TREYO LEISURE AND ENTERTAINMENT LTD

ABN 93 131 129 489

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

CONTENTS

CORPORATE INFORMATION

ABN 93 131 129 489

Directors
Ling (Allan) Mao (Chairman)
Roger Smeed (Deputy Chairman)
Guohua Wei
Weiyun Chen
Jieliang Wang
Kwong Fat Tse
Edward Byrt

Company Secretary
Jo-Anne Dal Santo

Registered Office
Level 1, 263 City Road
South Melbourne, Victoria 3205, 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 Stock 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
Deacons
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

The Board of Treyo Leisure and Entertainment Ltd have pleasure in submitting its first Annual Report to the ASX, since listing in January 2009.

Through this Report, the Board seeks to provide a brief update to its shareholders and the market on the results achieved for the 2008 financial year (ended 31 December 2008).

Treyo realised an after tax profit of $6.616million for the 2008 financial year which represents a 15% increase on the previous year and a 1.4% improvement on the forecast result of $6.526million previously released to the market. This result has been achieved despite the AUD/RMB exchange rate not being as favourable as predicated in the forecast.

Compared to other parts of the world, the Chinese economy continues to experience solid growth. To date, the Chinese domestic market has not been as severely affected by the economic downturn currently being experienced by many other countries and by Chinese exporters.

As the world's largest manufacturer of automated mahjong tables, Treyo's current focus is on the high end of the domestic Chinese market with only a minor exposure to export markets. Treyo's domestic market sector continues to experience strong growth and, as part of ongoing product development strategies, improved models and efficiencies provide ongoing enhancements to the range of products on offer. The Company's marketing strategies continue to promote the mahjong culture and in turn drive sales growth.

From an operational perspective, the Company continues to drive manufacturing efficiencies by ongoing raw material pricing negotiations and production efficiencies. For the 2008 financial year this resulted in a local Chinese RMB gross margin of 23% (18% for the 2007 financial year). Similarly, overhead cost management has been a focus with local Chinese RMB overheads (not including finance costs) running at 13% of sales revenue (14% for the 2007 financial year). Management will continue this focus into 2009.

Your Board will continue to focus on identifying growth opportunities, containing costs, improving the Company's profitability and protecting and enhancing shareholder value.

Yours sincerely

Ling (Allan) Mao
Executive Chairman
26 March 2009

BUSINESS OVERVIEW

THE COMPANY

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

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

Treyo through its subsidiary Matsuoka, is an industry leader. The Company has grown rapidly to become the largest automatic mahjong table manufacturer in China. Matsuoka was founded in March 2003 and carries on the business of manufacturing Treyo automatic mahjong tables.

Treyo holds approximately 65% of the premium end of the market for automatic mahjong tables. The Company's success is a result of its innovation, technical excellence, environmental standards, investment in advanced production lines, manufacturing processes, commitment to quality, outstanding customer service and brand development.

The Company currently employs approximately 720 staff and while its operations and product distribution are mainly based in China. 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

As previously stated in the Chairman's Review, Treyo realised an after tax profit of $6.616million for the 2008 financial year which represents a 15% increase on the previous year and a 1.4% improvement on the forecast result of $6.526million previously released to the market. This result has been achieved despite the AUD/RMB exchange rate not being as favourable as predicated in the forecast.

Treyo continues to be:

- a market leader in a rapidly growing leisure and entertainment sector – with outstanding annual growth rates over the last five years;
- committed to high quality products, innovation and customer service which includes a long term commitment to research and development ensuring Treyo maintains leadership in the premium end of the market;
- committed to the protection of its extensive intellectual property rights. This includes 45 authorised patents and 12 patent applications accepted by China's Intellectual Property Office; as well as 25 registered trademarks and 56 applications for trademarks in China; and
- Accredited with the ISO9001:2000 Quality Management System certification reflecting Matsuoka's commitment to the delivery of quality and reliable products that meet international industry standards.

DIRECTORS' REPORT

Your directors present their Report on Treyo Leisure and Entertainment Limited and its controlled entities for the financial year ended 31 December 2008.

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 was a partner of Shenzhen Jing Ji Shao Hua Design Co., Ltd., and has held various leadership positions at the Hong Kong Commercial Press, Japan Da Yang Chemistry Ltd, and Shanghai Da Yang Chemistry 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 the Chairman of four Australian companies, where he is involved in strategic acquisitions and the planning and implementation of growth strategy initiatives. Mr Smeed's previous roles have included, Inaugural Chief Executive of the Victorian Casino Control Authority (now Victorian Casino and Gaming Authority) and General Manager, Gaming, Racing and Censorship for the New Zealand Government. 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 Hainan Jia Yuan Real Estate Development Co., Ltd. and Shenzhen Jinfeng Industrial Development Co., Ltd. Mr Wei is a citizen of China.

Weiyun Chen EMBA (Hong Kong Finance and Economics College)
Executive Director

Mr Chen was appointed to the Board on 28 October 2008 and holds the position of General Manager of Matsuoka Mechatronics. Mr Chen has extensive General Management experience having previously held that position at Hualing Electric Appliance Industry Co., Ltd. and Hangzhou Yuanye Real Estate Ltd. Mr Chen is a citizen of China.

DIRECTORS' REPORT

Jieliang Wang EMBA (China Europe International Business School)
Independent, Non-Executive Director

Mr Wang was appointed to the Board on 28 October 2008. Mr Wang has extensive experience in leadership roles having held the position as the Chairman and General Manager of Huikai Group (Wuhan) Co., Ltd. and the CEO of Huafu Holding Co., Ltd. He is currently the CEO of Shenzhen Kinghill Group Ltd. Mr Wang 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.

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.

Jiayi Yu
Executive Director and Company Secretary

Mr Yu was appointed to the Board on 13 August 2008 and resigned on 28 October 2008.

Baikun Zhang
Executive Director

Mr Zhang was appointed to the Board on 13 August 2008 and resigned on 28 October 2008.

Marcus Dallas La Vincente
Executive Director

Mr La Vincente was appointed to the Board on 25 May 2008 and resigned on 13 August 2008.

Fai Peng Chen
Executive Director

Mr Chen was appointed to the Board on 25 May 2008 and resigned on 13 August 2008.

Jennifer Frances Tobin
Executive Director

Ms Tobin was appointed to the Board on 25 May 2008 and resigned on 13 August 2008.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

In the three years immediately before the end of the financial year the only director to hold listed directorships is Edward Byrt, who is a director of Papyrus Australia Ltd a company listed on the ASX.

DIRECTORS' REPORT

COMPANY SECRETARIES

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 an ASX listed pharmaceutical company, Ascent Pharmahealth Limited and a number of small private businesses. She is also Director of Red Consulting International Pty Ltd, an accounting and taxation support business located in South Melbourne. Ms Dal Santo is a citizen of Australia.

Breanna Kate Slattery

Ms Slattery was appointed as company Secretary to the Board on 23 May 2008 and resigned on 13 August 2008.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

	Ordinary Shares	Options over Ordinary Shares
Ling (Allan) Mao (1) (7)	7,800,000	-
Roger Smeed (2) (7)	100,000	-
Guohua Wei (3) (7)	179,400,000	-
Weiyun Chen (4) (7)	7,800,000	-
Jieliang Wang	-	-
Kwong Fat Tse (5) (7)	48,100,000	-
Edward Michael Byrt (6) (7)	100,000	-
Total	243,300,000	-

(1) Shares held by Laury Commercial INC in which Ling (Allan) Mao has a beneficial interest.

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

(3) Shares held by Matoury Overseas Corp. in which Guohua Wei has a beneficial interest.

(4) Shares held by Yerigton Assets INC in which Weiyun Chen has a beneficial interest.

(5) Shares held by Balatina Group Ltd in which Kwong Fat Tse a beneficial interest. Kwong Fat Tse's father is a director of Legheny Group Limited, a company that holds 16,900,000 shares in the Company. Kwong Fat Tse has no beneficial interest or relevant interest in these shares.

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

(7) These Directors have entered into Voluntary Escrow Deeds with the Company dated 28 October 2008 whereby they have agreed not to sell their shares for the following escrow periods:

- 25% released after 6 months
- 25% released after 12 months
- 50% released after 18 months

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the Remuneration Report section of this Directors' Report.

DIRECTORS' REPORT

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 Stock Exchange on 8 January 2009. The principal activity of the Group during the course of the financial year was the manufacture of automatic Mahjong tables. The Group currently operates in one business segment with all goods being manufactured and distributed from a single facility in China. The Group currently operates in three geographical segments; refer to Note 28 for further details.

Pursuant to a share purchase and sale agreement dated 31 October 2008, Treyo International Holding Ltd became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd on 31 October 2008. Through this transaction effective control of Treyo Leisure and Entertainment Ltd was passed to the existing shareholders of Treyo International Holding Ltd. The transaction is one referred to in AASB 3 "Business Combination" as a reverse acquisition, where the acquirer is Treyo International Holding Ltd (i.e. the entity whose equity interests have been acquired) and Treyo Leisure and Entertainment Ltd is seen to be acquiree (i.e. the issuing entity).

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

REVIEW OF FINANCIAL CONDITION

Financial Results

The net assets of the Consolidated Group have increased by $14,962,471 from 31 December 2007 to $36,136,755 in 2008. This increase has largely resulted from the following factors:

i. $12,702,000 was raised from the issue of 50,808,000 shares as part of the IPO;

ii. $6,616,454 profits after tax attributable to members;

iii. $1,132,522 increase in statutory general reserve;

iv. $5,451,607 increase in foreign exchange reserve; offset by

v. $9,191,914 dividend being paid by subsidiary (refer to Note 7)

The Consolidated Group's strong financial position has enabled the Group to reduce its borrowings to nil at 31 December 2008 while maintaining a healthy working capital ratio. The Group's working capital, being current assets less current liabilities, has improved from $10,797,454 in 2007 to $21,299,702 in 2008.

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

DIRECTORS' REPORT

DIVIDENDS

A dividend of $9,191,914 (2007: $nil) was paid by Matsuoka Mechatronics (China) Co., Ltd to Songgang International Group Co. Ltd, prior to the acquisition date.

The Board has not recommended the payment of any further dividends for the year ended 31 December 2008.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. Treyo Leisure and Entertainment Ltd was incorporated on 23 May 2008 with a share capital of 2 shares issued at $0.50 each.

ii. On 31 October 2008 Treyo International Holdings (HK) Ltd purchased 100% of Matsuoka Mechatronics (China) Co., Ltd.

iii. On 31 October 2008 the Company issued 259,999,998 ordinary shares to the shareholders of Treyo International Holding Ltd pursuant to a share purchase and sale agreement as purchase consideration resulting in Treyo International Holding Ltd became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") on 31 October 2008. Treyo International Holding Ltd shareholders received 26,000 Treyo Leisure and Entertainment Ltd shares for each Treyo International Holding Ltd share held.

iv. On 19 December 2008, 100,000 shares were issued as equity based remuneration to Stroud Nominees Pty Ltd (as trustee for Byrt Super Fund) in which Director, Edward Byrt has a beneficial interest. The fair value of the equity based remuneration amounted to $25,000 based on the IPO share price of $0.25; of which $1,000 has been paid in cash.

v. On 19 December 2008, 100,000 shares were issued as equity based remuneration to Roger Smeed and Associate Pty Ltd (as trustee for RF Investment Trust) in which Director, Roger Smeed has a beneficial interest. The fair value of the equity based remuneration amounted to $25,000 based on the IPO share price of $0.25; of which $1,000 has been paid in cash.

vi. On 19 December 2008 50,808,000 shares were issued at $0.25 per share, as a result if the IPO.

FUTURE DEVELOPMENTS

Except for the any matters disclosed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of Directors held during the period and the number of meetings attended by each Director were as follows. The Audit and Risk Committee and the Remuneration and Nomination Committee were established on 28 October 2008. No meetings of the Committees were held during the period.

	Directors' Meetings
Number of meetings held	5
Ling (Allan) Mao	5
Roger Smeed	5
Guohua Wei	2
Weiyun Chen	4
Jieliang Wang	2
Kwong Fat Tse	3
Edward Michael Byrt	5
Jiayi Yu	-
Baikun Zhang	-
Marcus Dallas La Vincente	-
Fai Peng Chen	-
Jennifer Frances Tobin	-

Committee Membership

As at the date of this Report, the Company had and 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

- Roger Smeed (Chairman)
- Ling (Allan) Mao
- Edward Byrt

Remuneration and Nomination Committee

- Edward Byrt (Chairman)
- Roger Smeed
- Guohua Wei

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the Director and executive 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, and includes the five executives of the Group receiving the highest remuneration.

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

Details of Key Management Personnel including the five senior executives of the Company and the Group.

		Date Appointed	Date Resigned	
Directors				
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)
Weiyun Chen	Director (Executive)	01 Nov 2005	-	(2)
Jieliang Wang	Director (Independent, Non-Executive)	28 Oct 2008	-	(1)
Kwong Fat Tse	Director (Non-Executive)	13 Aug 2008	-	
Edward Michael Byrt	Director (Independent, Non-Executive)	28 Oct 2008	-	
Jiayi Yu	Director (Independent, Non-Executive) and Company Secretary	13 Aug 2008	28 0ct 2008	
Baikun Zhang	Director (Independent, Non-Executive)	13 Aug 2008	28 0ct 2008	
Marcus Dallas La Vincente	Director (Independent, Non-Executive)	23 May 2008	13 Aug 2008	
Fai Peng Chen	Director (Independent, Non-Executive)	23 May 2008	13 Aug 2008	
Jennifer Frances Tobin	Director (Independent, Non-Executive)	23 May 2008	13 Aug 2008	
Executives				
Zhongliang Zheng	Finance Director	12 May 2005	-	
Bin Hu	Deputy General Manager	07 Sep 2007	-	
Lixin Wang	Integrated Management Centre Director	29 Jun 2005	-	
Lin Pan	Operations Centre Director	30 Aug 2004	-	
Jo-Anne Dal Santo	Company Secretary	28 Oct 2008	-	
Breanna Kate Slattery	Company Secretary	23 May 2008	13 Aug 2008	

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

(2) Appointed to the Board on 28 October 2008.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other changes of key management personnel between the reporting date and the date the financial report was authorised for issue are as follows:

Remuneration policy

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), options and performance incentives.
- The Remuneration and Nomination Committee intends to review key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors. The Committee will determine if performance based options are be issued under the Director and Senior Executive Options plan, as detailed below.

Key management personnel are also entitled to participate in the Director and Senior Executive Options plan, as detailed below.

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 subsequent to listing on the ASX, the Remuneration and Nomination Committee 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 and are able to participate in the Directors and Senior Executives Option plan.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance-based remuneration

Each element of key management personnel's remuneration package includes a performance-based component, measured against key performance indicators (KPI's). The intention of this programme is to facilitate goal congruence between key management personnel and that of the business and shareholders. The KPI's are set annually or as required. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPI's target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short-term and long-term goals. The level set for each KPI is based on forecast results for the Group and respective industry standards.

Performance in relation to KPI's is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPI's achieved. Following assessment, the KPI's are reviewed by the Remuneration and Nomination Committee in light of the desired and actual outcomes. Efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year. In determining whether or not a KPI has been achieved, the Group bases the assessment on audited results.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. To assist in the realisation of this objective options are issued to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

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. Any options not exercised before or on the date of termination lapse.

The Group seeks to emphasise payment for results through the establishment of a Directors and Senior Executive Options Plan, as detailed below.

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 date appointed, as show in the 'Details of key management personnel' above.

The Remuneration and Nomination Committee will determine the proportion of fixed and variable compensation for each key management personnel. Refer below.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel Remuneration

	Short term benefit	Long term benefit	Total	Equity Based percentage
	Cash, salary and commissions	Equity based remuneration		
	$	$	$	%
31 December 2008				
Ling (Allan) Mao [1]	20,445	-	20,445	-
Roger Smeed [2]	8,333	24,000	32,333	74%
Guohua Wei [3]	21,855	-	21,855	-
Weiyun Chen	17,272	-	17,272	-
Edward Michael Byrt [2]	8,333	24,000	32,333	74%
Jo-Anne Dal Santo [2]	7,128	-	7,128	-
Zhongliang Zheng [4]	13,479	-	13,479	-
Bin Hu [5]	12,655	-	12,655	-
Lixin Wang	14,352	-	14,352	-
Lin Pan [6]	20,739	-	20,739	-
	144,591	48,000	192,591	
31 December 2007				
Ling (Allan) Mao	11,182	-	11,182	-
Guohua Wei	15,983	-	15,983	-
	27,165	-	27,165	

(1) Appointed 13 August 2008

(2) Appointed 28 October 2008

(3) Guohua Wei is provide with a company vehicle with a carrying value of $122,068

(4) Zhongliang Zheng is provide with a company vehicle with a carrying value of $14,227

(5) Bin Hu is provide with a company vehicle with a carrying value of $57,996

(6) Lin Pan is provide with a company vehicle with a carrying value of $17,870

Shares and options issued as part of remuneration for the year ended 31 December 2008

During and since the end of the financial year an aggregate 200,000 shares were issued to the following directors and the five highest remunerated officers of the Company as part of their remuneration:

- Roger Smeed received 100,000 fully paid ordinary shares in the Company on 31 October 2008. The fair value of the shares was $25,000 of which Mr Smeed paid $1,000; and
- Edward Byrt received 100,000 fully paid ordinary shares in the Company on 31 October 2008. The fair value of the shares was $25,000 of which Mr Byrt paid $1,000.

Refer to Note 30 for further details.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Directors and Executives Options Plan

The Company adopted a Directors and Senior Executives Options Plan ("Plan") on 28 October 2008. At 31 December 2008 no options had been granted under the plan.

Under the Plan the Board may offer directors and senior executives of the company or its controlled entities corporate options which may be exercised for new ordinary shares. The Board has the discretion to set the issue price, exercise price and other conditions applying to the options. These terms and condition will be set with a view to providing a long term incentive to directors and senior executives and align the financial interest of the directors and senior executives with shareholders for the benefit of the Company. Refer to Note 6 for further details.

If there is a reconstruction of the capital of the Company or a bonus issue to the holders of shares in the Company, there will be a corresponding adjustment to the number of options issued to directors and senior executives. If the Company undertakes a rights issue, the exercise price of the options will be reconstructed in accordance with the ASX listing rules. There provisions are designed to preserve the participants' proportion entitlement to shares on the exercise of options.

The number of shares which are subject of an offer of options when aggregated with the number of shares which would be issued if each outstanding offer of options was accepted, together with the number of shares issued during the five years prior to the offer of options under the Plan or any other employee share plan (excluding shares or options issued in circumstances that would not require a disclosure documents within the meaning of section 708 of the Corporations Act 2001), will not exceed 5% of the total number of shares on issue at the time of the offer of options.

Shares arising on the exercise of options will have the same rights as, and rank equally with, other shares (subject to any further conditions or restrictions imposed by the Board).

No options have been issued under the Plan at as the reporting date. Approvals have been granted in principle for the issue of a total of 1,500,000 options.

These shares are exercisable in three tranches subject to the participants continued employment in the Group for two, three and four years respectively. The exercise prices for the options are $0.35, $0.50 and $0.65 respectively. Options expire if not exercised by the date that occurs five years after the official quotation on the ASX commences. Other relevant terms as follows:

(i) each option confers the right to acquire one fully paid ordinary share in the capital of Treyo Leisure and Entertainment Ltd and may be exercised at a price of are $0.35, $0.50 and $0.65 (as detailed above);

(ii) options may not be exercised unless:
   a. performance target set with the participants are achieved; and
   b. the Company itself achieves defined performance targets;

(iii) options may be exercised at any time after two years, three years and five years from the 8 January 2009 to date of expiry;

(iv) options expire upon the earliest of:
   a. a date being the day of the fifth anniversary for the date of Listing by 5.00pm AEDT; or
   b. a date, being the date of termination of the service agreement with the relevant director or senior executive; and

(v) options will not be listed on the ASX.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

The participation of the directors and senior executives in the Plan will be as follows:

	Number of Options			
Name of participant	**Year 2**	**Year 3**	**Year 4**	**Total**
Ling (Allan) Mao	150,000	150,000	150,000	450,000(1)
Guohua Wei	150,000	150,000	150,000	450,000(1)
Weiyun Chen	100,000	100,000	100,000	300,000(1)
Zhongliang Zheng	50,000	50,000	50,000	150,000(2)
Bin Hu	50,000	50,000	50,000	150,000(3)
Total	500,000	500,000	500,000	1,500,000

Vesting conditions:

(1) Company meets projected earnings for 31 December 2009 (year 2)
Company meets projected earnings for 31 December 2010 (year 3)
Company meets projected earnings for 31 December 2011 (year 4)

(2) Monitoring the Company's financial activities and producing financial reports to a satisfactory standard set by the Board

(3) Increase in sales revenue by 30%, 45% and 60% from financial year ended 31 December 2008 to year 2 (31 December 2009), year 3 (31 December 2010) and year 4 (31 December 2011) respectively.

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.

All the directors were appointed during the year ended 31 December 2008 and as such will retire at the 2009 Annual General Meeting of the Company. Each of the directors, being eligible, will offer themselves for re-election.

INDEMNIFYING OFFICERS OR AUDITOR

During the end of the financial year the Company has entered into Deeds of Indemnity with each of the current Directors and paid insurance premiums as follows:

The Company has paid 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 $15,596.

OPTIONS

At the date of this Report, there were no unissued ordinary shares of Treyo Leisure and Entertainment Ltd.

DIRECTORS' 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 to act as auditor of the Company until the first Annual General Meeting of the Company. In accordance with section 327 of the Corporations Act 2001, an auditor will be appointed at the Company's first Annual General Meeting. Grant Thornton Audit Ltd, being eligible, have consented to continue to act as the auditor of the Company.

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.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 December 2008:

	$
Due diligence investigations	125,000

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2008 has been received and can be found on page 18 of the directors' report.

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

Roger Smeed
Deputy Chairman
Dated this 26 day of March 2009

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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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 Ltd for the year ended 31 December 2008, 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.

S J Gray
Director – Audit & Assurance Services

Signed at Wayville on this 26 day of March 2009

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been developed and implemented as part of the Company's Australian Stock Exchange ("ASX") listing process. The Company listed on the ASX on 2 January 2009.

The Board is committed to principles of best practice in corporate governance. The Board has relied on ASX Corporate Governance Council's Revised Corporate Governance Principles and Recommendations in formulating its corporate governance policies and practices.

As the Company listed on the ASX in January 2009, detailed review and refinement of the Company's practices relative to best practice corporate governance as stated below will be progressively undertaken with the support and recommendation from appropriate subcommittees of the Board. In particular, the Company will implement the following practices and procedures to the extent required:

- Risk Management Policy
- Corporate Governance Policy - Continuous Disclosure
- Code of Conduct for Directors and Key Officers
- Shareholder Communication Policy
- Code of Conduct - Company's Obligations to Stakeholders

Principle 1 – Lay Solid Foundations for Management and Oversight

The Board and management have agreed on their respective roles and responsibilities and the functions reserved to the Board and management. The Board is currently documenting this agreement and preparing a Board Charter for this purpose.

The Board is responsible for the overall corporate governance of the Company, including ethical behaviour, strategic direction, establishing goal for management and monitoring the achievement of these goals with a view to optimising Company performance and maximising shareholder value.

The role of management 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.

The Board is responsible for:

- setting the strategic direction of the Company and establishing goals to ensure these strategic objectives are met;
- appointing the Managing Director, setting objectives for the Managing Director and reviewing performance against those objectives, ensuring appropriate polices and procedures are in place for recruitment, training, remuneration and succession planning;
- monitoring financial performance including the approval of annual and half yearly financial reports and liaison with the Company's auditors;
- ensuring that risk factors facing the Company and its controlled entities have been identified ensuring appropriate and adequate controls and that monitoring and reporting mechanisms are in place;
- receiving regular detailed briefings from senior management; and
- ensuring the Company complies with the law and conforms to the highest standard of financial and ethical behavior.

The Board has established a Remuneration and Nomination Committee which, among other functions, will evaluate the performance of senior executives.

CORPORATE GOVERNANCE STATEMENT

Principle 2 – Structure the Board to Add Value

The Board ultimately takes responsibility for corporate governance, and will be accountable to the Shareholders for the performance of the Company. The function and responsibilities of the Board are set out in the Company's Constitution and the Corporations Act. These include:

(a) one third of the Board retiring and being subject to election at the next Annual General Meeting ("AGM") of the Company;

(b) the Directors being initially appointed by the Board are then subject to election by Shareholders at the next AGM of the Company;

(c) the Board is to be comprised of a majority of independent Directors;

(d) the Board is at all times to be comprised of at least two independent Australian Directors;

(e) the Chair of the Board is to be elected by the Board and the performances of the Directors are to be reviewed on an ongoing basis;

(f) the Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense with the prior approval of the Chairman, which will not be unreasonably withheld;

(g) the Directors have the right, in connection with their duties and responsibilities as Directors, to delegate any of their powers and discretions to committees responsible to the Board;

(h) an Audit and Risk Committee is to be established;

(i) a Remuneration and Nomination Committee is to be established;

(j) the Board must approve the strategic direction and related objectives of the Company and monitor management performance in the achievement of these objectives;

(k) the Board must adopt budgets and monitor the financial performance of the Company;

(l) the Board must ensure that all major business risks are identified and effectively managed;

(m) the Board is responsible for ensuring that the Company meets its legal and statutory obligations;

(n) the Board is responsible for establishing and maintaining adequate internal control procedures and effective monitoring systems. Compliance with these procedures is to be regularly monitored; and

(o) the Board must schedule meetings on a regular basis (not less than 10 each year) and other meetings as and when required.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term of office are detailed in the Director's Report.

As at the date of this he names of independent directors of the Company are:

Roger Smeed

Jeiliang Wang

Edward Byrt

The Board has decided, given the size of the Board and the Company that it is not appropriate for the Board to be comprised of a majority of independent directors.

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.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Company.

The Corporate Governance Principles and Recommendations include the appointment of an independent Chairman. Ling (Allan) Mao is not considered independent as he is the Managing Director or the Company. The Board have determined that, the appointment of Independent Director, Roger Smeed, as Deputy Chairman and given the size of the Board it is not appropriate for the chair of the Board to be Independent.

The names of the members of the Remuneration and Nomination Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

Principle 3 – Promote Ethical and Responsible Decision Making

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Board is in the process of establishing a code of conduct to guide the Directors, the Managing Director and other key executives. The code of conduct will detail:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account legal obligations and the reasonable expectations of stakeholders; and
- the responsibility and accountability for reporting and investigating reports of unethical practices.

The Company's share trading policies are set out below.

Share Trading

The Company has adopted formal share trading policies. Trading of shares by Directors, management and other employees is prohibited under certain circumstances and as described in the ASX Listing Rules and during certain periods of the financial year. Directors must not deal in the Company shares at any time when he or she has unpublished information which, if generally available, might influence the share price. Directors, management and other employees as nominated will normally be permitted to trade in securities of the Company as a matter of course (unless there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception) in the following periods:

- within the period of 1 month after the release of annual or half yearly results; and
- within the period of 1 month after the issue of a prospectus.

Any share trading outside this period can only be conducted with prior written approval from the Chairman.

Related Party Matters

The Directors and senior management will be required to advise the Chairman of any related party contract or potential conflict. The Chairman must inform the Board and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter.

CORPORATE GOVERNANCE STATEMENT

Principle 4 – Safeguard Integrity in Financial Reporting

The Directors require the Managing Director and any chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The Board has established an Audit and Risk Committee.

Principle 5 – Make Timely and Balanced Disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with ASX Listing Rules and the Corporations Act.

At each Board meeting consideration is given as to whether any matters should be disclosed under the Company's disclosure policy. The Board has appointed a Company Secretary in Australia and has required the Company Secretary to establish and maintain adequate disclosure procedures and effective monitoring systems to ensure timely and appropriate disclosure to the market. The Company Secretary acts as the primary ASX liaison officer and will ensure timely and appropriate access to information for all investors. The Directors are in the process of establishing written policies and procedures to ensure compliance with the disclosure requirements of ASX Listing Rules and to ensure accountability at a senior management level.

Principle 6 – Respect the Rights of Shareholders

The Directors will continue to promote effective communication with Shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to ASX, the Company will ensure that all relevant documents are released on the Company's website.

The Directors will request the external auditor to attend AGM's of the Company and be available to answer questions from the Shareholders about the conduct of the audit and the preparation and content of the Auditor's Report.

Shareholder Relations

The Directors aim to ensure that Shareholders are informed of all major developments affecting the Company's affairs. Information will be communicated to Shareholders through the Annual Report, AGM's, half yearly announcements, ASX announcements and the Company's website.

Principle 7 – Recognise and Manage Risk

The Company's Audit and Risk Committee is in the process of establishing policies on risk oversight and management, risk management and internal control systems, including financial and non-financial risks, which must be approved by the Board. The Committee must regularly report to the Board on compliance with any risk and audit policies and protocols in place at the time.

The Directors require the Managing Director and any chief financial officer (or equivalent) to state in writing to the Board that:

(a) the statement given in accordance with Principle 4 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies established by the Board; and

(b) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CORPORATE GOVERNANCE STATEMENT

Principle 8 – Remunerate Fairly and Responsibly

The Board has provided disclosure in relation to the Company's remuneration policies in this Annual Report to enable investors to understand:

(a) the costs and benefits of those policies; and

(b) the link between remuneration paid to the Directors and key executives and corporate performance.

Further disclosure is also given in the Remuneration Report section of the Directors' Report in accordance with ASX Listing Rules and the Corporations Act. The Board has also established a Remuneration and Nomination Committee.

The Board has clearly distinguished the structure of non-executive Directors' remuneration from that of executives, as set out in this Annual Report. However, the Directors are entitled to options as set out in this Annual Report, which the Board considers appropriate given the structure of the Company's management team and the international nature of the Company's operations.

The Board has ensured that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by Shareholders.

The Board has resolved, given the size of the Board and the Company, that it is not appropriate to disclose the process for performance evaluation of the Board, its committees, individual Directors and key executives. Rather than a formal review procedure, the Board has adopted a self evaluation process to measure its own performance, which is to be overseen by the Remuneration and Nomination Committee.

Remuneration Policies

The remuneration policy, which sets the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination committee, who where required seek professional advice from independent consultants and was approved by the board. All executives receive a base salary and performance incentives. The Remuneration and Nomination committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed yearly which is based on the forecast growth of the Company's profits and shareholders value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the Directors and Senior Executives Option Plan arrangements.

The amount of remuneration for all key management personnel for the Company and the five highest paid executives, including all monetary and non-monetary components, are detailed in the Directors' Report under the heading Key Management Personnel Compensation. All remuneration paid to executives is valued at the cost to the Company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the Consolidated Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

There are no schemes for retirement benefits for non-executive directors.

CORPORATE GOVERNANCE STATEMENT

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

INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Revenue	3	70,899,404	66,169,895	-	-
Cost of goods sold		(54,608,191)	(54,275,107)	-	-
Gross profit		16,291,213	11,894,788	-	-
Other income	3	1,450,175	3,245,085	-	-
Distributions and selling expenses		(6,085,843)	(6,533,501)	-	-
Administrative expense		(4,036,291)	(2,449,130)	(902,148)	-
Equity based remuneration		(48,000)	-	(48,000)	-
Finance costs		(495,530)	(415,065)	(30)	-
Profit/(loss) before income tax	4	7,075,724	5,742,177	(950,178)	-
Income tax (expense)/benefit	5	(459,270)	-	279,653	-
Profit/(loss) from continuing operations		6,616,454	5,742,177	(670,525)	-
Profit attributable to members of the parent entity		6,616,454	5,742,177	(670,525)	-

Overall Continuing Operations		**Cents**	**Cents**
Basic earnings per share (cents per share)	9	22	N/A
Diluted earnings per share (cents per share)	9	22	N/A

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	40,265,989	11,625,591	12,707,528	-
Trade and other receivables	11	3,490,284	24,180,732	68,682	-
Prepayments and other current assets	12	14,998	-	14,998	-
Inventories	13	6,068,970	3,392,063	-	-
TOTAL CURRENT ASSETS		49,840,241	39,198,386	12,791,208	-
NON-CURRENT ASSETS					
Other financial assets	14	-	-	22,440,840	-
Property, plant and equipment	16	13,955,699	10,463,760	-	-
Intangible assets	17	315,748	208,276	-	-
Deferred tax assets	21	565,606	-	565,606	-
TOTAL NON-CURRENT ASSETS		14,837,053	10,672,036	23,006,446	-
TOTAL ASSETS		64,677,294	49,870,422	35,797,654	-
CURRENT LIABILITIES					
Trade and other payables	18	21,074,196	17,709,789	1,344,176	-
Notes payable	19	7,116,137	6,327,168	-	-
Financial liabilities	20	-	4,659,181	598,386	-
Current tax liabilities	21	350,206	-	-	-
TOTAL CURRENT LIABILITIES		28,540,539	28,696,138	1,942,562	-
TOTAL LIABILITIES		28,540,539	28,696,138	1,942,562	-
NET ASSETS		**36,136,755**	**21,174,284**	**33,855,092**	**-**
EQUITY					
Issued capital	23	23,302,770	11,216,446	34,525,617	-
Foreign exchange translation reserve	24	4,083,988	(1,367,619)	-	-
Statutory general reserve	24	1,132,522	-	-	-
Retained earnings		7,617,475	11,325,457	(670,525)	-
TOTAL EQUITY		**36,136,755**	**21,174,284**	**33,855,092**	**-**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2008

	Note	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory General Reserve	Total
		$	$	$	$	$
Consolidated Group						
Balance at 1 January 2007		11,216,446	5,583,280	(660,901)	-	16,138,825
Profit attributable to members of parent entity		-	5,742,177	-	-	5,742,177
Adjustments from translation of foreign controlled entities		-	-	(706,718)	-	(706,718)
Balance at 31 December 2007		11,216,446	11,325,457	(1,367,619)	-	21,174,284
Shares issued during the year						
- Shares issued pursuant to IPO	23	12,702,000	-	-	-	12,702,000
- Equity based remuneration	23	48,000	-	-	-	48,000
- Other share issues	23	3,548	-	-	-	3,548
Transaction costs	23	(953,177)	-	-	-	(953,177)
Deferred tax benefit	23	285,953	-	-	-	285,953
Profit attributable to members of parent entity		-	6,616,454	-	-	6,616,454
Transfer to Statutory General Reserve	24		(1,132,522)		1,132,522	-
Adjustments from translation of foreign controlled entities	24	-	-	5,451,607	-	5,451,607
Sub-total		23,302,770	16,809,389	4,083,988	1,132,522	45,328,669
Dividends paid or provided for	8	-	(9,191,914)	-	-	(9,191,914)
Balance at 31 December 2008		23,302,770	7,617,475	4,083,988	1,132,522	36,136,755

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2008

	Note	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory General Reserve	Total
		$	$	$	$	$
Parent entity						
Balance at 1 January 2007		-	-	-	-	-
Profit attributable to members of parent entity		-	-	-	-	-
Balance at 31 December 2007		-	-	-	-	-
Shares issued during the year						
- Shares issued pursuant to the reconstruction agreement	23	22,440,840	-	-	-	22,440,840
- Shares issued pursuant to IPO	23	12,702,000	-	-	-	12,702,000
- Equity based remuneration	23	48,000	-	-	-	48,000
- Other share issues	23	2,001	-	-	-	2,001
Transaction costs	23	(953,177)	-	-	-	(953,177)
Deferred tax benefit	23	285,953	-	-	-	285,953
Profit attributable to members of parent entity		-	(670,525)	-	-	(670,525)
Balance at 31 December 2008		34,525,617	(670,525)	-	-	33,855,092

The accompanying notes form part of these financial statements.

TREYO

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		91,574,854	59,336,392	-	-
Payments to suppliers and employees		(64,857,618)	(60,940,216)	(479,831)	-
Interest received		598,282	911,307	-	-
Finance costs		(495,530)	(415,065)	(30)	-
Income tax paid		(388,717)	-	-	-
Net cash provided by (used in) operating activities	29	26,431,271	(1,107,582)	(479,861)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		-	22,043	-	-
Purchase of property, plant and equipment		(631,291)	(499,166)	-	-
Proceeds from sale of intangibles		-			
Purchase of intangible assets		(94,224)	(45,949)	-	-
Net cash provided used in investing activities		(725,515)	(523,072)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	23	12,705,548	-	12,704,001	-
Payments for share issue costs		(114,998)	-	(114,998)	-
Proceeds from borrowings		-	1,422,464	-	-
Proceeds from related party loan		-	-	598,386	-
Repayment of borrowings		(4,659,181)	-	-	-
Dividends paid		(9,191,914)	-	-	-
Net cash provided by (used in) financing activities		(1,260,545)	1,422,464	13,187,389	-
Net increase in cash held		24,445,211	(208,190)	12,707,528	-
Cash at beginning of financial year	10	11,625,591	12,084,615	-	-
Effect of exchange rates on cash holdings in foreign currencies		4,195,187	(250,834)	-	-
Cash at end of financial year	**10**	**40,265,989**	**11,625,591**	**12,707,528**	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 listed on the Australian Stock Exchange ("ASX") on 2 January 2009 and is a company incorporated and domiciled in Australia.

The principal activity of the Group is manufacturing automatic Mahjong tables.

Treyo Leisure and Entertainment Ltd was incorporated on 23 May 2008.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

There are new accounting standards and IFRIC interpretations that have been published that are not mandatory for current reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro-forma financial information.

a. **Principles of Consolidation**

A controlled entity is any entity over which Treyo Leisure and Entertainment Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 15 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the Consolidated Group during the year, their operating results have been included from the date control was obtained.

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method, unless required under AASB 3 "Business Combination" to apply reverse acquisition.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b. **Income Tax**

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

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

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

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

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

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings and land use rights are shown at cost.

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

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

Depreciation

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued 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.

Fair value

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

Impairment

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Impairment of Assets

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

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

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

g. Intangibles

Patents and trademarks

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

h. Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. **Employee Benefits**

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

Equity-settled compensation

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

j. **Provisions**

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

k. **Provision for Warranties**

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

l. **Cash and Cash Equivalents**

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

m. **Revenue and Other Income**

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

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

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

n. **Borrowing Costs**

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

p. Earning per share

(i) Basic earning per share

Basic earning 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.

(i) Diluted earning per share

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

q. Comparative Figures

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

r. Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

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

The Preliminary Financial Report was authorised for issue on 25 February 2009 and the Annual Report was authorised for issue on 26 March 2009 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 2: BUSINESS COMBINATIONS

Treyo International Holding (HK) Ltd and its controlled entity

Pursuant to a share purchase and sale agreement dated 31 October 2008, Treyo International Holding Ltd and its controlled entity, Matsuoka Mechatronics (China) Co., Ltd ("TIH") became a wholly owned subsidiary of Treyo Leisure and Entertainment Ltd ("Treyo") on 31 October 2008. Through this transaction effective control of Treyo was passed to the existing shareholders TIH. The transaction is one referred to in AASB 3 "Business Combination" as a reverse acquisition, where the acquirer is TIH (i.e. the entity whose equity interests have been acquired) and Treyo is seen to be acquiree (i.e. the issuing entity). As Treyo was incorporated specifically for the purpose of this transaction and the subsequent equity raising, the fair value of the equity instruments issued has been estimated by reference to the fair value of the acquirer's (TIH's) net assets.

	2008 $	2007 $
Fair value of the 259,999,998 ordinary shares issued to the existing shareholders of TIH in exchange for control	22,440,840	-

The assets and liabilities of TIH as at 31 October 2008 are:

	Fair Value $	$
Cash and cash equivalents	23,597,633	-
Trade and other receivables	328,277	-
Plant and equipment	14,725,827	-
Inventory	7,068,895	-
Total assets	45,720,632	-
Trade and other payables	(16,704,450)	-
Short term loan	(6,575,342)	-
Total net assets acquired	22,440,840	-
Accounted for as:		
Share capital	11,216,446	-
Retained profits	5,200,969	-
Reserve	6,023,425	-
	22,440,840	-

TIH acquired its controlled entity, Matsuoka Mechatronics (China) Co., Ltd prior to becoming a controlled entity of Treyo.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 3: REVENUE

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
Sales revenue		$	$	$	$
Sale of goods		70,899,404	66,169,895	-	-
Other income					
— Sale of raw materials and parts, net		851,893	1,212,167	-	-
— Bank Interest received		598,282	911,307	-	-
— Income from penalties imposed on supplier		-	27,635	-	-
— gain on investment in market share		-	1,022,802	-	-
— rental revenue for property investment		-	56,456	-	-
— other revenue		-	14,718	-	-
		1,450,175	3,245,085	-	-

NOTE 4: PROFIT FOR THE YEAR

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
a. **Expenses**		$	$	$	$
Finance costs:					
— Interest expense		486,130	415,065	-	-
— Bank charges		9,400	-	30	-
Total finance costs		495,530	415,065	30	-
Employee wages and benefits		3,993,313	3,241,302	32,229	-
Included in administrative expenses are:					
— Bad and doubtful trade receivables debts		60,995	-	-	-
— Depreciation and amortisation		939,655	728,958	-	-
— Audit fees	7	130,000	50,000	20,000	-
— Loss on the disposal of property, plant and equipment		-	18,640	-	-
Other expenses relating to the Initial Public Offering (IPO) and share issue		740,066	-	703,202	-

NOTE 5: INCOME TAX EXPENSE

		Note	Consolidated Group		Parent Entity	
			2008	2007	2008	2007
			$	$	$	$
a.	The components of tax expense comprise:					
	Current tax		738,923	-	-	-
	Deferred tax	21	(279,653)	-	(279,653)	-
	Tax expense		459,270	-	(279,653)	-

The Australian assessable earning will be taxed at 30% (2007: 30%).

In respect of Chinese assessable earnings, a tax exemption notice was issued to Matsuoka on 16 April 2007 providing a 50% tax exemption of the 31 December 2008 to 31 December 2010 financial years. This 50% exemption results in a tax rate of 8.25% (7.5% paid to China government and 0.75% paid to local government). An additional tax ruling was released on 20 March 2008 which increased the existing tax exemption, the resulting Matsuoka tax rates are 9% for 31 December 2008, 10% for 31 December 2009 and 11% for 31 December 2010. The tax rate in the Republic of China will be 24% for 2011 and 25% for 2012 onwards.

The tax rate in Hong Kong is 17.5% (2007: 17.5%)

		Note	Consolidated Group		Parent Entity	
			2008	2007	2008	2007
			$	$	$	$
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
	Prima facie tax payable on profit from ordinary activities before income tax at local tax rates (5a)					
	— Consolidated Group		1,724,416	1,515,934	-	-
	— parent entity		-	-	(285,053)	-
	Add:					
	Tax effect of: other non-allowable items		18,399	-	5,400	-
	Less:					
	Tax effect of: Tax exemptions from the People's Republic of China		(1,290,531)	(1,515,934)	-	-
	Tax effect of losses not brought into accounts as they do not meet the recognition criteria		6,986	-	-	-
	Income tax attributable to entity		459,270	-	(279,653)	-
	The applicable weighted average effective tax rates are as follows:		6%	-	(29%)	-

The change in the weighted average effective consolidated tax rate for 2008 is a result of consolidated profits offset by overseas tax exemptions.

TREYO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 6: 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:**

		Date Appointed	Date Resigned	
Directors				
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)
Weiyun Chen	Director (Executive)	01 Nov 2005	-	(2)
Jieliang Wang	Director (Independent, Non-Executive)	28 Oct 2008	-	(1)
Kwong Fat Tse	Director (None-Executive)	13 Aug 2008	-	
Edward Michael Byrt	Director (Independent, Non-Executive)	28 Oct 2008	-	
Jiayi Yu	Director (Independent, Non-Executive) and Company Secretary	13 Aug 2008	28 Oct 2008	
Baikun Zhang	Director (Independent, Non-Executive)	13 Aug 2008	28 Oct 2008	
Marcus Dallas La Vincente	Director (Independent, Non-Executive)	23 May 2008	13 Aug 2008	
Fai Peng Chen	Director (Independent, Non-Executive)	23 May 2008	13 Aug 2008	
Jennifer Frances Tobin	Director (Independent, Non-Executive)	23 May 2008	13 Aug 2008	
Executives				
Zhongliang Zheng	Finance Director	12 May 2005	-	
Bin Hu	Deputy General Manager	07 Sep 2007	-	
Lixin Wang	Integrated Management Centre Director	29 Jun 2005	-	
Lin Pan	Operations Centre Director	30 Aug 2004	-	
Jo-Anne Dal Santo	Company Secretary	28 Oct 2008	-	
Breanna Kate Slattery	Company Secretary	23 May 2008	13 Aug 2008	

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

(2) Appointed to the Board on 28 October 2008.

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

b. **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

At 31 December 2008 and 31 December 2007 no options were on issue, details of future performance options under the Directors and Senior Executive Option Plan, refer to note 30 for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

c. **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1.1.2007	Received as Compen-sation	Options Exercised	Net Change Other[1]	Net Change Other[2]	Balance 31.12.2008[9]
Ling (Allan) Mao [3] [9]	-	-	-	7,799,998	2	7,800,000
Roger Smeed [4] [9]	-	100,000	-	-	-	100,000
Guohua Wei [5] [9]	-	-	-	179,400,000	-	179,400,000
Weiyun Chen [6] [9]	-	-	-	7,800,000	-	7,800,000
Jieliang Wang	-	-	-	-	-	-
Kwong Fat Tse [7] [9]	-	-	-	48,100,000	-	48,100,000
Edward Michael Byrt [8]	-	100,000	-	-	-	100,000
Jo-Anne Dal Santo	-	-	-	-	-	-
Total	-	200,000	-	243,099,998	2	243,300,000

[1] Issued as part of the reconstruction agreement dated 31 October 2008, refer to notes 2 and 23 for further details.

[2] 3 November 2008 shares transferred from Songgang Investment Holdings Ltd.

[3] Shares held by Laury Commercial INC in which Ling (Allan) Mao has a beneficial interest.

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

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

[6] Shares held by Yerigton Assets INC in which Weiyun Chen has a beneficial interest.

[7] Shares held by Balatina Group Ltd in which Kwong Fat Tse has beneficial interest. Kwong Fat Tse's father, Kin Yip Tse is a director of Legheny Group Limited, a company that hold 16,900,000 shares (issues during the year [1]); Kwong Fat Tse has no beneficial interest or relevant interest in Legheny Group Limited.

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

[9] Certain key management personnel have entered into Voluntary Escrow Deeds dated 28 October 2008 with the Company whereby they agree not to sell their shares for the following escrow periods:

- 25% released after 6 months
- 25% released after 12 months
- 50% released after 18 months

NOTE 7: AUDITORS' REMUNERATION

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
Remuneration of the auditor of the parent entity for:		$	$	$	$
— auditing or reviewing the financial report		130,000	50,000	20,000	-
— Due diligence services		125,000	-	125,000	-
		255,000	50,000	145,000	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 8: DIVIDENDS

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Distributions paid	9,191,914	-	-	-

The dividend of $9,191,914 (2007: $nil) was paid by Matsuoka Mechatronics (China) Co., Ltd to Songgang International Group Co. Ltd prior to the acquisition of Matsuoka Mechatronics (China) Co. Ltd by Treyo International Holdings (HK) Ltd.

NOTE 9: EARNINGS PER SHARE

		Consolidated Group	
		2008 $	2007 $
a.	Reconciliation of earnings to profit or loss		
	Profit used to calculate basic EPS and dilutive EPS	6,616,454	5,742,177
b.	Reconciliation of earnings to profit or loss from continuing operations		
	Profit from continuing operations used to calculate basic EPS from continuing operations and dilutive EPS.	6,616,454	5,742,177
c.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	29,684,995	n/a[(1)]

[(1)] No prior year Earning Per Share details are shown as the Company did not List on the ASX until 2 January 2009.

NOTE 10: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Cash at bank and in hand		40,265,989	11,625,591	12,707,528	-

At 31 December 2008 $3,558,068 (2007: $7,150,000) was held in an interest bearing short term deposit as a guarantee for notes payable (Note 19).

NOTE 11: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Trade receivables	11a	1,147,951	3,595,215	-	-
Less provision for impaired trade receivables	11b	(73,143)	-	-	-
		1,074,808	3,595,215		
Other receivables	11c	2,346,794	20,585,517	-	-
Goods & service tax receivable	11d	68,682	-	68,682	-
		3,490,284	24,180,732	68,682	-

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 2008, trade receivables of $94,707 ($507,385) were past due but not impaired. These relates to independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

30-90 days	94,707	180,707	-	-
90-180 days	-	326,678	-	-
Total	94,707	507,385	-	-

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 2008, trade receivables of $73,143 (2007: nil) were impaired. These relates to individual customers which are in unexpectedly difficult economic situation. Movements in the provision for impairment of receivables are as follows:

At 1 January	-	-	-	-
Provision for impairment recognised	60,995	-	-	-
Exchange difference on translation	12,148	-	-	-
At 31 December	73,143	-	-	-

c. Other receivables

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

There are no balances that are past due and impaired. It is expected these balances will be received when demanded.

d. Goods & service tax receivable

Goods & service tax (“GST”) receivable relates to the GST recoverable on Australian incurred IPO and other costs (2007: $nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 12: PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	Consolidated Group		Parent Entity	
CURRENT		2008 $	2007 $	2008 $	2007 $
Prepayments		14,998	-	14,998	-

NOTE 13: INVENTORIES

	Note	Consolidated Group		Parent Entity	
CURRENT		2008	2007	2008	2007
At cost and net realisable value		$	$	$	$
Raw materials and stores		3,666,681	2,424,205	-	-
Work in progress		524,779	369,957	-	-
Finished goods		1,877,510	597,901	-	-
		6,068,970	3,392,063	-	-

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

NOTE 14: FINANCIAL ASSETS

	Note	Consolidated Group		Parent Entity	
NON-CURRENT		2008 $	2007 $	2008 $	2007 $
Unlisted investment in shares in controlled entities	2, 15	-	-	22,440,840	-

Financial assets refer to the acquisition of the fair value of Treyo International Holding (HK) Ltd and controlled entity on 31 October 2008; refer to Note 2 and 15 for further details.

NOTE 15: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)[1]	
		2008 %	2007 %
Treyo International Holding (HK) Ltd[2]	Hong Kong	100%	n/a
Matsuoka Mechatronics (China) Co., Ltd	People's Republic of China	100%	n/a

[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. ***Acquisition of Controlled Entities***

On 31 October 2008 the parent entity acquired 100% of Treyo International Holding (HK) Ltd, with Treyo Leisure and Entertainment Ltd entitled to all profits earned as a result of a reverse acquisition; refer to Note 2 for further details.

c. There is no deed of cross guarantee as at 31 December 2008 or 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

Consolidated Group 31 December 2008	Land use Right $	Building $	Construction In progress $	Motor Vehicle $	Office Equipment $	Plant & Machineries $	TOTAL $
Cost							
At 1 January 2008	1,247,612	8,115,120	-	524,662	148,960	1,600,673	11,637,027
Additions	-	-	-	48,364	42,288	540,639	631,291
Exchange differences	450,211	2,928,407	-	198,960	62,175	685,286	4,325,039
0t 31 December 2008	**1,697,823**	**11,043,527**	**-**	**771,986**	**253,423**	**2,826,598**	**16,593,357**
Accumulated Depreciation							
At 1 January 2008	116,444	659,812	-	115,151	30,356	251,504	1,173,267
Depreciation for the period	28,317	414,425	-	107,174	38,206	279,998	868,120
Exchange differences	47,659	320,633	-	62,897	18,562	146,520	596,271
At 31 December 2008	**192,420**	**1,394,870**	**-**	**285,222**	**87,124**	**678,022**	**2,637,658**
Net book value							
At 31 December 2008	1,505,403	9,648,657	-	486,764	166,299	2,148,576	13,955,699
At 31 December 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 16: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated Group 31 December 2007	Land use Right	Building	Construction In progress	Motor Vehicle	Office Equipment	Plant & Machineries	TOTAL
	$	$	$	$	$	$	$
Cost							
At 1 January 2007	1,300,068	7,367,764	1,032,252	446,935	104,525	1,412,999	11,664,543
Additions	-	-	54,559	148,403	49,128	247,076	499,166
Disposal	-	-	-	(51,707)	-	-	(51,707)
Transfer	-	1,044,634	(1,044,634)	-	-	-	-
Exchange differences	(52,456)	(297,278)	(42,177)	(18,969)	(4,693)	(59,402)	(474,975)
At 31 December 2007	**1,247,612**	**8,115,120**	**-**	**524,662**	**148,960**	**1,600,673**	**11,637,027**
Accumulated Depreciation							
At 1 January 2007	95,338	323,347	-	29,879	22,412	72,007	542,983
Disposal	-	-	-	(11,024)	-	-	(11,024)
Depreciation for the period	25,196	352,923	-	98,346	8,935	184,185	669,585
Exchange differences	(4,090)	(16,458)	-	(2,050)	(991)	(4,688)	(28,277)
At 31 December 2007	**116,444**	**659,812**	**-**	**115,151**	**30,356**	**251,504**	**1,173,267**
Net book value							
At 31 December 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760
At 31 December 2006	1,204,730	7,044,417	1,032,252	417,056	82,113	1,340,992	11,121,560

NOTE 16: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

Consolidated Group **Carrying amounts**	**Land use Right** **$**	**Building** **$**	**Construction In progress[1]** **$**	**Motor Vehicle** **$**	**Office Equipment** **$**	**Plant & Machineries** **$**	**TOTAL** **$**
At 1 January 2007	1,204,730	7,044,417	1,032,252	417,056	82,113	1,340,992	11,121,560
Additions	-	-	54,559	148,403	49,128	247,076	499,166
Transfer	-	1,044,634	(1,044,634)	-	-	-	-
Disposal	-	-	-	(40,683)	-	-	(40,683)
Depreciation expense	(25,196)	(352,923)	-	(98,346)	(8,935)	(184,185)	(669,585)
Exchange differences	(48,366)	(280,820)	(42,177)	(16,919)	(3,702)	(54,714)	(446,698)
At 31 December 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760
At 1 January 2007	1,131,168	7,455,308	-	409,511	118,604	1,349,169	10,463,760
Additions	-	-	-	48,363	42,288	540,640	631,291
Disposal	-	-	-	-	-	-	-
Depreciation expense	(28,317)	(414,425)	-	(107,174)	(38,206)	(279,998)	(868,120)
Exchange differences	402,552	2,607,774	-	136,064	43,613	538,765	3,728,768
At 31 December 2008	1,505,403	9,648,657	-	486,764	166,299	2,148,576	13,955,699

[1] Construction costs are at cost and there are no capitalised finance costs.

Parent entity

The parent entity does not hold any property, plant and equipment in the financial year ended 31 December 2008 and 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 17: INTANGIBLE ASSETS

	Consolidated Group				Parent Entity	
	Patents and Trademarks	Software	Total	Patents and Trademarks Total	Total	Total
	2008	2008	2008	2007	2008	2007
	$	$	$	$	$	$
Cost						
At 1 January	293,994	-	293,994	263,141	-	-
Additions	10,575	87,908	98,483	45,949	-	-
Currency translation difference	108,196	17,507	125,703	(15,096)	-	-
At 31 December	412,765	105,415	518,180	293,994	-	-
Accumulated amortisation and impairment						
At 1 January	85,719	-	85,719	32,256	-	-
Amortisation in the period	67,697	3,838	71,535	59,373	-	-
Currency translation difference	44,414	764	45,178	(5,911)	-	-
At 31 December	197,830	4,602	202,432	85,718	-	-
Cost						
Net carrying value						
31 December	214,935	100,813	315,748	208,276	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 17: INTANGIBLE ASSETS (CONTINUED)

	Consolidated Group				Parent Entity	
	Patents and Trademarks	Software	Total	Patents and Trademarks Total	Total	Total
	2008	2008	2008	2007	2008	2007
	$	$	$	$	$	$
Carrying amount						
At 1 January	208,276	-	208,276	230,885	-	-
Additions	10,575	87,908	98,483	45,949	-	-
Disposal	-	-	-	-	-	-
Amortisation in the period	(67,697)	(3,838)	(71,535)	(59,373)	-	-
Currency translation difference	63,781	16,743	80,524	(9,185)	-	-
At 31 December	214,935	100,813	315,748	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.

NOTE 18: TRADE AND OTHER PAYABLES

	Note	Consolidated Group		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Unsecured liabilities					
Trade payables		11,421,332	6,568,843	558,389	-
Sundry payables and accrued expenses		6,186,547	3,625,728	784,287	-
Value Added Tax (VAT) and other indirect taxes payable		675,499	342,463	-	-
Prepayments from customers		1,984,521	7,172,755	-	-
Net amount due to shareholders under a cancelled IPO application		1,500	-	1,500	-
Amounts payable to:					
Director, Guohua Wei	32b	804,797	-	-	-
		21,074,196	17,709,789	1,344,176	-

NOTE 19: NOTES PAYABLE

	Note	Consolidated Group		Parent Entity	
CURRENT		2008 $	2007 $	2008 $	2007 $
Secured liabilities					
Notes payable		7,116,137	6,327,168	-	-

The notes payable mature from January 2009 to June 2009. The notes payable are guaranteed against interest bearing short term bank deposit of $3,558,068 (2007: $7,150,000) (see Note 10) and by a personal guarantee from a director, Guohua Wei and a corporate guarantee from related party Zhejiang Matsuoka Mechatronics Industry Co. Ltd.

NOTE 20: FINANCIAL LIABILITIES

	Note	Consolidated Group		Parent Entity	
CURRENT		2008 $	2007 $	2008 $	2007 $
Secured liabilities					
Bank loan		-	4,659,181	-	-
Unsecured liabilities					
Advances from wholly-owned subsidiary, Treyo International Holdings (HK) Ltd	32c	-	-	598,386	-
		-	4,659,181	598,386	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 20: FINANCIAL LIABILITIES (CONTINUED)

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
Total current and non-current secured liabilities:		$	$	$	$
Bank loan		-	4,659,181	-	-
The carrying amounts of non-current assets pledged as security are:					
Land use rights	16	-	1,131,168	-	-
Buildings	16	-	7,455,308	-	-
		-	8,586,476	-	-

The bank borrowings are short term loans repayable within a year period, and are secured over the Group's building and land use rights. The facility was provided by Bank of China and is denominated in Chinese Renminbi. Interest is charged at 5.58% to 6.84% (2007: 5.58% to 6.84%) per annum.

NOTE 21: TAX

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
Liabilities		$	$	$	$
CURRENT					
Income Tax		350,206	-	-	-
Assets					
NON-CURRENT					
Deferred tax asset		565,606	-	565,606	-

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Consolidated Group	$	$	$	$	$	$
Deferred tax asset						
Balance at 31 December 2008	-	-	-	-	-	-
Transaction costs on equity issue	-	-	285,953	-	-	285,953
Other	-	279,653	-	-	-	279,653
Balance at 31 December 2008	-	279,653	285,953	-	-	565,606
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:						
— tax losses: operating losses $39,916 (2007: $nil)	-	6,985	-	-	-	6,985

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 21: TAX (CONTINUED)

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Parent Entity	$	$	$	$	$	$
Deferred tax asset						
Balance at 31 December 2008	-	-	-	-	-	-
Transaction costs on equity issue	-	-	285,953	-	-	285,953
Other	-	279,653	-	-	-	279,653
Balance at 31 December 2008	-	279,653	285,953	-	-	565,606
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:						
— tax losses: operating losses $nil (2007: $nil)	-	-	-	-	-	-

NOTE 22: PROVISIONS

The Consolidated Group and Parent Entity have no provisions at 31 December 2008 (2007: $nil). No employees are eligible for Long-term employee benefits at 31 December 2008 (2007: $nil).

NOTE 23: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
At the beginning of reporting period 8,000,000 (2007: 8,000,000) fully paid ordinary shares	11,216,446	11,216,446	-	-
Shares issued during the year				
19 December 2008(1)	12,702,000	-	12,702,000	-
19 December 2008(2)	50,000	-	50,000	-
31 October 2008(3)	-	-	22,440,840	-
23 May 2008(4)	1	-	1	-
31 October 2008(5)	1,547	-	-	-
Share issue costs	(953,177)	-	(953,177)	-
Deferred tax benefit associated with the Share Issue Costs	285,953	-	285,953	-
At the end of reporting period 311,008,000 (2007: 8,000,000) fully paid ordinary shares	23,302,770	11,216,446	34,525,617	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 23: ISSUED CAPITAL (CONTINUED)

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

	Consolidated Group		Parent Entity	
Ordinary shares	**2008 Number**	**2007 Number**	**2008 Number**	**2007 Number**
At the beginning of reporting period	8,000,000	8,000,000	-	-
Shares issued during the year				
— 19 December 2008[(1)]	50,808,000	-	50,808,000	-
— 19 December 2008[(2)]	200,000	-	200,000	-
— 31 October 2008[(3)]	251,999,998	-	259,999,998	-
— 23 May 2008[(4)]	2	-	2	-
At reporting date	311,008,000	8,000,000	311,008,000	-

[(1)] The Company raised $12,702,000 from the issue of 50,808,000 ordinary shares at $0.25, as a results of the IPO. On 2 January 2008 Treyo Leisure and Entertainment Ltd was admitted to the Official List of the ASX Limited and commenced official quotation on 8 January 2009.

[(2)] Equity compensation shares issued (Edward Byrt 100,000 and Roger Smeed 100,000), of which $2,000 was paid in cash.

[(3)] Pursuant the reconstructions agreement dated 31 October 2008, refer to Note 2 for further details.

[(4)] On incorporation of Treyo Leisure and Entertainment Ltd.

[(5)] Shares of Treyo International Holding (HK) Ltd on acquisition of Matsuoka Mechatronics (China) Co., Ltd.

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

At a 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.

For the consolidated entity the comparative information is based on Matsuoka Mechatronics (China) Co. Ltd in accordance with AASB 3 "Business Combination" as the acquisition was a reverse acquisition, refer to Note 2 for further details.

Performance Options

Under the Directors and Senior Executives Options Plan ("Plan") the Board may offer directors and senior executives of the Company or its controlled entities corporate options which may be exercised for new ordinary shares. The Board has the discretion to set the issue price, exercise price and other conditions applying to the options. These terms and condition will be set with a view to providing a long term incentive to directors and senior executives and align the financial interest of the directors and senior executives with shareholders for the benefit of the Company.

If there is a reorganisation of the capital of the Company or a bonus issue to the holders of shares in the Company, there will be a corresponding adjustment to the number of options. If the Company undertakes a rights issue, the exercise price of the options will be reconstructed in accordance with the ASX listing rules. These provisions are designed to preserve the participants' proportion entitlement to shares on the exercise of options.

NOTE 23: ISSUED CAPITAL (CONTINUED)

The number of shares which are subject of an offer of options when aggregated with the number of shares which would be issued if each outstanding offer of options was accepted, together with the number of shares issued during the five years prior to the offer of options under the Plan or any other employee share plan (excluding shares or options issued in circumstances that would not require a disclosure documents within the meaning of section 708 of the Corporations Act 2001), will not exceed 5% of the total number of shares on issue at the time of the offer of options.

Shares arising on the exercise of options will have the same rights as, and rank equally with, other shares (subject to any further conditions or restrictions imposed by the Board).

No options have been issued under the Plan at as the reporting date. Approvals have been granted in principle for the issue of a total of 1,500,000 options. Refer to the Remuneration Report section of the Directors' Report for further details.

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 2008 and 31 December 2007 are as follows:

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Total liabilities		28,540,539	28,696,138	1,942,562	-
Less: Cash and cash equivalent		(40,265,989)	(11,625,591)	(12,707,528)	-
Net liabilities		(11,725,450)	17,070,547	(10,764,966)	-
Total equity		36,136,755	21,174,284	33,855,092	-
Debt to equity ratio		(32%)	80%	(32%)	-

The decrease in debt – equity ratio during 2008 is primarily due to the initial public listing of the company which injected substantive cash into the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 24: RESERVES

Foreign Currency Translation Reserve

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

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 and Parent Entity have no capital or leasing commitments at 31 December 2008 (2007: $nil).

NOTE 26: COMMITMENTS

Management service commitments

Matsuoka Mechatronics (China) Co., Ltd entered into an agreement for the provision of management services with China Finance and Investment Holding Ltd, a related party, amounting to $42,270 (RMB200,000) per month. The term of the engagement is 12 months.

Advertisement commitments

Matsuoka Mechatronics (China) Co., Ltd 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 two years from 1 January 2008 to 31 December 2009 at a fee of $76,086 (RMB360,000) per annum. At 31 December 2008 the commitment remaining amounted to $76,086.

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of this report, the directors of the Group are not aware of any contingent liabilities or contingent assets that should be disclosed in accordance with AASB 137.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 28: SEGMENT REPORTING

The Consolidated Group currently operates in one business segment, being the business of manufacturing automatic Mahjong tables and in three different countries, being China, Australia and Hong Kong.

Geographical Segments **31 December 2008**	**China** **$**	**Hong Kong** **$**	**Australia** **$**	**Total** **$**
REVENUE				
Total revenue -external sales	70,899,404	-	-	70,899,404
RESULT				
Segment result	8,561,318	(39,916)	(950,148)	7,571,254
Finance costs	(495,500)	-	(30)	(495,530)
Profit/(loss) before income tax	8,065,818	(39,916)	(950,178)	7,075,724
Income tax expense	(738,923)	-	279,653	(459,270)
Profit after income tax	7,326,895	(39,916)	(670,525)	6,616,454
ASSETS				
Segment assets	51,311,675	8,805	12,791,208	64,111,688
LIABILITIES				
Segment liabilities	26,041,178	804,979	1,344,176	28,190,333
OTHER				
Depreciation and amortisation of segment assets	939,655	-	-	939,655
31 December 2007				
REVENUE				
Total revenue -external sales	66,169,895	-	-	66,169,895
RESULT				
Segment result	6,157,242	-	-	6,157,242
Finance costs	(415,065)	-	-	(415,065)
Profit/(loss) before income tax	5,742,177	-	-	5,742,177
Income tax expense	-	-	-	-
Profit after income tax	5,742,177	-	-	5,742,177
ASSETS				
Segment assets	49,870,422	-	-	49,870,422
LIABILITIES				
Segment liabilities	28,696,138	-	-	28,696,138
OTHER				
Depreciation and amortisation of segment assets	728,958	-	-	728,958

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 28: SEGMENT REPORTING (CONTINUED)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Group at an arm's length. These transfers are eliminated on consolidation. At 31 December 2008 and 31 December 2007 there were no such intersegment transfers.

NOTE 29: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
a. **Reconciliation of Cash Flow from Operations with Profit after Income Tax**				
Profit/(loss) after income tax	6,616,454	5,742,177	(670,525)	-
Non-cash flows in profit				-
Amortisation	71,535	59,373	-	-
Depreciation	868,120	669,585	-	-
Net loss on disposal of property, plant and equipment	-	18,640	-	-
Equity Based remuneration	48,000	-	48,000	-
Net foreign exchange difference	(2,557,134)	-	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	20,690,448	(9,167,280)	(68,682)	-
(Increase)/decrease in prepayments	(14,998)	-	(14,998)	-
(Increase)/decrease in inventories	(2,676,907)	1,400,136	-	-
Increase/(decrease) in trade payables and accruals (excluding share issue costs balances)	3,315,200	169,787	505,997	-
Increase/(decrease) in income taxes payable	350,206	-	-	-
(Increase)/decrease in deferred tax asset balances	(279,653)	-	(279,653)	-
Cashflow from operations	26,431,271	(1,107,582)	(479,861)	-

NOTE 29: CASH FLOW INFORMATION (CONTINUED)

b. **Acquisition of Entities**

During the year 100% of the controlled entity Treyo International Holdings (HK) Ltd and controlled entity (Matsuoka Mechatronics (China) Co., Ltd) was acquired. Details of this transaction are:

	Consolidated Group		**Parent Entity**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Purchase consideration	22,440,840	-	-	-
Cash consideration	-	-	-	-
Cash outflow	-	-	-	-

Refer to Note 2 for assets and liabilities held at acquisition date.

The assets and liabilities arising from the reverse acquisition are recognised as if the acquirer is Matsuoka Mechatronics (China) Co., Ltd and Treyo Leisure and Entertainment Ltd is the acquiree in accordance with AASB 3 “Business Combinations”. As Treyo Leisure and Entertainment Ltd was incorporated specifically for the purpose of this transaction and the equity raised the fair value of the equity instruments issued has been eliminated by reference to the fair value of the acquirer’s (Matsuoka Mechatronics (China) Co., Ltd’s) net assets.

Losses of Treyo Leisure and Entertainment Ltd included in the consolidated profit before tax of the Group since the acquisition date 31 October 2008 amounted to $950,178, these include $549,866 of expenses incurred prior to the reverse acquisition which are considered to be related to the listing process and has been consolidated in the results for the period. Had the results relating to Treyo Leisure and Entertainment Ltd been consolidated from 31 October 2008, consolidated revenue would have been $70,899,404 and consolidated profit $7,166,320 for the period ended 31 December 2008.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its end carrying value.

Non-cash Financing and Investing Activities

Share issue

259,999,998 ordinary fully paid shares were issued at $11,216,446 as part of the consideration for the purchase of Treyo International Holdings (HK) Ltd and controlled entity. The share issue was based on the fair value of the Company; refer to Note 2 for further details.

NOTE 30: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 31 December 2008:

Equity based remuneration

On 19 December 2008 200,000 ordinary shares were issued to two directors of Treyo Leisure and Entertainment Ltd. The shares have voting and dividend rights and are transferable, subject to a Voluntary Escrow Agreement (see Note 6c).

The weighted average fair value of the shares granted during the year was $50,000.

NOTE 30: SHARE-BASED PAYMENTS (CONTINUED)

This price was calculated by using the IPO share price:

	$
200,000 shares at $0.25	50,000
Less amounts paid in cash	2,000
Equity based remuneration in Income Statements[1]	48,000

[1] Included under equity based remuneration in the income statement is $48,000 (2007: $nil), and relates, in full, to equity-settled share-based payment transactions.

Directors and Executives Options Plan

The Company adopted a Directors and Executives Options Plan ("Plan") on 31 December 2008. At 31 December 2008 no options has been granted under the plan.

Under the Directors and Executives Options Plan ("Plan") the Board may offer directors and senior executives of the Company or its controlled entities corporate options which may be exercised for new ordinary shares. The Board has the discretion to set the issue price, exercise price and other conditions applying to the options. These terms and condition will be set with a view to providing a long term incentive to directors and senior executives and align the financial interest of the directors and senior executives with shareholders for the benefit of the Company. Refer to Note 6 for further details.

If there is a reconstructions of the capital of the Company or a bonus issue to the holders of shares in the Company, there will be a corresponding adjustment to the number of options. If the Company undertakes a rights issue, the exercise price of the options will be reconstructed in accordance with the ASX listing rules. These provisions are designed to preserve the participants' proportion entitlement to shares on the exercise of options.

The number of shares which are subject of an offer of options when aggregated with the number of shares which would be issued if each outstanding offer of options was accepted, together with the number of shares issued during the five years prior to the offer of options under the Plan or any other employee share plan (excluding shares or options issued in circumstances that would not require a disclosure documents within the meaning of section 708 of the Corporations Act 2001), will not exceed 5% of the total number of shares on issue at the time of the offer of options.

Shares arising on the exercise of options will have the same rights as, and rank equally with, other shares (subject to any further conditions or restrictions imposed by the Board).

No options have been issued under the Plan at as the reporting date. Approvals have been granted in principle for the issue of a total of 1,500,000 options. Refer to the Remuneration Report section of the Directors' Report for further details.

NOTE 31: EVENTS AFTER THE BALANCE SHEET 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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:	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
a. **Other Related Parties**	$	$	$	$
Transactions				
Sales to related parties				
-Zhejiang Minghe Mechatronics Co. Ltd(1)	200,538	-	-	-
Rental received from related parties				
-Zhejiang Minghe Mechatronics Co. Ltd(1)	26,437	-	-	-
Purchase plant and equipment from related parties				
-Zhejiang Matsuoka Mechatronics Industry Co. Ltd(2)	116,697	-	-	-
Purchase from related parties				
-Zhejiang Matsuoka Mechatronics Industry Co. Ltd(2)	622,018	848,575	-	-
-Hangzhou Dibiao Mechatronics Co., Ltd(3)	1,672,798	1,879,119	-	-
-Hangzhou Hauren Plastics Manufacturing Co. Ltd(4)	2,108,504	3,114,018	-	-
-Hangzhou Guoshi Advertising Co. Ltd(7)	63,450	-	-	-
Total Purchase from related parties	4,466,770	5,841,712	-	-
Rental paid to related parties				
-Zhejiang Matsuoka Mechatronics Industry Co. Ltd(2)	81,227	296,671	-	-
Dividend paid to related parties				
- Songgang International Group Co. Ltd(8)	9,191,914	-	-	-
Balances				
Other related parties balances are included in the following:				
Other receivables				
-Zhejiang Minghe Mechatronics Co. Ltd(1)	4,920	515,282	-	-
-Zhejiang Matsuoka Mechatronics Industry Co. Ltd(2)	1,397,109	4,062,976	-	-
-Hangzhou Hauren Plastics Manufacturing Co. Ltd(4)	82,620	15,533	-	-
-Hangzhou Songyan Electronics Co., Ltd. (5)	67,632	986,699	-	-
-Zhejiang Songjin Compound Materials Co. Ltd(6)	-	3,106,121	-	-
-Hangzhou Guoshi Advertising Co. Ltd(7)	95,999	63,395	-	-
Total other receivables	1,648,280	8,750,006	-	-
Trade and other payables				
-Hangzhou Dibiao Mechatronics Co., Ltd(3)	333,495	-	-	-

NOTE 32: RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Zhejiang Minghe Mechatronics Co. Ltd is a company in which non-executive director, Kwong Fat Tse was a director. Kwong Fat Tse resigned as a director during the year ended 31 December 2008. The related party purchased Mahjong tables and leased a workshop from the Consolidated Group during the year. At 31 December 2008 amounts receivable from the Company amount to $4,920 (2007: $515,282) relating to lease costs and Mahjong tables

(2) Zhejiang Matsuoka Mechatronics Industry Co. Ltd is a company in which executive director, Guohua Wei was a director. Guohua Wei resigned as a director during the year ended 31 December 2008. During the year the Consolidated Group leased equipment and contracted assembly services from the related party. At 31 December 2008 amounts receivable from the related party amount to $1,397,109 (2007: $4,062,976), these amounts related to advance payments for leased equipment and assembly services.

(3) Hangzhou Dibiao Mechatronics Co., Ltd is a company in which executive director, Guohua Wei has a beneficial interest. During the year the Consolidated Group purchased Mahjong tiles from the related party. At 31 December 2008 the trade payables to the related party amount to $333,495 (2007: $nil).

(4) Hangzhou Hauren Plastics Manufacturing Co. Ltd is a company in which executive director, Guohua Wei was a director. Guohua Wei resigned as a director during the year ended 31 December 2008. During the year the Consolidated Group purchased raw materials from the related party. At 31 December 2008 the other receivables from the related party amount to $82,620 (2007: $15,533), the receivable related to advance payments for raw materials.

(5) Hangzhou Songyan Electronics Co., Ltd. is a company in which Guohua Wei was a director. executive director, Guohua Wei resigned as a director during the year ended 31 December 2008. At 31 December 2008 the other receivables from the related party amount to $67,632 (2007: $986,699), being unsecured advances to Hangzhou Songyan Electronics Co., Ltd.

(6) Zhejiang Songjin Compound Materials Co. Ltd is a company in which executive director, Guohua Wei and non-executive director, Kwong Fat Tse were both directors. Guohua Wei and Kwong Fat Tse both resigned as directors during the year ended 31 December 2008. At 31 December 2008 the other receivables from the related party amount to $nil (2007: $3,106,121), being unsecured advances to Zhejiang Songjin Compound Materials Co. Ltd

(7) Hangzhou Guoshi Advertising Co Ltd is a company in which executive director, Guohua Wei has a beneficial interest. The Consolidated Group has entered into a contract with Hangzhou Guoshi Advertising Co Ltd for it to provide advertising and promotion services to the Company for a period of two years from 1 January 2008 to 31 December 2009 at a fee of $63,450 (RMB360,000) per annum, at 31 December 2008 $95,999 (2007: $63,395) was prepaid. Refer to Note 26 and 31 for further commitment and subsequent event details.

(8) Songgang International Group Co. Ltd is a company in which non-executive director, Kwong Fat Tse has a beneficial interest. A dividend of $9,191,914 (2007: $nil) was paid by Matsuoka Mechatronics (China) Co., Ltd to Songgang International Group Co. Ltd prior to the acquisition of Matsuoka Mechatronics (China) Co. Ltd by Treyo International Holdings (HK) Ltd.

NOTE 32: RELATED PARTY TRANSACTIONS (CONTINUED)

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
b. **Key Management Personnel**				
Trade and other payables				
-IPO costs to be reimbursed to executive director, Mr Guohua Wei (Note 18)	804,797	-	-	-

A list of key management personnel and their shareholdings is shown in Note 6 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.

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
c. **Subsidiaries**				
Trade and other payables				
-wholly-owned subsidiaries - Treyo International Holdings (HK) Ltd (Note 20)	-	-	598,386	-

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, loans to and from subsidiaries and notes payable.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

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.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. Financial Risk Exposures and Management

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.

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

The Group is exposed to fluctuations in foreign currencies arising from controlled subsidiaries residing overseas, resulting in operations including income and expenses, assets and liabilities being in currencies other than the Group's measurement currency. There is currency risks associated with the Group's consolidation, budgeting and forecasting process. Refer to Note 33(b)(iii) for further details.

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

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 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 collectability of all trade and other receivables.

There are no other material amounts of collateral held as security at 31 December 2008.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through deposits with financial institutions.

The finance committee monitors credit risk on a regular basis.

Price risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing		Total	
	2008 %	2007 %	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Consolidated Group								
Financial Assets:								
Cash and cash equivalents	1.09%	1.09%	27,558,461	11,625,591	12,707,528	-	40,265,989	11,625,591
Receivables	-	-	-	-	3,490,284	24,180,732	3,490,284	24,180,732
Total Financial Assets			27,558,461	11,625,591	16,197,812	24,180,732	43,756,273	35,806,323
Financial Liabilities:								
Bank loans and overdrafts	-	6.21%	-	4,659,181	-	-	-	4,659,181
Notes payable	-	-	-	-	7,116,137	6,327,168	7,116,137	6,327,168
Trade and other payables	-	-	-	-	21,074,196	17,709,789	21,074,196	17,709,789
Total Financial Liabilities			-	4,659,181	28,190,333	24,036,957	28,190,333	28,696,138
Net Financial Assets							15,565,940	7,110,185
Parent Entity								
Financial Assets:								
Cash and cash equivalents	-	-	-	-	12,707,528	-	12,707,528	-
Receivables	-	-	-	-	68,682	-	68,682	-
Total Financial Assets			-	-	12,776,210	-	12,776,210	-
Financial Liabilities:								
Trade and other payables	-	-	-	-	1,344,176	-	1,344,176	-
Intercompany advances	-	-	-	-	598,386	-	598,386	-
Total Financial Liabilities			-	-	1,942,562	-	1,942,562	-
Net Financial Assets							10,833,648	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 33: FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. **Net Fair Values**

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.

iii. **Sensitivity Analysis**

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its financial instrument's exposure to interest rate risk and foreign currency risk at balance date. The Group's financial instruments are not subject to price 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 2008, 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:

	Consolidated Group		**Parent Entity**	
	2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**
Change in profit				
— Increase in interest rate by 2%	551,169	139,328	-	-
— Decrease in interest rate by 2%	(300,387)	(33,536)	-	-
Change in Equity				
— Increase in interest rate by 2%	551,169	139,328	-	-
— Decrease in interest rate by 2%	(300,387)	(33,536)	-	-

Foreign Currency Risk Sensitivity Analysis

At 31 December 2008, the effect on profit and equity as a result of changes in the value of the Australian Dollar ("AUD") to the Chinese Renminbi ("RMB"), with all other variables remaining constant is as follows:

	Consolidated Group		**Parent Entity**	
	2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**
Change in profit				
— Improvement in AUD to RMB by 2%	146,538	112,592	-	-
— Decline in AUD to USD by 2%	(146,538)	(112,592)	-	-
Change in Equity				
— Improvement in AUD to RMB by 2%	498,406	415,181	-	-
— Decline in AUD to USD by 2%	(498,406)	(415,181)	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

NOTE 34: CHANGE IN ACCOUNTING POLICY

a. The Consolidated Group accounting policies for the financial year ending 31 December 2008 are consistent with the prior year.

b. The following Australian Accounting Standards have been issued or amended and are applicable to the parent and Consolidated Group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.1.2009
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.1.2009

NOTE 34: CHANGE IN ACCOUNTING POLICY (CONTINUED)

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.1.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.1.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.1.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.1.2009

NOTE 35: COMPANY DETAILS

The registered office of the Company is:

Treyo Leisure and Entertainment Ltd

Level 1
263 City Road
South Melbourne VIC 3205

NOTE 35: COMPANY DETAILS (CONTINUED)

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 1
263 City Road
South Melbourne VIC 3205

TREYO

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 26 to 69 are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date of the Company and Consolidated Group;
2. the Chairman 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 26 day of March 2009

Grant Thornton

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

We have audited the accompanying financial report of Treyo Leisure and Entertainment Ltd (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards 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.

Grant Thornton

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

Auditor's responsibility Cont
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 entity's preparation and fair presentation of the financial report 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 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.

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

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

Auditor's opinion
In our opinion:

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

  i giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included in page 14 of the directors' report for the year ended 31 December 2008. 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.

Grant Thornton

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

Auditor's opinion

In our opinion the Remuneration Report of Treyo Leisure and Entertainment Ltd for the year ended 31 December 2008, complies with section 300A of the Corporations Act 2001.

S J Gray
Director – Audit & Assurance Services

Signed at Wayville on this 26 day of March 2009

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this Report is as follows. The information is current as at 13 March 2009.

(a) Distribution of equity securities

311,008,000 fully paid ordinary shares are held by 432 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
1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	1,590,000
10,001 - 100,000	5,574,000
100,000 and over	303,844,000
	11,008,000
Holding less than a marketable parcel	-

(b) Escrowed securities

	Number of shares
Legheny Group Limited	16,900,000
Laury Commercial INC.	7,800,000
Yerington Assets INC.	7,800,000
Matoury Overseas Corp.	179,400
Balatina Group Limited	48,100,000
Roger Smeed and Associates Pty Ltd	100,000
Stroud Nominees Pty Ltd	100,000

The above shareholders have entered into a Voluntary Escrow Deed dated 28 October 2008 with the Company whereby they have agreed not to sell their shares for the following periods:

- 25% released after 6 months,
- 25% released after 12 months and
- the remaining 50% released after 18 months.

ASX ADDITIONAL INFORMATION

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
(c)	**Substantial shareholders**		

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

Matoury Overseas Corp.	179,400,000	57.68%
Balatina Group Limited	48,100,000	15.47%
Legheny Group Limited	16,900,000	5.43%

(d)	**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	Laury Commercial Inc.	7,800,000	2.51%
5	Yerigton Assets Inc.	7,800,000	2.51%
6	Mr Dibiao Shen	5,000,000	1.61%
7	Mr Ming Hong Xu	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 Wei Zhong Wang	2,000,000	0.64%
12	Mr Erming Yu	2,000,000	0.64%
13	Ms Louyan Zhao	2,000,000	0.64%
14	Mr Shuiyang Xu	1,600,000	0.51%
15	Mr Guanming Hu	1,500,000	0.48%
16	Mr Yueming Shen	1,500,000	0.48%
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%
		292,600,000	94.08%