing, and assessing the performance of, the Managing Director and the Chief Operating Officer, ensuring a clear relationship between performance and executive remuneration;
- Ensuring there is an effective internal control environment and appropriate monitoring activities in place to identify and manage any significant risks facing the Group;
- Approving major corporate initiatives;
- Approving the Group's annual and half-year financial reports;
- Enhancing and protecting the reputation of the organisation;
- Reporting to shareholders and the market; and
- Conducting an annual review of the Board Charter.

Board Meetings

The Board holds 8 to 10 formal meetings a year. Additional meetings are held as required. A meeting is held each year to review and approve the strategy and financial plan for the next financial year. The Board also meets with Executive Management to consider matters of strategic importance to the Group.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

Management's Responsibilities

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operational results. Clear lines of communication between the Chair and the Managing Director are established and the Managing Director consults with the Chair, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The role of the senior management team is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Performance of Key Executives

The performance of the Company's most senior executives has been assessed this year in accordance with the process adopted by the Board.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board

The Board's aim is to ensure the Company has an appropriate mix of executive and non-executive directors with relevant expertise and experience to enable the Board to perform its duties with an effective understanding of the business and the operating environment. Currently the Board comprises three executive directors, one of which is the Managing Director and one of whom is the Chair and four independent, non-executive directors, one of which is the Deputy Chair.

Whilst the Board composition complies with ASX Recommendation 2.1, the Chair does not satisfy the test of independence. The Board has decided, given the size of the Board and the Company that it is not appropriate for the position of Chair to be held by an independent, non-executive director.

Board Renewal and Succession Planning

It is the board's policy to consider the appointment and retirement of non-executive directors on a case by case basis. in doing so, the board will take into account the requirements of the ASX Listing Rules and the *Corporations Act* 2001 and has compiled a skills matrix to assist in the identification of any gaps in skills and experience on the board. The Company does not seek external advice to identify or assess potential board candidates as it believes its own internal review process ensures a diverse range of candidates is considered. The selection process of potential candidates includes a review of industry experience and the skills the candidate will bring to the board.

Board succession planning is an important part of the governance process. The Board conducts reviews of and evaluates its succession planning process with the last review occurring in 2010.

The Board has not set a limit on director's tenure. It considers that longstanding directors can bring a level of expertise, judgement, dedication and breadth of perspective to the performance of their responsibilities that is of great value to the Board, management and shareholders.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Currently all directors other than the Managing Director are required to be re-elected by shareholders at least every three years and at least one-third of such directors must retire at each annual general meeting. Due to the requirement for shareholder re-election, directors are not appointed for a fixed term. The period in office of each director is outlined in the Director's Report.

Board Meetings

Each director must declare any potential conflict of interest in relation to any matter for Board consideration, and must not participate in discussions or resolutions pertaining to any matter in which that director has a material personal interest.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, established on 28 October 2008, currently consists of the following Directors of the Company:

- Mr Edward Byrt – Chair (Independent, Non-Executive Director)
- Mr Guohua Wei - (Executive Director)
- Mr Roger Smeed (Independent, Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 5 to 8 of the Directors' Report.

Induction and Education

Each incoming director undertakes a Director Induction Programme which includes an overview of:

- the culture and values of the Company;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders

On an ongoing basis, Directors are continually apprised of key developments in the Company, industry and the environment in which the Company operates.

Performance Evaluation

The Board intends to conduct performance evaluations during 2014.

Access to Information

Directors are encouraged to access members of senior management at any time to request relevant information in their role as Director.

In fulfilling their duties, each director and each committee of the Board may obtain independent professional advice at the Group's expense on matters relating to their role as Director, subject to prior written approval of the Chair of the Company.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Integrity and Accountability

During the year the Company had a Codes of Conduct in place which set out principles and practices to promote integrity and accountability and documented the underlying values of the Group which apply to all its business dealings. In addition, the Company has adopted a set of core values which serves as a constant reference point for assessing the way in which individuals and the Company operate.

Due to its close knit and compliance-focused culture, the Company has also been able to promote integrity in its dealings and accountability of individuals for reporting unethical practices through the ability of its Board, the Managing Director and the senior management team to oversee the Company's operations. The Company has an ongoing commitment to promoting its Codes of Conduct by:

- Providing ongoing guidance on the Company's principles and practices;
- Outlining the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;
- Confirming the Board and Senior Executive's commitment to the Code, and;
- Providing assistance to employees to understand and comply with the Code.

The Codes applies to all employees, directors and officers of Treyo and its subsidiary companies and references other Treyo policies and procedures to provide further guidance where necessary.

Ethical Standards

The Board endeavours to ensure that the directors, officers and employees of the Group act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The Company's ethical standards and expected ethical behaviour are discussed in the Codes of Conduct, and cover the following general areas:

- Compliance with and respect of applicable laws;
- Respectful treatment of others;
- Honesty, fairness and integrity in dealings with others;
- Confidentiality of information;
- Inside information;
- Personal accountability for actions and their consequences;
- Conflicts of interest; and
- Gifts and benefits.

Diversity

The Company has not as yet established a diversity policy and acknowledges it is not fully compliant with ASX Recommendation 3. However the Company acknowledges diversity is not limited to gender, age, ethnicity or cultural background. The Company is committed to providing an environment in which employees have equal access to opportunities available at work, are treated with fairness and respect and are not judged by unlawful or irrelevant reference to their attributes. This ensures the Company attracts and retains people with the best skills and abilities.

The proportion of female employees to male employees within the Group at 31 December 2013 was 37% female and 63% male. There is a strong female representation in all areas including management with 80% of female employees at this level.

The Company actively supports diversity within the business including but not limited to gender, age, ethnicity and cultural background as it believes diversity maximises the achievement of the Company's corporate goals.

The Company does not have a formal diversity policy in place and will address the formulation of a diversity policy in 2014.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial Reports

The Chief Finance Officer ensures that the Company's financial reports are prepared in accordance with relevant accounting standards and that monthly financial reports are distributed to the Board. The annual and half yearly financial reports, and any other financial reports for release to the market, are presented for review by the Audit and Risk Committee prior to their adoption by the Board.

All annual and half-yearly financial reports presented to the Board have been reviewed by the Managing Director and Chief Finance Officer who confirm in writing to the Board that the relevant report represents a true and fair view of the Company's financial position in all material respects and is in order for adoption by the Board.

Audit and Risk Committee

The Audit and Risk Committee, established on 28 October 2008, currently consists of the following Directors of the Company:

- Mr Roger Smeed - Chair (Independent, Non-Executive Director)
- Mr Edward Byrt (Independent, Non-Executive Director)
- Mr Ling Mao (Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 5 to 8 of the Directors' Report.

The composition of the Audit and Risk Committee does not strictly comply with Recommendation 4.2 in that it comprises two independent directors and one executive director. The committee is chaired by an independent director.

Although there was not strict compliance with Recommendation 4.2, the Board considers that given the composition of the Board, and qualifications and availability of Board members, the existing Audit and Risk Committee has the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board.

The main responsibilities of the Audit and Risk Committee include:

- Review and report to the Board on the annual and half-year financial report and all other financial information published by the Company or released to the market;
- Consider the appropriateness of the Group's accounting policies and principles and any changes and methods of application;
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment and oversee the operation of the risk management system;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Review policies on risk oversight and management;
- Provision of advice to the Board on risk management and the establishment of a risk management system and risk management profile;
- Referring matters of significant concern to the board; and
- Conducting a regular review of the Committee Charter.

The Charter also includes details of:

- Committee composition;
- Meetings;
- Role and Objectives; and
- Reporting to the Board.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)

In fulfilling its responsibilities, the Audit and Risk Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, or more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit and Risk Committee or the Chair of the Board.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Committee also receives technical input and experience from the Chief Finance Officer who is also a Board director.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

As a company listed on the ASX, the Company is a disclosing entity under the Corporations Act 2001. As such, it has regular reporting and disclosure obligations to the ASX. In particular, the Company is required to disclose to the ASX information of which it is, or becomes, aware which concerns the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company, unless certain exceptions apply.

During the year the Company had in place a continuous disclosure compliance program which required timely disclosure through the ASX companies' announcement platform of information that could reasonably be expected to have a material effect on a person's consideration of whether to buy, hold, or sell the Company's shares. Under this program the Company Secretary was the nominated continuous disclosure officer for the Company and reported directly to the Board on disclosure matters as well as consulting with directors and senior executives concerning these matters.

Through an internal review process, the Company ensures that ASX company announcements are presented in a factual and balanced manner to keep the market fully informed. The disclosure of financial results is usually accompanied by a commentary, which provides further detail to assist investors.

As part of the corporate governance review the Company has adopted a Continuous Disclosure Policy which applies to all employees and comprises policies and procedures and an audit system.

The policy outlines:

- The Company's continuous disclosure obligations under the ASX Listing Rules;
- A procedure for the notification of potential disclosure information to the Continuous Disclosure Officer (Company Secretary);
- Authorised persons to handle media and shareholder enquiries; and
- The accountabilities of employees, executives, senior management and the Continuous Disclosure Manager and Officer.

In addition, the Board determines whether there is a disclosure requirement in respect of each item of business considered at Board and Committee meetings.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications Strategy

The Company is committed to providing shareholders and the market with relevant and timely information concerning its operations with a view to assisting shareholders assess the Company's performance and encouraging their effective participation at general meetings. It does this by:

- Continuously reporting developments through the companies' announcements platform of the ASX;
- Reporting through the Annual Report;
- Releasing appropriate information on its website;
- Providing shareholders with the opportunity to correspond by phone, in writing, as well as over the Internet; and
- Requesting the attendance of a representative from the Company's external auditor at the Annual General Meeting to answer questions about the audit and the preparation and content of the auditors' report.

A summary of this communications strategy is provided on the Company's website. The Company plans to enhance its website to facilitate further electronic shareholder communication and to this end will make Annual Reports to shareholders available electronically. Hard copy reports will continue to be distributed to shareholders who elect to receive them.

General Meetings

Treyo holds its AGM in May of each year. Shareholders are encouraged to participate in general meetings. The Company's auditor is required to attend each AGM and be available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

An Explanatory Memorandum accompanies each Notice of General Meeting. The Explanatory Memorandum seeks to explain the nature of business of the meeting in a clear and accurate manner. The full Notice of General Meeting and Explanatory Memorandum is placed on the Treyo website, www.treyo.com.au.

All holders of fully paid ordinary shares are able to vote on all resolutions unless specifically stated otherwise in the Notice of Meeting. Shareholders who are unable to attend a General Meeting in person are encouraged to vote on the proposed motions by appointing a proxy.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Assessment and Management

Risk management is an integral part of good business practice and the Board is committed to the highest standards of risk management. The Board is responsible for identifying and monitoring areas of significant business risks, with assistance from management. Internal control measures include:

- A documented risk management system and the adoption of a Risk Management Policy;
- Notification, recording and monitoring of complaints and exceptions;
- Regular reporting to the Board in respect of operations and the Group's financial position, with a monthly comparison of actual results against budget; and
- Reports to the Board by appropriate members of the senior management team, the external auditors and/or independent advisers, outlining the nature of particular risks.

The Board will ensure that any identified risks are properly assessed and that action is taken to implement any required enhancements to the internal control environment.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONTINUED)

Financial Reporting

At the time of confirming the integrity of financial reports to the Board in compliance with Principle 4, the Managing Director and Chief Operating Officer confirm in writing that the reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. In addition, they confirm in writing that the Company's risk management and control system is operating efficiently and effectively in all material aspects.

Written confirmation that the 2013 reports are founded on a sound system of risk management, internal compliance and control has been submitted to the Board by the Managing Director and the Chief Finance Officer.

Written confirmation that the Company's risk management and control system is operating efficiently and effectively in all material aspects has been submitted to the Board by the Managing Director and the Chief Finance Officer.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently consists of the following directors:

- Mr Edward Byrt – Chair (Independent, Non-Executive Director)
- Mr Guohua Wei - (Executive Director)
- Mr Roger Smeed (Independent, Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 5 to 8 of the Directors' Report.

The Nomination and Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for non-executive directors, the Managing Director and senior executives, having regard to an individual's performance, relevant comparative information, and if appropriate, independent expert advice. As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits.

The Nomination and Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The Board has adopted a Nomination and Remuneration Committee Charter which outlines the roles and responsibilities, composition, authorities and operation of the Committee.

Executive Remuneration

The Nomination and Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Managing Director and the senior executives. The aim of these objectives is to assist successful delivery on the Company's strategic objectives and therefore, these objectives are consistent with the Company's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Managing Director and senior executives against the predetermined quantitative and qualitative objectives. The Nomination and Remuneration Committee annually reviews whether the remuneration structure has been successful in achieving its aim and takes this into account in setting objectives.

Further information on Board and Executive Management remuneration is contained in the Remuneration Report.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees as a part of their individual package or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

The Remuneration Committee is also responsible for considering remuneration by gender.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (CONTINUED)

Non-Executive Director Remuneration

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

OTHER INFORMATION

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at www.treyo.com.au.

FINANCIAL REPORT

PAGE

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.

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
Other 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.

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.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
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' or 'Company'). Treyo Leisure and Entertainment Ltd is a for-profit entity for the purposes of preparing its financial statements.

The principal activity of the Group is the manufacturing of automated mahjong tables.

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 if the impact of these new standards and interpretations is that there would be no material impact on the financial results.

The consolidated financial statements for the year ended 31 December 2013 were approved and authorised for issue by the board of directors on 26th March 2014.

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, partnerships and joint ventures are accounted for using the equity method.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The carrying amount of the investment in associates, partnerships 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, partnership or 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, partnerships 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 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 statement of profit or loss and other comprehensive income 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 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 statement of profit or loss and other comprehensive income. 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.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

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

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

ii. *Loans and receivables*

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

iii. *Financial Liabilities*

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

iv. *Held to maturity investments*

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Held-to-maturity investments held by the Group are stated 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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income.

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 functional currency of the main operating entity, Matsuoka Mechatronics (China) is Chinese Renminbi. 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 statement of profit or loss and other comprehensive income, 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 statement of profit or loss and other comprehensive income.

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 statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income 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 Group'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.

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 financial institutions.

m. **Revenue and Other Income**

Revenue is measures at the fair value of the consideration received or receivable after taking into account any discounts received.

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.

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

n. **Government Grants**

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

o. **Trade and other payables**

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. 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.

q. 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 statement of financial position are shown inclusive of GST and VAT.

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

AASB 12 **Disclosure of interests in Other Entities**.

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 **Separate Financial Statements** ***and AASB 128*** **Investments in Associates and Joint Ventures**

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

NOTE 2: REVENUE

	Note	2013 $	2012 $
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

	Note	2013 $	2012 $
Expenses			
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		6,021,086	5,480,678
Included in administrative expenses are:			
— Depreciation and amortisation		1,103,903	1,025,402
— Audit fees	6	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

	Note	2013 $	2012 $
a. The components of tax expense comprise:			
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 $	2012 $
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: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Names and positions held of consolidated and Parent Entity key management personnel in office at any time during the financial year are:**

Directors		Date Appointed
Ling (Allan) Mao	Chairman (Executive)	13 Aug 2008
Roger Smeed	Deputy Chairman (Independent, Non-Executive)	28 Oct 2008
Guohua Wei(1)	Director (Executive)	18 Mar 2003
Kwong Fat Tse	Director (Non-Executive)	13 Aug 2008
Zhongliang Zheng(2)	Director (Executive)	12 May 2005
Minghua Yu	Director (Independent, Non-Executive)	1 June 2010
Edward Byrt	Director (Independent, Non-Executive)	28 Oct 2008
Other Key Management Personnel		
Lin Pan	Operations Centre Director	30 Aug 2004
Yinan He	Marketing Deputy General Manager	1 Aug 2005
Lixin Wang	Integrated Management Centre Director	29 Jun 2005
Jo-Anne Dal Santo	Company Secretary	28 Oct 2008

(1) Appointed to the Board on 13 August 2008.
(2) Appointed to the Board on 1 June 2010.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Key Management Personnel remuneration

	2013 $	2012 $
Directors		
Ling (Allan) Mao	29,814	20,628
Roger Smeed	50,000	50,000
Guohua Wei	36,594	31,813
Kwong Fat Tse	13,627	12,699
Zhongliang Zheng	32,812	24,618
Minghua Yu	11,567	10,314
Edward Byrt	50,000	50,000
Other Key Management Personnel		
Jo-Anne Dal Santo	38,000	38,000
Yinan He	32,510	29,455
Lin Pan	30,906	24,683
Lixin Wang	25,952	20,739
Short term employee benefits	351,782	312,949

Further details of key management personnel remuneration have been included in the Remuneration Report section of the Directors Report.

b. **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

No options were held by key management personnel during the year ended 31 December 2013 or 31 December 2012.

c. **Shareholdings**

Number of Shares held by Key Management Personnel

31 December 2013	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Resigned as Director	Closing Balance
Ling (Allan) Mao(1) (2)	55,900,000	-	-	-	-	55,900,000
Roger Smeed (3)	100,000	-	-	-	-	100,000
Guohua Wei (4)	179,400,000	-	-	-	-	179,400,000
Kwong Fat Tse	-	-	-	-	-	-
Zhongliang Zheng (5)	7,800,000					7,800,000
Minghua Yu	-	-	-	-	-	-
Edward Byrt(6)	100,000	-	-	-	-	100,000
Jo-Anne Dal Santo	-	-	-	-	-	-
Total	243,300,000	-	-	-	-	243,300,000

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

31 December 2012	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Resigned as Director	Closing Balance
Ling (Allan) Mao[1] [2]	55,900,000	-	-	-	-	55,900,000
Roger Smeed [3]	100,000	-	-	-	-	100,000
Guohua Wei [4]	179,400,000	-	-	-	-	179,400,000
Kwong Fat Tse	-	-	-	-	-	-
Zhongliang Zheng [5]	7,800,000					7,800,000
Minghua Yu	-	-	-	-	-	-
Edward Byrt[6]	100,000	-	-	-	-	100,000
Jo-Anne Dal Santo	-	-	-	-	-	-
Total	243,300,000	-	-	-	-	243,300,000

[1] Shares held by Laury Commercial Inc. in which Ling (Allan) Mao has a beneficial interest – 7,800,000 shares in total

[2] Shares held by Balatina Group Ltd in which Ling (Allan) Mao has a beneficial interest – 48,100,000 shares in total. Off market transfer.

[3] Shares held by Roger Smeed and Associates Pty Ltd (as trustee for RF Investment Trust) in which Roger Smeed has a beneficial interest.

[4] Shares held by Matoury Overseas Corp. in which Guohua Wei has a beneficial interest.

[5] Shares held by Yerigton Assets Inc. in which Zhongliang Zheng has a beneficial interest.

[6] Shares held by Stroud Nominees Pty Ltd (as trustee for Byrt Super Fund) in which Edward Byrt has a beneficial interest.

NOTE 6: AUDITORS' REMUNERATION

	2013 $	2012 $
Remuneration of the auditor of the Parent Entity for:		
— auditing or reviewing the financial report	100,000	130,000
— taxation services	2,500	2,500
	102, 500	132,500

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

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 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 past due is as follows:

	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: OTHER ASSETS

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

NOTE 11: INVENTORIES

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

During the year, the Group placed a sum of $9,399,300 (2012: $nil) in short term bank investments. The investment term is for 30 to 180 days. In the prior year $9,156,000 was held-to-maturity with Agricultural Bank of China for the bank to lend to other parties the term of the placement was for one year ended on 17 May 2013). The placement 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 of partnership	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 Registration	Percentage Owned (%)	
		2013	2012
		%	%
Shangzuo Asset Management Centre (Limited Partnership)	Peoples Republic of China	99	-

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

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.

	2013 $	2012 $
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	(528,733)	-
Net assets	38,099,008	-
Group's share of net assets	37,730,408	-

NOTE 14: CONTROLLED ENTITIES

a. Controlled Entities Consolidated	Country of Registration	Percentage Owned (%)[1] 2013 %	2012 %
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 of with an 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

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

c. Details of assets and liabilities

Cash and cash equivalents	-	3,292,395
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	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 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 for the Parent Entity: operating losses for year $347,714 (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 $	2012 $
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 Number	2012 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 $	2012 $
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).

NOTE 26: COMMITTMENTS

Management services commitment
During the year ended 31 December 2013 Matsuoka Mechatronics (China) Co., Ltd entered into an agreement for the provision of management services with Shenzhen Southern Huayin Investment Limited, a related party, amounting to $132,696 (2012: $109,872) for the period from 1 January 2014 to 31 December 2014. The outstanding commitment for Matsuoka Mechatronics as at 31 December 2013 is $132,696 (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, a related party, amounting to $18,854 (2012: nil). The outstanding commitment for Matsuoka Mechatronics as at 31 December 2013 is $13,198 (2012: $nil).

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 28: 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 (refer to Note 14 for further details)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).

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 28: 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
Income tax expense	(1,033,642)	-	(397,784)	(1,431,426)
Profit after income tax	6,530,773	(557,139)	(745,500)	5,228,134
ASSETS				
Segment assets	89,726,760	2,094,154	28,154	91,849,068
LIABILITIES				
Segment liabilities	32,252,316	477	124,950	32,377,743
Reconciliation of segmental net assets to Group net assets				
Inter-segment eliminations				-
Total Group net assets from continuing operations				59,471,325
OTHER				
Depreciation and amortisation of segment assets	1,103,903	-	-	1,103,903
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 29: CASH FLOW INFORMATION

	2013 $	2012 $
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	(3,436,319)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	149,259	(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

NOTE 30: DIVIDENDS

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

NOTE 31: EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this Report any other items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to effect significantly the operations, results of those operations, or the state of affairs of the Consolidated Group.

NOTE 32: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions and balances with related parties:

a. Other Related Parties	2013 $	2012 $
Transactions		
Purchase from related parties		
-Zhejiang Matsuoka Mechatronics Industry Co., Ltd	407,535	164,455
-Shenzhen Southern Huayin Investment Ltd	120,528	165,024
-Hangzhou Guoshi Advertising Co. Ltd	-	69,314
-Allan Mao	9,645	-
Total Purchase from related parties	537,708	329,479
Balances		
Other related parties balances are included in the following:		
Other receivables		
-Zhongliang Zheng	57,978	63,266
-Zhejiang Songjin Compound Materials Co. Ltd (1)	-	1,153,229
-Hangzhou Guoshi Advertising Co. Ltd (2)	83,713	69,314
-Allan Mao	10,619	-
Total other receivables	152,310	1,285,809
Trade and other payables		
-Hangzhou Guoshi Advertising Co. Ltd (2)	2,222	1,840
-Hangzhou Dibiao Mechatronics Co., Ltd	-	-
Total trade and other payables	2,222	1,840

(1) Prepaid deposit refunded
(2) Movement relates to foreign exchange on translation to Australian dollars

b. Key Management Personnel

A list of key management personnel and their shareholdings is shown in Note 5 and remuneration is disclosed in the Directors Report. No other person had the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year.

NOTE 33: FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

The Group's financial instruments consist mainly of deposits with banks, notes receivable, accounts receivable and payable and notes payable.

i. Treasury Risk Management

A finance committee consisting of senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

ii. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk. The Group does not have any significant exposure on price risk and foreign currency risk.

Interest rate risk

The Company's exposure to interest rate risk relates principally to its short-term deposits placed with financial institutions. For further details on interest rate risk refer to Note 33(b)(i) & (iii).

Foreign currency risk

Foreign currency sensitivity

Most of the Group's transactions are carried out in Renminbi (RMB). Exposures to currency exchange rate arise from the Group's Hong Kong bank deposit, which are primarily denominated in US dollars (USD).

Foreign currency denominated financial assets which expose the Group to currency risk are disclosed below. The amount shown are those reported to key management translated into AUD at the closing rate:

	Short term exposure		**Long term exposure**	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
USD cash deposit	2,178,274	2,378,703	-	-
	2,178,274	**2,378,703**	**-**	**-**

If the AUD had strengthened or weakened against the USD by 10% (2012:10%) respectively then this would have had the following impact:

	Change in profit		**Chang in Equity**	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Increase in exchange rate by 10%	(217,827)	(237,870)	(217,827)	(237,870)
Decrease in exchange rate by 10%	217,827	237,870	217,827	237,870

Exposures to foreign exchange rates vary during the year depending on the balance of USD deposit. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that the Group maintains adequate level of liquidity for operations to meet its commitments.

Credit risk

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, partnership investment etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2013	**2012**
	$	**$**
Classes of financial assets -		
Carrying amounts:		
Cash advanced to suppliers	1,329,511	6,349,190
Short-term investment	9,399,300	3,156,000
Cash and cash equivalents	24,228,920	38,861,335
Trade and other receivables	687,018	1,217,257
Partnership investment	37,730,408	-
	73,375,157	49,583,782

The finance committee monitors credit risk on a regular basis.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There are no other material amounts of collateral held as security at 31 December 2013.

Price risk

The Group's financial instrument is not exposed to price risk.

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

b. **Financial Instruments**

i. **Financial instrument composition and maturity analysis:**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 year		Interest Bearing Maturing within 2-5 years		Non-Interest Bearing Maturing within 1 year		Total	
	2013 %	2012 %	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Financial Assets:										
Cash and cash Equivalents variable interest rate	1.31%	1.31%	24,222,323	38,841,906	-	-	6,597	19,429	24,228,920	38,861,335
Receivables	-	-	-	-	-	-	687,018	1,717,257	687,018	1,717,257
Financial assets fixed interest rate	7.57%	8.50%	9,399,300	9,156,000	-	-	-	-	9,399,300	9,156,000
Long-term investment with variable interest rate	5.40%	-		-	37,730,408	-	-	-	37,730,408	-
Total Financial Assets			33,621,623	47,997,906	37,730,408	-	693,615	1,736,686	72,045,646	49,734,592
Financial Liabilities:										
Notes payable	-	-	-	-	-	-	5,917,873	5,325,740	5,917,873	5,325,740
Trade and other payables	-	-	-	-	-	-	20,446,466	17,192,423	20,446,466	17,192,423
Financial liabilities fixed interest rate	6.05%	5.94%	5,529,000	4,578,000	-	-	-	-	5,529,000	4,578,000
Total Financial Liabilities			5,529,000	4,578,000	-	-	26,364,339	22,518,163	31,893,339	27,096,163
Net Financial Assets									40,152,307	22,638,429

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. **Fair values measurements**

The carrying value of financial assets and financial liabilities of the Consolidated Group are assumed to approximate their fair value due to their short term nature.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	Level 1	Level 2	Level 3	Total
31 December 2013	**$**	**$**	**$**	**$**
Financial assets:				
Held to maturity financial assets				
Short-term investment products purchased from financial institutions			9,399,300	9,399,300
Investments accounted for using the equity method				
- Long-term investment with variable interest rate			37,730,408	37,730,408
Total Financial assets:	-	-	47,129,708	47,129,708
Total Financial liabilities:	**-**	**-**	**-**	**-**
31 December 2012				
Financial assets:				
Held to maturity financial assets				
-Fixed interest funds placement with Agricultural Bank of China	-	-	9,156,000	9,156,000
Total Financial assets:	-	-	9,156,000	9,156,000
Total Financial liabilities:	**-**	**-**	**-**	**-**

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities and non-current other receivables approximates the carrying amount as the impact of discounting is not significant.

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

iii. **Sensitivity analysis**

Interest Rate Risk and Price Risk

The Group has performed sensitivity analysis relating to its financial instrument's exposure to interest rate risk at balance date. The Group's financial instruments do not have significant exposure to price risk and foreign exchange risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 31 December 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2013 $	2012 $
Change in profit		
— Increase in interest rate by 2%	867,431	777,638
— Decrease in interest rate by 2%	(867,431)	(777,638)
Change in Equity		
— Increase in interest rate by 2%	867,431	777,638
— Decrease in interest rate by 2%	(867,431)	(777,638)

The above interest rate risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 34: PARENT COMPANY INFORMATION

	2013 $	2012 $
Assets		
Current assets	28,154	43,716
Non-current assets	31,937,071	32,669,833
Total assets	31,965,225	32,713,549
Liabilities		
Current liabilities	124,950	127,773
Total liabilities	124,950	127,773
Net Assets	31,840,275	32,585,776
Equity		
Issued capital	34,525,617	34,525,617
Retained earnings	(2,685,342)	(1,939,841)
Total equity	31,840,275	32,585,776

NOTE 34: PARENT COMPANY INFORMATION (CONTINUED)

Financial performance		
Loss for the year	(745,501)	(421,155)
Total comprehensive income	(745,501)	(421,155)

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

NOTE 35: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The accounting standards that have not been early adopted for the year ended 31 December 2013, but will be applicable to the Group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the Group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

(i) AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
    - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
    - The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

Consequential amendments arising from AASB 9 are contained in AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures.*

NOTE 35: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

On 19 November 2013, the IASB published a package of amendments to the accounting requirements of IFRS 9 *Financial Instruments*. The Amendments:

- add a new chapter on hedge accounting to the Standard, substantially overhauling previous accounting requirements in this area;
- allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- defer the mandatory effective date of IFRS 9 from '1 January 2015' to 'indefinitely'.

At its 11-12 December 2013 meeting, the AASB tentatively decided to defer the effective date of AASB 9 *Financial Instruments* to 1 January 2017, however the AASB is yet to issue a formal amendment to AASB 9

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

***(ii)* Annual Improvements to IFRSs 2010–2012 Cycle**

Annual Improvements to IFRSs 2010–2012 Cycle is a collection of amendments to IFRSs in response to eight issues addressed during the 2010–2012 cycle for annual improvements to IFRSs

Among other improvements, the amendments clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a Group entity), and amend IFRS 8 *Operating Segements* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

When these amendments are first adopted for the year ended 31 December 2015, there will be no material impact on the entitiy.

(iii) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. These amendments revise the requirements in IAS 19 *Employee Benefits* for contributions from employees or third parties that are linked to service:

- If the amount of the contributions is independent of the number of years of service, contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered; and
- If the amount of the contributions depends on the number of years of service, those contributions must be attributed to periods of service using the same attribution method as used for the gross benefit in accordance with paragraph 70 of IAS 19.

These amendments are expected to provide relief as entities are allowed to deduct contributions from service cost in the period in which the service is rendered.

The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group.

(iv)* AASB 1053 *Application of Tiers of Australian Accounting Standards.* AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

AASB 1053 establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

a) Tier 1: Australian Accounting Standards; and

b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

NOTE 35: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements:

a) for-profit entities in the private sector that have public accountability; and
b) the Australian Government and State, Territory and Local Governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

a) for-profit private sector entities that do not have public accountability;
b) all not-for-profit private sector entities; and
c) public sector entities other than the Australian Government and State, Territory and Local Governments.

Consequential amendments to other standards to implement reduced disclosure requirements were introduced by AASB 2010-2

When these amendments are first adopted for the year ending 31 December 2014, they are unlikely to have any significant impact on the Group.

(v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

On 28 June 2013, the Australian government passed *Corporations and Related Legislation Amendment Regulation 2013 (No.1)* which inserts these disclosures, with minor changes, into *Corporations Regulations 2001*. For financial years commencing on or after 1 July 2013, these disclosures are required to be included in remuneration reports of listed companies.

When these amendments are first adopted for the year ending 31 December 2014, they are unlikely to have any significant impact on the Group as the entity is a Tier 1 entity.

(vi) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ended 31 December 2014, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(vii) **AASB 2013-3** *Recoverable Amount Disclosures for Non-Financial Disclosures*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

NOTE 35: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

(viii)* AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

AASB 2013-4 makes amendments to AASB 139 Financial Instruments: Recognition & Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(ix)* AASB 2013-5 *Amendments to Australian Accounting Standards Investment Entity

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments (or AASB 139 Financial Instruments: Recognition and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

When this standard is first adopted for the year ended 31 December 2014, there will be no impact on the entity because the Parent Entity does not meet the definition of 'investment entity'. Hence, the entity is still required to consolidate.

(x) IFRIC Interpretation 21 Levies

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective and has not yet assessed the impact of these standards.

(xi) Annual Improvements to IFRSs 2011–2013 Cycle

Annual Improvements to IFRSs 2011–2013 Cycle is a collection of amendments to IFRSs in response to four issues addressed during the 2011–2013 cycle.

Among other improvements, the amendments clarify that an entity should assess whether an acquired property is an investment property under IAS 40 Investment Property and perform a separate assessment under IFRS 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ended 31 December 2015, there will be no material impact on the entity.

NOTE 36: COMPANY DETAILS

The registered office of the Company is:

— Treyo Leisure and Entertainment Ltd
Level 2
371 Spencer Street
Melbourne VIC 3000

The principal places of business are:

— Matsuoka Mechatronics (China) Co., Ltd
No. 122,
Tenth Gaoxin Road,
Qiaonan District,
Xiaoshan Economic Development Zone,
Hangzhou,
Zhejiang,
China

— Treyo International Holdings (HK) Ltd
Unit 2209,
CCT Telecom Building,
11 Wo Shing Street,
Fo Tan,
N.T., Hong Kong

— Treyo Leisure and Entertainment Ltd
Level 2,
371 Spencer Street
Melbourne VIC 3000

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 25 to 64 are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards; and

   b. comply with International Financial Reporting Standards as disclosed in Note 1; and

   c. give a true and fair view of the financial position as at 31 December 2013 and of the performance for the year ended on that date of the Consolidated Group;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   b. the financial statements and notes for the financial year comply with the Accounting Standards; and

   c. the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Roger Smeed
Deputy Chairman

Dated this 26th day of March 2014

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TREYO LEISURE AND ENTERTAINMENT LIMITED

Report on the financial report

We have audited the accompanying financial report of Treyo Leisure and Entertainment Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Treyo Leisure and Entertainment Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 9 to 12 of the directors' report for the year ended 31 December 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Treyo Leisure and Entertainment Limited for the year ended 31 December 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 March 2014

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this Report is as follows. The information is current as at 16 March 2014.

(a) Distribution of equity securities

311,008,000 fully paid ordinary shares are held by 332 individual shareholders

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, in each class of share is:

	Fully paid ordinary shares	Holders
1 - 1,000	2	1
1,001 - 5,000	-	-
5,001 - 10,000	1,110,000	111
10,001 - 100,000	4,497,000	179
100,000 and over	14,694,000	25
100,000 and over	290,706,998	16
	311,008,000	332

Holding less than a marketable parcel	1

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
Matoury Overseas Corp.	179,400,000	57.68%
Balatina Group Limited	48,100,000	15.47%
Legheny Group Limited	16,900,000	5.43%

ASX ADDITIONAL INFORMATION

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
(c)	**Twenty largest shareholders**		
1	Matoury Overseas Corp.	179,400,000	57.68%
2	Balatina Group Limited	48,100,000	15.47%
3	Legheny Group Limited	16,900,000	5.43%
4	Citicorp Nominees Pty Limited	7,895,999	2.57%
5	Laury Commercial Inc.	7,800,000	2.51%
6	Yerigton Assets Inc.	7,800,000	2.51%
7	Mr Dibiao Shen	5,000,000	1.61%
8	Mr Jie Huang	3,000,000	0.96%
9	Mr Guan Cheng Zhu	3,000,000	0.96%
10	Mr Di Neng Shen	2,000,000	0.64%
11	Mr Erming Yu	2,000,000	0.64%
12	Ms Louyan Zhao	2,000,000	0.64%
13	Mr Shuiyang Xu	1,600,000	0.51%
14	MsPing Li	1,570,999	0.51%
15	Mr Guanming Hu	1,500,000	0.48%
16	Mr Haiding Ding	1,050,000	0.34%
17	Mr Guanda Dong	1,000,000	0.32%
18	Ms Huaping Jiang	1,000,000	0.32%
19	Mr Jin Ru Shen	1,000,000	0.32%
20	Mr Xiufang Wei	1,000,000	0.32%
		294,706,998	94.76%