

Financial statements

Matsuoka Mechatronics (China) Co. Ltd

For the year ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

Contents

	Page
Directors Declaration	1
Balance sheet	2
Income statement	3
Statement of changes in equity	4
Cash flow statement	5
Notes to the financial statements	6 onwards

Matsuoka Mechatronics (China) Co. Ltd.

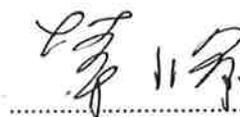
Directors Declaration
For the year ended 31, December 2007

In the opinion of the directors:

- (c) the financial statements and accompanying notes:
 - (i) comply with International Financial Reporting Standards and other mandatory reporting requirements; and
 - (ii) present fairly the company's financial position as at 30 June 2008 and its performance for the period ended on that date; and
- (d) there are reasonable grounds to believe that Matsuoka Mechatronics (China) Co. Ltd will be able to pay its debts as and when they become due and payable.

Signed this 25 September 2008


.....
Director


.....
Director

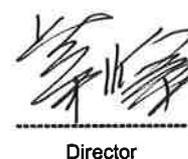
Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

Balance sheet 资产负债表		Notes	FY Dec 2007 AUD	FY Dec 2006 AUD
ASSETS				
Current assets				
Cash and cash equivalents	现金与现金等价物	4	11,625,591	12,084,615
Note receivables	应收票据		-	8,092
Trade and other receivables	应收及其它应收款	3	24,180,732	15,005,360
Inventories	存货	2	3,392,063	4,792,199
Total current assets	流动资产总计		39,198,386	31,890,266
Non Current Assets				
Property, plant and equipment	固定资产	5	10,463,760	11,121,560
Intangible Assets	无形资产和长期待摊费用	6	208,276	230,886
Total non current assets			10,672,036	11,352,446
TOTAL ASSETS	总资产		49,870,422	43,242,712
Current liabilities				
Trade and other payables	应付及其它应付款	7	24,036,956	23,867,170
Borrowings	贷款	8	4,659,181	3,236,717
Income tax payable	应交所得税		-	-
Total current liabilities	负债总计		28,696,137	27,103,888
TOTAL LIABILITIES	总负债		28,696,137	27,103,888
NET ASSETS	净资产		21,174,284	16,138,824
EQUITY				
Capital contribution	实收资本		11,216,446	11,216,446
Retained profits	未分配利润		11,325,457	5,583,279
Statutory surplus reserves	盈余公积		-	-
Foreign Exchange Translation	外汇转换		(1,367,619)	(660,901)
TOTAL EQUITY	总所有者权益		21,174,284	16,138,824



Director



Director

The accompanying notes form part of these financial statement

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

Income statement 利润表		Notes	FY Dec 2007 AUD	FY Dec 2006 AUD
Revenue	主营业务收入		66,169,895	80,253,912
Cost of sales	主营业务成本		(54,275,107)	(65,763,976)
Gross profit	毛利		11,894,788	14,489,937
Other income	其他收入	11	3,245,085	691,696
Operating expenses	管理费用	12	(8,982,630)	(9,472,390)
Finance costs	财务费用		(415,065)	(125,963)
Profit before taxation	除税前利润		5,742,177	5,583,279
Taxation	所得税	9	-	-
Profit for the period attributable to shareholders	本期利润归因于股东		5,742,177	5,583,279



Director



Director

The accompanying notes form part of these financial statement

Matsuoka Mechatronics (China) Co., Ltd

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

Statement of changes in equity 权益变动表摘要		实收资本 Capital contribution	未分配利润 Retained profits	盈余公积 Statutory surplus reserve	外汇公积 Foreign exchange translation reserve	合计 Total
		AUD	AUD	AUD	AUD	AUD
Balance as at 1 January 2006	2006期初余额	11,216,446	-	-	-	11,216,446
Net profit for the period	本期利润	5,583,279	5,583,279	-	-	5,583,279
Foreign exchange reserve movement	外汇公积变动	-	-	-	(660,901)	(660,901)
Balance as at 1 January 2007	2006期末余额	11,216,446	5,583,279	-	(660,901)	16,138,824
Net profit for the period	本期利润	-	5,742,177	-	-	5,742,177
Foreign exchange reserve movement	外汇公积变动	-	-	-	(706,718)	(706,718)
Balance as at 31 December 2007	2007期末余额	11,216,446	11,325,457	-	(1,367,619)	21,174,284

The accompanying notes form part of these financial statement

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

Cash flow statement	现金流量表	Note	FY Dec 2007 AUD
Cash Flows from Operating Activities	营业的现金流量		
Receipts from customers	客户收入		59,336,392
Payments to suppliers and employees	供应商及员工支出		(60,940,216)
Finance costs	融资成本支付		(415,065)
Income tax paid	已附收得税		-
Net cash flows from operating activities	净营业的现金流量	10	<u>(2,018,889)</u>
Cash Flows from Investing Activities	投资的的现金流量		
Purchase of property plant and equipment	固定资产购入		(499,166)
Purchase of intangible assets	无形资产购入		(45,949)
Proceeds from disposal of PPE	固定资产转让收益		22,043
Interest received	利息收入		911,307
Net cash flows from Investing activities			<u>388,235</u>
Cash Flows from Financing Activities	融资的现金流量		
Proceeds from borrowings	贷款		1,422,464
Dividend paid	分红		-
Net cash flows from financing activities	净融资的现金流量		<u>1,422,464</u>
Net increase in cash and cash equivalents	净现金增值		(208,190)
Cash and cash equivalents b/f	现金期初值		12,084,615
Effects of exchange rate changes	汇率影响差值		(250,834)
Cash and cash equivalents c/f	现金末值		<u>11,625,591</u>

The accompanying notes form part of these financial statement

Notes to the financial statements 财务报表附注

1 Statement of significant accounting policy 主要会计政策说明

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board.

Matsuoka Mechatronics (China) Co. Ltd (the Company) is incorporated and domiciled in the People's Republic of China.

The principal activities of the company are manufacturing of automatic Mahjong table.

The financial report of the Company complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation 起草框架

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies 会计政策

a. Income Tax 所得税

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. Inventories 存货

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.

c. Financial Instruments 金融产品

Recognition 认证

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables 贷款及应收账款

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

Financial liabilities 财务欠债

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value 公允值

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 减值

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

d. Impairment of Assets 资产减值

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

Impairment testing is performed annually for goodwill and 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.

e. Foreign Currency Transactions and Balances 外汇交易及余额

Functional and presentation currency 营运货币及记账本位币

The functional currency is the currency of the primary economic environment in which that entity operates. The company's functional is USD, and the financial statements are presented in Australian dollars, the presentation currency.

Transaction and balances 交易及余额

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

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

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

The financial results and position of operations whose functional currency is different from the 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 functional currency to presentation currency are transferred directly to foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

f. Provisions 财政备付

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.

g. Cash and Cash Equivalents 现金及现金等价物

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

h. Revenue 收入

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of value added tax (VAT).

i. Value Added Tax (VAT) 增值税

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

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

j. Comparative Figures 对比数据

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

Critical Accounting Estimates and Judgments 重要会计估算及评价

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.

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

2. Inventories 存货	FY Dec 2007 AUD	FY Dec 2006 AUD
At cost:		
Finished goods 成品	597,901	2,551,332
WIP 在产并	369,957	357,021
Raw material 原材料	<u>2,424,205</u>	<u>1,883,847</u>
	<u><u>3,392,063</u></u>	<u><u>4,792,199</u></u>

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

3. Receivables 应收及其它应收款	FY Dec 2007 AUD	FY Dec 2006 AUD
Trade Receivables 应收账款	3,595,215	2,792,182
Other receivables 其它应收款	<u>20,585,517</u>	<u>12,213,178</u>
	<u><u>24,180,732</u></u>	<u><u>15,005,360</u></u>

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

4. Cash and cash equivalents 现金与现金等价物	FY Dec 2007 AUD	FY Dec 2006 AUD
---------------------------------------	--------------------	--------------------

For the purpose of cash flow statement, the cash and cash equivalents comprise the following:

用于现金流量表的现金与现金等价物包括:

Cash on hand and at bank	<u><u>11,625,591</u></u>	<u><u>12,084,615</u></u>
--------------------------	--------------------------	--------------------------

Included in cash and cash equivalent is RMB7,150,000 which are fixed deposit placed as guarantee for notes payables.

Matsuoka Mechatronics (China) Co., Ltd
Financial statements for the period ended 31 December 2007
(Prepared under Australian equivalents to International Financial Reporting Standards)

5. Property, plant and equipment 固定资产		Land use Right AUD	Building AUD	Construction In progress AUD	Motor Vehicle AUD	Office Equipment AUD	Plant & Machineries AUD	TOTAL AUD
Cost	原值							
At 1 January 2007	2007 期初余额	1,300,068	7,367,764	1,032,252	446,935	104,525	1,412,999	11,664,543
Additions	增加			54,559	148,403	49,128	247,076	499,166
Disposal	出售				(51,707)	-	-	(51,707)
Transfer	转		1,044,634	(1,044,634)	-	-	-	-
Exchange differences	外汇差异	(52,456)	(297,278)	(42,178)	(18,968)	(4,693)	(59,402)	(474,975)
At 31 December 2007	2007 期末余额	1,247,612	8,115,119	-	524,662	148,960	1,600,673	11,637,027
Accumulated Depreciation	累计折旧							
At 1 January 2007	2007 期初余额	95,338	323,347	-	29,879	22,412	72,007	542,983
Disposal	出售				(11,024)	-	-	(11,024)
Depreciation for the period	本期折旧	25,196	352,924	-	98,346	8,935	184,185	669,585
Exchange differences	外汇差异	(4,090)	(16,460)	-	(2,050)	(991)	(4,687)	(28,278)
At 31 December 2007	2007 期末余额	116,444	659,812	-	115,151	30,356	251,504	1,173,267
Net book value	净值							
At 31 December 2006	2006 期末余额	1,204,730	7,044,417	1,032,252	417,055	82,113	1,340,993	11,121,560
At 31 December 2007	2007 期末余额	1,131,168	7,455,308	-	409,511	118,604	1,349,168	10,463,760

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

6. Intangible assets 无形资产

	Trademarks and Patents AUD
Cost	
Balance at 1 January 2007	363,132
Addition	45,949
Exchange differences	(15,096)
Balance at 31 December 2007	393,985
Accumulated amortisation and impairment	
Balance at 1 January 2007	132,246
Amortisation for the period	59,373
Exchange differences	(5,910)
Balance at 31 December 2007	185,709
Net carrying value at 31 Dec 2006	230,886
Net carrying value at 31 Dec 2007	208,276

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

7. Trade and other payables 应付及其它应付款	FY Dec 2007 AUD	FY Dec 2006 AUD
Notes Payables 应付票据	6,327,168	5,894,062
Trade payables 应付帐款	6,568,843	11,360,448
VAT and other indirect taxes payable 增值税及其它应缴税	342,463	194,718
Prepayments from customers 客户预付款	7,172,755	2,580,237
Other payables 其它应付帐款	3,625,728	3,837,705
	<u>24,036,957</u>	<u>23,867,170</u>

Other payables are interest-free advances from third parties and related parties, and are unsecured and repayable on demand. 其他应付其他应收款来源于关联方，无抵押，零利息，需在关联方要求时偿还。

Prepayments from customers are payments received in advance for unrecognised sales.
客户预付款为未确认销售的提前支付。

Notes payables are promissory bills given to supplier for purchase of goods. Due to the short term nature of these payables, their carrying value approximates their fair value. The notes payable are due on various dates, and are guarantee by a fixed deposit of RMB7,150,000.

8. Borrowings 贷款	FY Dec 2007 AUD	FY Dec 2006 AUD
Bank Loan – Current portion	<u>4,659,181</u>	<u>3,236,717</u>

The bank borrowings are short term loans repayable within a year period, and are secured over the company's building and land use rights. Interest is charged at 5.58% to 6.84% per annum.

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

9. Income tax expense 所得税	FY Dec 2007 AUD	FY Dec 2006 AUD
<u>Current taxation 本年度税项</u>	<u>-</u>	<u>-</u>

The tax expense on the results of the financial period varies from the amount of income tax determined by applying the PRC's statutory rate of income tax on company's profit as a result of the following:

	FY Dec 2007 AUD	FY Dec 2006 AUD
<u>Profit before taxation 税前利润</u>	<u>5,742,177</u>	<u>5,583,279</u>
Tax at China tax rate of 25% 按澳洲所得税率25%	1,515,935	1,473,986
Less:		
Tax incentive 税收优惠	(1,515,935)	(1,473,986)
Others	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The company, being a foreign owned company, is entitled to full income tax exemption for financial year 2006 and 2007. For the years 2008, 2009 and 2010, the company is entitled to half income tax exemption, and will be paying income tax at 9%, 10% and 11% respectively. For 2011 and 2012 onwards, the company will be subject to income tax at 24% and 25% respectively.

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

10. Reconciliation of consolidated profit after income tax to net cash flow from operating activities
 合并利润及净运营活动现金流动的核对表

FY Dec 2007
 AUD

Reconciliation

Cash Flows from Operating Activities

Profit for the year	营业的现金流量 本年利润	5,742,177
Adjustment for:	调整	
Depreciation and amortisation	折旧与摊销	728,958
Loss on disposal of PPE	固定资产转让亏损	18,640
Interest income	利息收入	(911,307)
Increase in trade and other receivables	应收款新增	(9,167,280)
Increase in inventory	存货新增	1,400,136
Increase in trade and other payables	应付款新增	169,786
Increase in provision for income tax	应交所得税新增	
Net cash flow from operating activities	经运营活动现金流	(2,018,889)

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

11. Other income 其他收入	FY Dec 2007 AUD	FY Dec 2006 AUD
Included in other income are:		
Sale of raw materials and parts, net	1,212,166	501,422
Interest income	911,307	143,283
Income from penalties imposed on supplier	27,635	46,991
Gain on investment in share market	1,022,802	-
Rental income	56,456	-
Others	14,718	-
	<u>3,245,085</u>	<u>691,696</u>

12. Operating expenses 管理费用	FY Dec 2007 AUD	FY Dec 2006 AUD
Included in Operating expenses are:		
Freight and transportation	1,461,834	1,793,588
Depreciation and amortisation	516,528	122,066
Advertising and promotion	1,179,425	1,230,973
Employees wages and benefits	1,553,186	1,920,139
Loss on disposal of PPE	18,640	-
	<u>18,640</u>	<u>-</u>

Financial statements for the period ended 31 December 2007

(Prepared under Australian equivalents to International Financial Reporting Standards)

13. Related parties transactions and balances 相关单位交易及余额	FY Dec 2007 AUD	FY Dec 2006 AUD
<u>Related parties transactions 关联交易</u>		
The following transactions occurred with related parties:		
Purchase from related parties 购买	5,841,712	1,153,875
Rental paid to related parties 租金费用	296,671	357,305
<u>Related parties balances 关联余额</u>		
Related parties balances are included in the following accounts 关联方余额包括以下事项:		
Trade receivable 应收账款	45,315	-
Other receivables 其他应收款	8,716,607	4,387,770
<u>Key management personnel 主要管理层薪金</u>		
Emoluments received by key management are as follows:		
Allan Mao Ling	11,182	12,154
Wei Guohua	15,983	15,983

The directors are the only key management personnel. 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.
 公司董事为仅有主要管理层人事。在本财政年度内，没有其他人直接或间接的有权利和职责计划、管理和控制公司的运营。

14. Revenue 主营业务收入

Revenue represents the sale of automatic mahjong tables, excluding applicable value-added tax.

15. Note receivables 应收票据

Notes receivables are promissory bills received from customers for payment of goods.

16. Commitment and contingencies 或有事项

Guarantees 担保

The company guaranteed the loan of Zhejiang Songgang Mechanotronics Co Ltd to the amount of RMB60 million for the period from 4 July 2007 to 4 July 2008.

Advertising commitments 广告承诺

The company has entered into a contract with Hangzhou Guoshi Advertising Co Ltd, a related party, for it to provide advertising service to the company for a period of 2 years from 1 January 2008 to 31 December 2009 at a fee of RMB360,000 per annum.

17. Events after balance sheet date 资产负债表日后事项

On 23 March 2008, the company entered into a sales of assets agreement with Zhejiang Songgang Mechanotronics Co Ltd to buy manufacturing equipments from it at a price of RMB662,112.

On 1 January 2008, the company appoints Hangzhou Guoshi Advertising Co Ltd to undertake the advertising work for the company for a term of 3 years from 1 January 2008 to

18. Financial risk management 金融风险管理政策

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

The company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Treasury Risk Management 财政风险管理政策

The management meet regularly to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Financial Risks 金融风险

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

18. Financial risk management (cont) 金融风险管理政策 (继续)

Interest rate risk 利率风险

The company's exposure to interest rate risk relates principally to its short-term deposits placed with financial institutions.

Currency risk 外币资金风险

The company has sales and purchases are denominated in foreign currency. Accordingly, the exposure to foreign exchange risk mainly relates to sales and purchases made in currencies other than the functional currency.

Credit risk 信用风险

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet 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 collectibility of all trade and other receivables.

Liquidity risk 流动性风险

The company reviews its cash flow regularly to ensure that the company maintains adequate level of liquidity for its operations to meet this commitment to the banks.

Price risk 价格风险

The group is exposed to price risk on the raw material.

19. Financial instruments 金融资产和金融负债

Fair values 公允值

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The company does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

**Grant Thornton South Australian
Partnership**
ABN 27 244 906 724

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
DX 275 Adelaide

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MATSUOKA MECHATRONICS (CHINA) CO LTD**

We have audited the accompanying financial report, being a special purpose financial report, of Matsuoka Mechatronics (China) Co Ltd (the Company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Director's declaration.

Directors' responsibility for the financial report

The Directors' of the entity are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the Company and are appropriate to meet the needs of the members. The Directors' responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards, which require that we 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.



Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATSUOKA MECHATRONICS (CHINA) CO LTD Cont

Auditor's responsibility Cont

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

The financial report has been prepared for distribution to members of the Company. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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 Australian professional ethical pronouncements.

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Matsuoka Mechatronics (China) Co Ltd as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 25 day of September 2008