



Treyo Leisure and Entertainment Ltd
ACN 131 129 489

Prospectus for the Offer of 100,000,000 Shares at an issue price of A\$0.25 per Share to raise A\$25,000,000

14 November 2008

The Offer will close at 5.00 pm (AEDT)
on 5 December 2008.



This is an important document
and should be read in its entirety.
Please consult your professional
adviser if you do not fully understand
the contents of this Prospectus.

Lead Manager:



Important Information

The Offer contained in this Prospectus is an invitation to subscribe for New Shares in Treyo Leisure and Entertainment Ltd ACN 131 129 489 (**Treyo**). This Prospectus is dated **14 November 2008** and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

In accordance with the requirements of the Corporations Act, no securities will be allotted or offered on the basis of this Prospectus later than 13 months after the date of the Prospectus.

This Is an Important Document

Before deciding to apply for New Shares in Treyo pursuant to this Prospectus, prospective Applicants should read the entire Prospectus and consider the risk factors that could affect the financial and operating performance of Treyo. In addition to the general risks applicable to all investments in shares, there are specific risks associated with an investment in Shares in Treyo. These risks are discussed in section 7 of this Prospectus. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not in this Prospectus may not be relied on as having been authorised by Treyo in connection with the Offer. Neither Treyo nor any other person warrants the future performance of Treyo or any return on any investment made under this Prospectus, except as required by law and then only to the extent so required.

Foreign Jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe the requirements of these laws. Non-observance by such persons may violate securities laws. Any recipient of this Prospectus residing outside Australia should consult their professional advisers on requisite formalities. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Electronic Prospectus

This Prospectus may be viewed in electronic form at www.treyo.com.au.

Any person accessing the electronic version of this Prospectus must be an Australian resident and must only access the Prospectus from Australia.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a copy of this Prospectus or accompanied by the complete unaltered version of this Prospectus. Prospective Applicants should ensure they download and read the Prospectus in its entirety before completing the Application Form. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Investor Call Centre on 1300 729 502.

Exposure Period

The Corporations Act prohibits Treyo from processing applications in the seven (7) day period after the date of this Prospectus. This period is known as the Exposure Period. This Exposure Period may be extended by ASIC by up to a further seven (7) days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to raising funds.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Forecasts

Any projections or other forward looking statements contained in this Prospectus are based on Treyo's current expectations about future events. They are, however, subject to certain risks (both known and unknown), uncertainties and assumptions many of which are outside the control of Treyo and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such projections or other forward looking statements.

Defined Terms and Abbreviations

Certain words and terms used in this Prospectus have defined meanings which are set out in section 10.

Replacement Prospectus

This Prospectus is a Replacement Prospectus and replaces the Prospectus issued by the Company dated 3 November 2008.

Application for New Shares

If you wish to apply for New Shares, you must complete and return the Application Form which accompanies this Prospectus, together with the Application Monies, by the Closing Date. If you have not received an Application Form, please contact the Investor Call Centre on 1300 729 502.

Important Information	<i>IFC</i>
Key Offer Details	2
Chairman’s Letter	3
Investment Highlights	4
1 Details of the Offer	13
2 Treyo and Its Business	17
3 Market Overview	21
4 Key Personnel	27
5 Summary of Relevant Chinese Laws and Regulations	33
6 Financial Information	36
7 Risk Factors	55
8 Material Contracts	59
9 Additional Information	61
10 Definitions	68
Independent Accountant’s Report	70
Investigating Accountant’s Review	75
Taxation Report	82
Application Forms	88
Corporate Directory	<i>IBC</i>

Key Offer Details

Key Financial Data Relating to the Offer

Offer price per Share

A\$0.25

New Shares to be Offered by Treyo

100,000,000

Cash proceeds of the Offer

A\$25,000,000

Total number of Shares on issue following the Offer

360,200,000

Key Dates*

Date of Prospectus

14 November 2008

Exposure Period ends (unless extended by ASIC)

21 November 2008

Closing Date

5 December 2008

Shares expected to be allotted

11 December 2008

Holding Statements expected to be dispatched

15 December 2008

Trading of Shares on ASX expected to commence

18 December 2008

* These dates are subject to change and are indicative only. Treyo reserves the right to amend this indicative timetable without notice. In particular, Treyo reserves the right, subject to the Corporations Act and ASX Listing Rules, to close the Offer early, to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

Chairman's Letter

Dear Investor

On behalf of the Directors of Treyo Entertainment and Leisure Limited (**Treyo**), a company to be listed on ASX, I am pleased to present this Prospectus and offer you the opportunity to become a Shareholder.

This is an opportunity to invest in a well established and successful business operating in China, the world's fastest growing economy. Treyo's wholly owned subsidiary Matsuoka Mechatronics (China) Co, Ltd (**Matsuoka**) operates in a sector of the Chinese economy that over the past five years has shown an annual growth rate in unit sales in excess of 70% and an annual growth rate in sales value in excess of 40%.

Matsuoka 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".

Matsuoka is an industry leader. In 2007, the company had a market share of approximately 65% of the premium end of the market for automatic mahjong tables and received revenues in excess of A\$66 million (NPAT of A\$5.7 million). Revenues for CY2008 are forecast to exceed A\$78 million (NPAT of A\$6.5 million).

The game of mahjong holds a special place in Chinese culture. The game is said to have originated over 3,000 years ago during the Yin-Shang Dynasty in China. For centuries, the game of mahjong was restricted to the royal class and it was against the law for commoners to play. The penalty for disobeying that law was decapitation. In about AD 500, the prohibition was lifted and mahjong has become one of the more popular recreational activities in China. Mahjong has become even more popular with the introduction of automatic mahjong tables, which eliminate the tedious constant shuffling and re-stacking of tiles that is required when the game is played normally. The market for automatic mahjong tables in China has shown very substantial growth, and is now in excess of RMB 7.50 billion (A\$1.6 billion) per annum.

Matsuoka'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. While its operations and product distribution are mainly based in China, Matsuoka intends to leverage its market presence and reputation for high quality products through innovation and customer service and to continue its domestic growth and increase international sales.

Treyo is committed to listing on ASX because it offers a sophisticated capital market, a sustainable corporate governance environment and a platform for international expansion. The proceeds from the Offer will be used to progress Treyo's business goals over the next three years.

This Prospectus outlines the Company's products, operations and financial position. You should read it carefully, including the commentary on risks in sections 1.6 and 7, before making a decision to invest.

The Board of Treyo commends the Offer to you and looks forward to welcoming you as a Shareholder.

Yours faithfully



Allan Mao (Ling Mao)
Chairman



Investment Highlights

- China's GDP is growing at an exceptional rate. Its GDP growth in 2007 was 11.9%, with similar expectations for 2008. Notwithstanding the world economic slowdown, current predictions are that China's GDP growth in 2009 will continue to be at least 8–9%.
- China's GDP totalled US\$3.2 trillion in 2007. Based on 2007 GDP figures, China's economy is now the fourth-largest in the world (behind only the United States, Japan and Germany). China's industrial production increased at 15.2% per annum in 2007.
- China's integration into the world economy has been astonishingly rapid since it adopted the "Four Modernisations" (agriculture, industry, science and technology, and defence) a generation ago. China's share of world economic output has grown from 3.75% in 2000 to approximately 6% in 2007.
- China's admission into the World Trade Organization in late 2001 accelerated that growth. The World Bank now estimates that exports in 2006 represented a quarter of China's GDP, five times the level of 1978. In addition to its high level of exports, China is now also consuming and importing at a rapid pace. In 2007 it was the world's biggest consumer of aluminium.
- China's economic transformation has helped to create a large middle class with more disposable income and, significantly for Treyo, an increased appetite for leisure and recreational products.

Why Invest in China?



Investment Highlights continued

Why Invest in Treyo?



Congratulations Classic

Matsuoka has a proven track record as a successful and profitable manufacturer of automatic mahjong tables. Matsuoka's competitive strengths are:

- *its strong market presence – in 2007 it achieved approximately 65% of the premium end of the domestic Chinese market for automatic mahjong tables;*
- *it is a market leader in a rapidly growing leisure and entertainment sector – with outstanding annual growth rates over the last five years;*



Matsuoka headquarters Xiaoshan
National Economic Development
Zone, Hangzhou, China.



Amos White King

Investment Highlights continued

- *its increasing revenues and strong profitability – revenues for CY2007 were in excess of A\$66 million (NPAT of A\$5.7 million). Revenues for CY2008 are forecast to exceed A\$78 million (NPAT of A\$6.5 million);*



Amos Almighty King



Congratulations Elegant

- *its ownership and operation of a modern purpose built factory with a gross floor area of approximately 75,700m², making it the world's largest production facility for automatic mahjong tables;*
- *its commitment to high quality products, innovation and customer service;*
- *its highly experienced and dedicated management team;*



Investment Highlights continued

- *its substantial long-term commitment over many years to research and development ensuring Matsuoka maintains leadership in the premium end of the market;*
- *its ownership of extensive intellectual property rights. These include 45 authorised patents and 12 patent applications accepted by China's Intellectual Property Office, as well as 25 registered trade marks and 56 applications for trade marks in China;*



Congratulations Shark (Dark Grey)

- *accreditation 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; and*
- *accreditation with the ISO14001 Environment Management System certification which reflects Matsuoka's commitment to the environment.*



Trevo T Business Type

Investment Highlights continued

Summary

Matsuoka's competitive strengths are:

- its strong market presence – in 2007 it achieved approximately 65% of the premium end of the domestic Chinese market for automatic mahjong tables;
- it is a market leader in a rapidly growing leisure and entertainment sector – with outstanding annual growth rates over the last five years;
- its increasing revenues and strong profitability – revenues for CY2007 were in excess of A\$66 million (NPAT of A\$5.7 million). Revenues for CY2008 are forecast to exceed A\$78 million (NPAT of A\$6.5 million);
- its ownership and operation of a modern purpose built factory with a gross floor area of approximately 75,700m², making it the world's largest production facility for automatic mahjong tables;
- its commitment to high quality products, innovation and customer service;
- its highly experienced and dedicated management team;
- its substantial long-term commitment over many years to research and development ensuring Matsuoka maintains leadership in the premium end of the market;
- its ownership of extensive intellectual property rights. These include 45 authorised patents and 12 patent applications accepted by China's Intellectual Property Office, as well as 25 registered trade marks and 56 applications for trade marks in China;
- accreditation 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; and
- accreditation with the ISO14001 Environment Management System certification which reflects Matsuoka's commitment to the environment.

1. Details of the Offer



1. Details of the Offer

1.1 The Offer

The Offer contained in this Prospectus is an invitation to subscribe for **100,000,000** New Shares in Treyo at an Issue Price of **A\$0.25** per New Share to raise approximately **A\$25,000,000**.

Applications must be for a minimum of **10,000** New Shares (**A\$2,500**) and thereafter in multiples of **2,000** New Shares (**A\$500**).

1.2 Minimum Subscription

The minimum subscription for the Offer is **80,000,000** New Shares to raise **A\$20,000,000**.

If the minimum subscription is not achieved within four months after the date of this Prospectus, Treyo will issue a supplementary or replacement Prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application Monies (excluding interest).

In accordance with the Corporations Act, no New Shares will be allotted by Treyo until the minimum subscription has been subscribed.

1.3 Use of Proceeds

If the Offer is fully subscribed, the proceeds from the Initial Public Offer (**IPO**) will be used to progress the business goals of Matsuoka over the next three years:

Business Goals	Allocation of Proceeds
Ongoing development of automatic mahjong tables and research and development of complementary leisure and recreational products	\$6,000,000
Domestic and international marketing of products and expansion of local sales distribution network	\$7,000,000
A reserve of ready funds to allow Matsuoka to acquire competitors and/or businesses operating in complementary markets. The Board of Treyo has established strict criteria for the acquisition of any such businesses	\$5,000,000
Investment in "Treyo" branded Mahjong Clubs	\$4,500,000
Working capital	\$250,000
Estimated costs of conducting the Offer (including brokerage, legal costs, financial expert's costs and other fees)	\$2,250,000
Total	\$25,000,000

If the minimum subscription is achieved, but full subscription is not achieved, the balance of funds required to achieve these business goals will be sourced via additional debt facilities or out of operating cash flow.

1.4 Capital Structure

The table below summaries the capital structure of Treyo before and after completion of the Offer:

	Number of Shares Assuming Minimum Subscription	% of Total Number of Shares	Number of Shares Assuming Full Subscription	% of Total Number of Shares
	A\$20,000,000		A\$25,000,000	
Existing Shares	260,200,000	76.5%	260,200,000	72.2%
New Shares to be issued under the Offer	80,000,000	23.5%	100,000,000	27.8%
Total	340,200,000	100%	360,200,000	100%

1.5 Dividend Policy

The extent, timing and payment of dividends will be determined by the Directors based on a number of factors including earnings and the financial performance and position of Treyo. Matsuoka has a track record and profitability and the Directors intend to pay dividends to the extent that earnings and cash permit the payment of dividends without compromising the Company's business goals.

The cash flow forecast for the period to 31 December 2009 assumes that a dividend payment of not less than 40% of after-tax profits for the period CY2009 will be paid to Shareholders. However, payment of this dividend is not guaranteed.

It is likely that, at least in the short term, dividends paid by Treyo will be unfranked.

1.6 Risks

As with any investment in shares, there are risks associated with an investment in Shares in Treyo. These risks include the following:

- The value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors
- Treyo is listed in Australia but its assets are primarily located in China, and Treyo may be affected by geo-political factors, changes to Australian and Chinese government policies and legislation, and to the risk of political instability in either China or Australia
- Matsuoka's success depends to a significant degree on its intellectual property, including its patents
- Matsuoka faces competition in the highly competitive automatic mahjong machine industry in China
- Foreign exchange fluctuations may result in lower than anticipated revenue profits and earnings
- Following the Offer, ownership of Treyo will be concentrated in a small number of major shareholders.

These risks are described in more detail in section 7. Specific financial risks are also described in section 6.18(14). You should consider them carefully before deciding whether to invest.

1.7 How to Apply for Shares

It is important that you consider the Offer carefully. If you decide to accept the Offer you must do so in accordance with the instructions set out in this Prospectus. If you are in doubt about the course you should follow, you should consult your professional adviser.

If you wish to subscribe for New Shares under the Offer:

- (1) complete the Application Form attached to this Prospectus in accordance with the instructions set out in the Application Form specifying the number of New Shares which you wish to subscribe for; and
- (2) mail your completed Application Form and Application Monies (by cheque) to the Registry at:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001
AUSTRALIA

1.8 Acceptance of Applications

A completed and lodged Application Form, together with the Application Monies for the number of New Shares applied for, cannot be withdrawn and constitutes a binding Application for the number of New Shares specified in the Application Form on the terms set out in this Prospectus. The Application Form does not need to be signed to be binding.

Treyo reserves the right to accept or reject any Application, including Applications that have not been correctly completed or which are accompanied by cheques that are dishonoured. Treyo's decision as to whether to accept or reject an Application or how to construe, amend or complete it is final.

1.9 Payment

Payments will only be accepted in Australian currency and may only be made by one of the following methods:

- (1) cheque drawn on and redeemable at any Australian bank; or
- (2) personal cheque drawn on and redeemable at any Australian bank. Applicants must ensure that there are sufficient funds in the account on which the personal cheque is drawn so that the cheque clears in favour of Treyo when it is first presented for payment.

Cheques should be made payable to **TYO Share Applications Account** and crossed "**Not Negotiable**". Receipts for payment will not be provided.

Application Monies will be held in a separate bank account in trust for the Applicant until allotment of the New Shares occurs. The account will be established solely for the purpose of depositing Application Monies received.

Application Monies will be refunded (in full or in part excluding interest) where an application is rejected or scaled back or if the Offer is withdrawn or cancelled.

1.10 Allocation

Treyo will determine the allocation of the New Shares in the Offer. If the demand for New Shares is greater than the amount of New Shares available under the Offer, Treyo may scale back Applications. This means that Applicants may be allocated fewer New Shares than they applied for or no New Shares. The Company reserves the right to accept oversubscriptions.

1.11 Closing Date

Treyo will accept Applications from the date of this Prospectus until 5.00 pm (AEDT) on **5 December 2008** or such other date as the Directors in their absolute discretion may determine.

Treyo will process Applications daily until the Closing Date.

1.12 Underwriting

The Offer is not underwritten.

1. Details of the Offer continued

1.13 ASX Listing

Within seven days after the date of issue of this Prospectus, Treyo will apply for admission and quotation of its Shares on ASX. If granted, quotation of the Shares will commence as soon as practicable after allotment of Shares to the Applicants.

The fact that ASX may admit Treyo to its Official List is not taken in any way as an indication by ASX of the merits of Treyo or the New Shares offered by this Prospectus.

If ASX does not grant permission for Listing of the Shares within three months after the date of this Prospectus, or any longer period permitted by the Corporations Act, all applications will be dealt with in accordance with section 724 of the Corporations Act.

1.14 CHES and Issuer Sponsored Sub-register

Treyo will apply to ASX to participate in the Securities Clearing House Sub-register System known as CHES. CHES is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC) in accordance with ASX Listing Rules and the ASTC settlement rules. Under CHES, Treyo will not be issuing certificates to investors who elect to hold their Shares on the CHES sub-register. After allotment of the New Shares, Shareholders will receive a CHES holding statement.

The CHES holding statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each Shareholder pursuant to this Prospectus. The statement will also advise holders of the identification number and explain for future reference the sale and purchase procedures under CHES. Further statements will be provided to holders which reflect any changes in their shareholding in Treyo during a particular month.

1.15 Ranking

The New Shares will, when issued, rank equally in all respects with the then existing fully paid Shares in Treyo.

1.16 Taxation Implications

Information on the tax implications of investing in Treyo are set out in the Taxation Report. However, the Australian taxation consequences of any investment will depend upon an Applicant's particular circumstances. It is the obligation of prospective Applicants to make their own enquiries concerning the taxation consequences of an investment in Treyo. If you have any questions about the taxation consequences of an investment in Treyo, please contact your stockbroker, accountant or independent financial advisor.

1.17 Foreign Selling Restrictions

No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

However, subject to the restrictions in relation to the United States outlined below, Treyo reserves the right to offer the New Shares to any investor, where to do so would not be in breach of the securities law requirements of the relevant jurisdiction.

The New Shares have not been, and will not be, registered under the *Securities Act 1933* (US) and may not be offered or sold to US persons except under an available exemption from registration under the *Securities Act 1933* (US).

1.18 Enquiries

Enquiries concerning the Application Form and this Prospectus should be directed to the Investor Call Centre on 1300 729 502.

For further information on Treyo please visit www.treyo.com.au and download the Company's corporate information video.

2. Treyo and Its Business



2. Treyo and Its Business

2.1 Treyo Overview

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

Matsuoka was founded in March 2003 and carries on the business of manufacturing automatic mahjong tables. Matsuoka has grown rapidly to become the largest automatic mahjong table manufacturer in China.

The total market for automatic mahjong tables in China is in excess of RMB 7.50 billion (A\$1.6 billion) per annum. Matsuoka holds a share of approximately 65% of the premium end of the market. Matsuoka intends to continue its domestic growth and expand international sales. Matsuoka currently employs approximately 720 staff.

2.2 Treyo's Corporate Structure

Treyo is the parent company of Matsuoka. All of the shares in Matsuoka are held by Treyo International Holding (HK) Limited (**Treyo International**), incorporated in Hong Kong. Treyo owns 100% of the shares in Treyo International.

Treyo Leisure and Entertainment Ltd (to be listed on ASX)	100%
Treyo International Holding (HK) Ltd (registered in Hong Kong)	100%
Matsuoka Mechatronics (China) Co., Ltd (registered in the People's Republic of China)	

The business and operations of the Group are owned and operated by Matsuoka in China. Treyo intends to extend distribution and sales internationally, by appointing distributors in other countries including Hong Kong, Macao, Taiwan, Singapore, Japan, Turkey and Germany, and within casinos internationally.

2.3 Target Markets

Domestic Market

Matsuoka's key target market is the domestic Chinese market for automatic mahjong tables. For the year ended 31 December 2007, Matsuoka held a 5.4% share of the total Chinese market based on unit sales and its line of products made up approximately 65% of the premium end of that market.

Matsuoka believes that there is considerable scope to expand sales within China, in particular in the Northern and Eastern regions. Matsuoka also believes that whilst the majority of its product sales are currently made to hotels, restaurants, tea houses and community chess and card rooms, in the coming years sales to individual consumers will increase rapidly. This segment will provide Matsuoka with potential for further significant sales growth. Matsuoka believes that its expected growth in individual consumer sales will be a direct result of China's economic transformation which has created a large middle class with more disposable income and an appetite for leisure and recreational products.

"Treyo" Branded Mahjong Clubs

As stated above, currently, the major purchasers of automatic mahjong tables are hotels, restaurants, tea houses and community chess and card rooms. These facilities are often referred to as "Mahjong Clubs" that charge members and guests for the use of their mahjong equipment and private mahjong playing rooms. In 2007, Mahjong Clubs constituted nearly 85% of all sales of automatic mahjong tables in China (refer to section 3.6).

Matsuoka intends to leverage its reputation for quality and reliability by establishing a chain of upscale Mahjong Clubs that exclusively use "Treyo" products and are branded "Treyo Mahjong Clubs". Matsuoka does not intend to directly operate any "Treyo Mahjong Clubs", but will hold an equity interest in each, together with an exclusive supply contract for Treyo brand products.

Matsuoka believes that its investment in Treyo Clubs will expand sales of its premium end products and significantly increase brand exposure, thereby enhancing brand recognition. In addition, Matsuoka believes that the development and expansion of a chain of Treyo Clubs will promote the "mahjong culture" and help to underpin long-term sales potential for its products.

International Markets

The biggest market for automatic mahjong tables is currently China. However, Matsuoka believes that there is considerable scope for sales outside China and international distribution will allow Matsuoka to cater for demand from the large number of Chinese expatriates and other communities who play mahjong. Matsuoka intends to extend distribution and sales internationally, by appointing distributors in countries including in the short term Hong Kong, Macao, Taiwan, Singapore, Japan, Turkey and Germany to cater for anticipated demand.

Broader Entertainment and Leisure Market

In addition to exploiting its presence in the automatic mahjong table markets, Matsuoka intends to expand its product range to meet consumer demand in the broader entertainment and leisure industry, by drawing on its expertise and experience in the design and development of automatic mahjong tables.

Matsuoka has begun this process with the development of complementary products such as automatic poker card shuffling and dealing tables. Matsuoka is also in the process of developing additional complementary products including furniture and enhancements such as air filter systems, lighting and entertainment systems, including movie and music.

2.4 Acquisitions

Matsuoka intends to expand its business by acquiring businesses that produce products which enhance its production capability and/or businesses operating in complementary markets.

The Board of Treyo has established strict criteria for the acquisition of any such business. No acquisition will be made unless it is consistent with Matsuoka's business objectives and until a satisfactory due diligence process has been completed.

2.5 Competition

Matsuoka operates in a highly competitive industry. There are more than 500 automatic mahjong table manufacturers operating in the Chinese market. The majority of these are very small scale operators that individually do not have a material impact on the market.

The top 10 brands for the year ended 31 December 2007 held a total cumulative market share of 25.3% based on sales volume. The remaining competitors in the market each have an average market share of less than 0.15% (see section 3.3 below).

Matsuoka produces more automatic mahjong tables than any of its competitors and has the strongest sales and reputation in the premium end of the market.

2.6 Competitive Advantages

Matsuoka considers that it has the following competitive advantages:

Brand Recognition

In 2007, Matsuoka secured a share of approximately 65% of the premium end of the domestic Chinese market for automatic mahjong tables. This market presence provides Matsuoka with a significant advantage in terms of brand recognition. The Treyo brand has very high customer recognition in China, for both the quality of its products and its after sales service. The "Treyo" brand is protected by a number of registered and unregistered trade marks (see section 2.7 below). Treyo regards the "Treyo" brand as an important asset and one that will make a significant contribution to its continued success.

Track Record

Matsuoka achieved its strong market presence through its commitment to quality, customer satisfaction, service and innovation.

Matsuoka recorded revenue of RMB 297.77 million (A\$66.17 million) for CY2007. In CY2007 it achieved EBIT of RMB 27.71 million (A\$6.16 million) and NPAT of RMB 25.84 million (A\$5.74 million).

Production Facilities

Comprising a gross floor area of approximately 75,700m², Matsuoka owns and operates the largest automatic mahjong table production facility in the world. Its modern purpose built production complex is ideally located in the Xiaoshan Economical and Technological Development Zone, Hangzhou City, Zhejiang Province.

To produce products of the highest quality, Matsuoka operates the most advanced automated assembly lines in the industry. It has adopted and adapted production techniques and testing equipment used in America, Japan, Germany and Denmark.

Research and Development

From the outset, Matsuoka has made a substantial long-term commitment to research and development, thus ensuring it maintains leadership in the premium end of the market.

Matsuoka's Research and Development Department focuses on innovation and improving production techniques.

Matsuoka's Research and Development program consists of four highly qualified and experienced teams working on product design, control system design, process research and product testing.

Matsuoka has a Production Technology Department which is responsible for applying the technology developed by the Research and Development Department to Matsuoka's production facilities. This ensures that all technologies and innovations developed by Matsuoka are successfully introduced into Matsuoka's production system.

Intellectual Property Rights

Matsuoka's extensive Research and Development program has realised extensive intellectual property. To protect its intellectual property Matsuoka has registered a large number of patents. In China, Matsuoka currently holds 45 authorised patents and has 12 patents under application with China's Intellectual Property Office. These patents protect leading technology and new product innovations in the automatic mahjong table industry. Matsuoka also owns a number of trade marks. See section 2.7 below for more information on intellectual property rights.

Quality Accreditation

Matsuoka has implemented and been accredited with the ISO9001:2000 Quality Management System certification which reflects Matsuoka's commitment to the delivery of quality and reliable products which meet international industry standards.

All products manufactured by Matsuoka must also comply with its strict internal quality assurance standards. Quality assurance testing is performed by a team of approximately 100 employees who use advanced testing protocols, laboratories and other inspection equipment to measure quality at each stage of its production process.

Relationships with Distributors and Suppliers

Matsuoka has close strategic relationships with approximately 130 suppliers throughout China. Its supplier management system ensures that Matsuoka can source materials and components of consistently high quality in a timely manner.

Matsuoka conducts regular appraisals of each of its suppliers to ensure that it is consistently sourcing the best quality materials and components.

Matsuoka has a strong sales and distribution network in China of approximately 400 distributors and nearly 800 exclusive retail outlets.

This distribution network, coupled with Matsuoka's sales management system, ensures that Matsuoka has one of the most competitive marketing and sales networks in the industry.

2. Treyo and Its Business continued

Each distributor must meet Matsuoka's regional performance criteria and can only distribute products through the network of exclusive retail outlets. Each exclusive retail outlet is required to meet Matsuoka's specified design and layout criteria. This ensures that Matsuoka provides its customers with a consistent and high standard of marketing, sales and after sales service.

Most of Matsuoka's distributors have worked closely with the company for the past three years.

Management Team

Matsuoka's management team consists of committed highly experienced professional administrators, engineers, managers and supervisors. The majority of Matsuoka's management team are university graduates with many years of management experience. For more information see section 4.

Environmental Compliance

Matsuoka has implemented and is accredited with ISO14001 Environment Management System certification. ISO14001 Environment Management System is an environment standard which defines a set of requirements for environment management systems. The purpose of this standard is to assist organisations to protect the environment, prevent pollution and improve overall environmental performance. Matsuoka's accreditation reflects its commitment to minimising any harmful effects that its activities may have on the environment.

2.7 Intellectual Property

Patents

China has a patent protection system similar to that of most Western countries. Patents registered protect inventions for a period of 20 years.

In China, Matsuoka currently holds 45 authorised patents and has 12 patents under application with China's Intellectual Property Office. These patents include many of the internationally leading technology and new product innovations in the automatic mahjong table industry.

Trade Marks

Matsuoka has 25 registered trade marks and 56 applications for trade marks in China, as well as a large number of unregistered trade marks. Matsuoka also has one trade mark registered in Singapore, seven trade marks that are "Accepted – awaiting advertisement" in Australia and two trade marks that are "Under examination" in Australia. These trade marks protect the "Treyo" brand, which has very high customer recognition in China, for both the quality of products and after sales service. The Company regards the Treyo brand as an important asset and one that will make a significant contribution to its continued success.

Know-how

In addition to its patented technology Matsuoka has developed substantial non-patented know-how which is used to produce high quality products in its modern production facility.

2.8 Awards

In October 2007, Matsuoka was recognised as an Advanced Foreign-funded Technological Enterprise by the Department of Foreign Trade and Economic Cooperation of the Zhejiang Province. In August 2007, Matsuoka was selected as one of two Model Patent Enterprises of the Zhejiang Province by the Intellectual Property Office of the Zhejiang Province and the Economic & Trade Commission of the Zhejiang Province. In February 2007, Matsuoka was chosen as one of the best employers of the Zhejiang Province by the Zhejiang Provincial Merchants Research Society.

3. Market Overview



3. Market Overview

3.1 Market Overview

The game of mahjong holds a special place in Chinese culture. The game is said to have originated over 3,000 years ago during the Yin-Shang Dynasty in China. For centuries, the game of mahjong was restricted to the royal class and it was against the law for commoners to play. The penalty for disobeying that law was decapitation. In about AD 500, the prohibition was lifted and mahjong has become one of the more popular recreational activities in China. The game is designed for four players and is played on a table with ivory or plastic tiles similar in size and shape to domino tiles. The number of mahjong tiles is usually 144. The tiles are placed face down on a table, shuffled and then lined up face down in four rows in front of each player. Each row comprises 18 stacks of two tiles.

The constant shuffling and re-stacking of mahjong tiles is a tedious and time consuming exercise which, due to recent technological developments, can now be performed automatically with great speed using sophisticated technologies incorporated into a table seating four players.

This development has made playing mahjong more convenient and greatly increased the enjoyment of the game. Automatic mahjong tables will increase in importance as Chinese become more affluent. This is expected to be an important factor in the growth of the overall market.

Unit Sales

The Industry has enjoyed spectacular growth over the past five years. In 2003, only 196,000 automatic mahjong tables were sold in China. However, in 2007 approximately 3,000,000 tables were sold – this was an increase of 85.7% on the total sales in 2006.

Figure 3.1 illustrates the growth in units sold in China during the period 2003 to 2007.

Value of Sales

Sales of automatic mahjong tables in China generated over RMB 7.5 billion (A\$1.6 billion) in 2007. This represented an increase of 42% from sales in 2006. Figure 3.2 illustrates the growth in revenue for the period 2003 to 2007.

Figure 3.1
Unit Sales Automatic Mahjong Tables 2003–2007

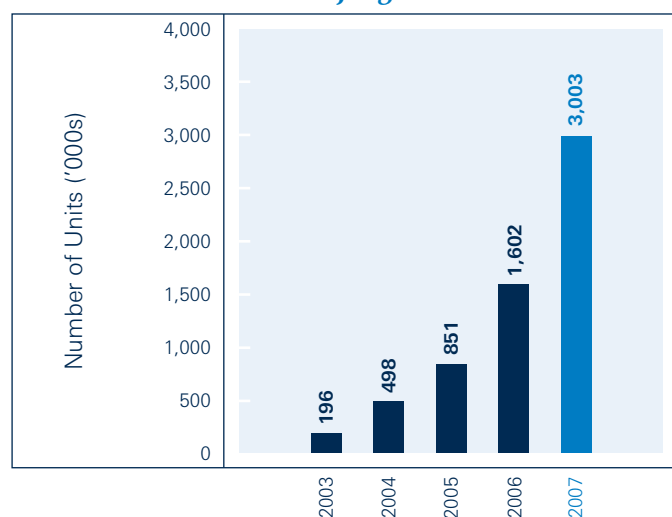
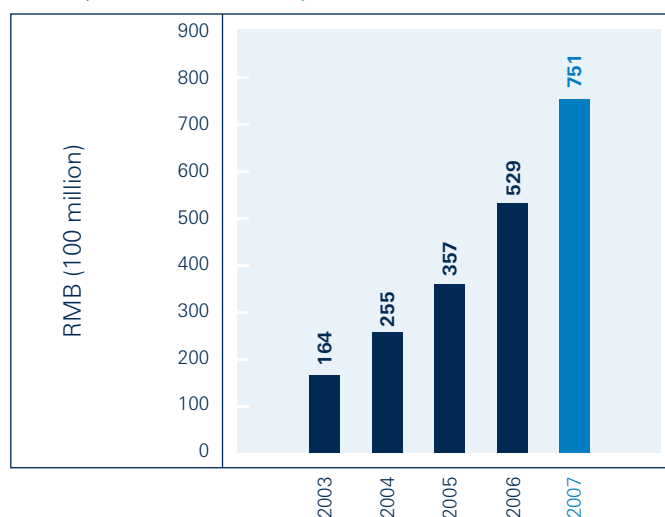


Figure 3.2
Sales (RMB 100 million)



3.2 Products

The market for automatic mahjong tables is commonly defined by three product categories – Low End units, Mid Range units and Premium End units. The following table sets out the retail price range and features of each of these product categories:

Product Category	Price Range	Features
Low End	<RMB 2,000	Used in households and chess rooms, reduced functionality, inferior materials and presentation
Mid Range	RMB 2,000–RMB 2,999	Used by high income households, lower end clubs, additional features and functionality, wood or high quality frames and more reliable than Low End products.
Premium End	>RMB 3,000	Used by high income households and business clubs, full range of functionality, superior design and components, high quality frames including redwood and life span in excess of five years

In 2007, unit sales in China for each of the product categories outlined in the above table were:

Product Category	Unit Sales ('000s)	Percentage of the Total Market
Low End	423	14.1%
Mid Range	2,335	77.8%
Premium End	245	8.1%
Total	3,003	100.0%

Premium end products are categorised by superior quality materials, workmanship and design, producing the level of reliability required by commercial and high use operators such as premium hotels, restaurants, tea houses and community chess and card rooms.

3. Market Overview continued

3.3 Competitors

There are currently over 500 automatic mahjong table manufacturers operating in China. The majority of these are very small scale operators that individually do not have any material impact on the market (see section 3.4). Matsuoka, with its Treyo brand, is the market leader. In 2007 Matsuoka held a total market share of 5.4% based on total unit sales. The following table sets out the market share for the top 10 brands in 2007:

Ranking	Brand (Company)	Unit Sales ('000)	Market Share (by Unit Sales)
1	Treyo (Matsuoka)	161	5.4%
2	Dafeng (Taizhou Dafeng Machinery Co., Ltd.)	89	3.0%
3	Aolong (Shanghai Baique Recreational Co., Ltd.)	84	2.8%
4	Aodong (Jiangsu Danbom Mechanical & Electrical Co., Ltd.)	82	2.7%
5	Quekang (Guangzhou Quekang Recreational Equipment Co., Ltd.)	79	2.6%
6	Dafeng Zhizun (Longzhiteng Mechatronics Appliance Co Ltd)	69	2.3%
7	Zhongyou (Hangzhou Zhongyou Mechanical & Electrical Co., Ltd.)	62	2.1%
8	Songle (Taizhou Songle Co Ltd)	55	1.8%
9	Queda (Shanghai Queda Mechatronics Co Ltd)	40	1.3%
10	Shangdao (Shanghai Qunzheng Co Ltd)	38	1.3%
	Other Branded Enterprise Manufacturers	774	25.7%
	OEM/Informal manufacturers	1,470	49.0%
	Total	3,003	100.0%

Most of Matsuoka's competitors cater for the low end and mid range segments of the automatic mahjong table market. These sections of the market are characterised by low prices and very small margins. In contrast, Matsuoka's market presence is in the more profitable premium end of the market. In 2007, Matsuoka's products represented approximately 65% of the total number of premium products sold.

The following table sets out the market sales volume of the top 10 automatic mahjong table manufacturers by units and by product range in 2007:

Brand	Low End ('000)	Mid Range ('000)	Premium End ('000)	Total ('000)
Treyo	–	–	161	161
Dafeng	13	75	1	89
Aolong	8	75	1	84
Aodong	11	71	–	82
Quekang	11	68	–	79
Dafeng Zhizun	15	54	–	69
Zhongyou	5	54	3	62
Songle	7	46	2	55
Queda	10	30	–	40
Shangdao	6	32	–	38
Others	337	1,830	77	2,244
Total Units	423	2,335	245	3,003

3.4 Segmentation Between Branded Enterprise Manufacturers and OEM/Informal Manufacturers

As indicated above in section 3.3, most of Matsuoka's competitors are very small scale operators that individually do not have a material impact on the market. These smaller competitors can be categorised as OEM (Original Equipment Manufacturers) or Informal Manufacturers who operate from small and family workshops.

Focusing solely on the Branded Enterprise Manufacturers of automatic mahjong machines, Matsuoka has a significantly larger market share, as set out in the following table:

Ranking	Brand (Company)	Unit Sales ('000)	Market Share (by Unit Sales)
1	Treyo (Matsuoka)	161	10.50%
2	Dafeng (Taizhou Dafeng Machinery Co., Ltd.)	89	5.81%
3	Aolong (Shanghai Baique Recreational Co., Ltd.)	84	5.48%
4	Aodong (Jiangsu Danbom Mechanical & Electrical Co., Ltd.)	82	5.35%
5	Quekang (Guangzhou Quekang Recreational Equipment Co., Ltd.)	79	5.15%
6	Dafeng Zhizun (Longzhiteng Mechatronics Appliance Co Ltd)	69	4.50%
7	Zhongyou (Hangzhou Zhongyou Mechanical & Electrical Co., Ltd.)	62	4.04%
8	Songle (Taizhou Songle Co Ltd)	55	3.59%
9	Queda (Shanghai Queda Mechatronics Co Ltd)	40	2.61%
10	Shangdao (Shanghai Qunzheng Co Ltd)	38	2.48%
	Other Branded Enterprise Manufacturers	774	50.49%
	Total	1,533	100.0%

3.5 Customers

By Segmentation

In China buyers of automatic mahjong tables are typically hotels, restaurants, tea houses and community chess and card rooms. In 2007, community chess and card rooms accounted for 38.2% of the total sales of automatic mahjong tables in China.

The following table provides the unit sales and value of sales of each of the four categories of consumers of the automatic mahjong table market in 2007:

Sector	Unit Sales ('000)	Value of Sales (RMB 100 million)
Hotels and Restaurants	452	14.1
Tea Rooms and Cafes	704	18.7
Chess and Card Clubs	1,363	28.7
Individuals	484	13.6
Total	3,003	75.1

3. Market Overview continued

By Region

Automatic mahjong table use is highly concentrated in the regional markets of Eastern China and Southwestern China. In 2007 Southwestern China was the largest regional market for automatic mahjong tables with a market share of 27.3% of total sales closely followed by Eastern China with a market share of 26.0%. Figure 3.3 illustrates the market for automatic mahjong tables by region.

3.6 Market Outlook

The automatic mahjong table industry has expanded dramatically from 196,000 units in 2003 to over 3,000,000 units in 2007. The popularity of mahjong throughout China and amongst ethnic Chinese in other countries indicates strong growth potential.

Regional Growth

In 2007, the regions of Eastern China and Southwestern China accounted for 56.9% of all automatic mahjong table sales in China. In the same period, Northeastern China accounted for only 4.3% of total unit sales and Northwestern China only 6.3% of total unit sales. These figures are relatively low having regard to the high population density in those regions. Matsuoka believes that these regional markets have significant growth potential.

International Growth

Matsuoka also believes that there is significant potential for sales to ethnic Chinese and other communities in international markets such as Turkey, Germany, Hong Kong, Macao, Singapore, Japan and Taiwan, and within casinos internationally.

Consumer Sales Growth

Matsuoka believes that in the immediate future, sales to individual consumers will provide the automatic mahjong table market with the greatest potential for growth.

China's economic transformation has helped to create a large middle class with more disposable income and an appetite for leisure and recreational products. Automatic mahjong tables will increase in importance as Chinese become more affluent. This is expected to be an important factor in the growth of the overall market. Automatic mahjong tables are typically found in hotels, restaurants, tea rooms and community card and chess rooms. Matsuoka expects an increase in demand by individual consumers.

Figure 3.4 illustrates the dramatic increase in sales to individuals over the period 2003 to 2007 and indicates the potential for continued growth:

Figure 3.3
2007 Distribution of Unit Sales (000's) by Region

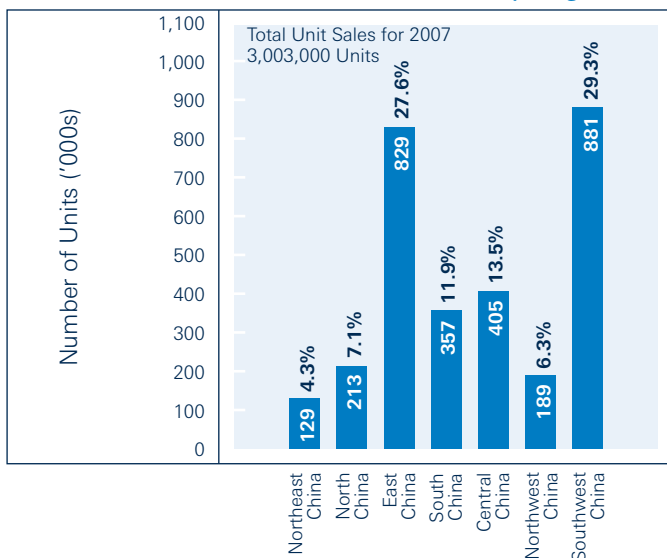
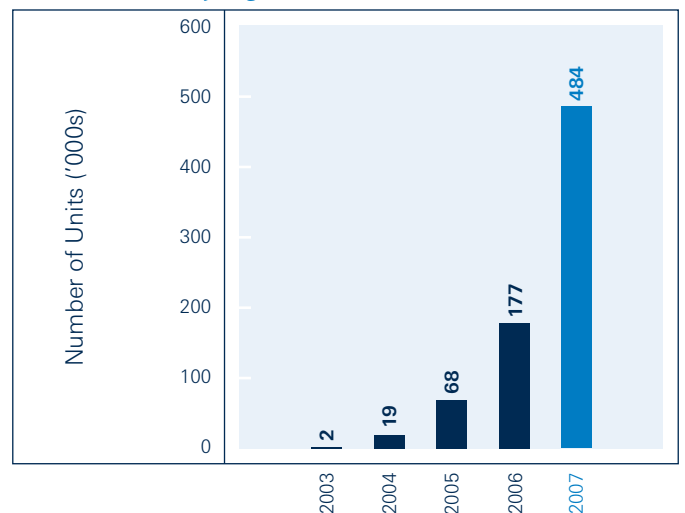


Figure 3.4
Automatic Mahjong Table Sales to Individual



4. Key Personnel



4. Key Personnel

4.1 Directors



Allan Mao (Ling Mao)
– (Zhejiang Academy of Art)
Chairman (executive)

Mr Mao is the Chairman of Treyo and Managing Director of Matsuoka. He is a graduate of the Zhejiang Academy of Art. 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 aged 40 years.



Roger Smeed
– FAICD FAIM JP
Deputy Chairman (independent, non-executive)

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 five Australian companies, where he is involved in strategic acquisitions and the planning and implementation of growth strategy initiatives.

Mr Smeed is a Fellow of both the Australian Institute of Company Directors (FAICD) and the Australian Institute of Management (FAIM).

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 and is aged 60 years.



Guohua Wei
– EMBA (Zhejiang University)
Director (executive)

Mr Wei is the Chairman of Matsuoka. He graduated with an Executive Masters of Business Administration from the School of Business Management, Zhejiang University. Mr Wei currently holds various 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 and is aged 45 years.



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

Mr Chen graduated from Hong Kong Finance and Economics College with an Executive Masters of Business Administration. Since 2006, Mr Chen has held the position of General Manager of Matsuoka. Mr Chen has extensive experience as a General Manager 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 and is aged 46 years.



Jieliang Wang

– EMBA (China Europe International Business School)
Director (independent, non-executive)

Mr Wang graduated with an Executive Masters of Business Administration from the China Europe International Business School. He has vast experience in leadership roles having worked 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 and is aged 40 years.



Kwong Fat Tse

– (Hong Kong Baptist University)
Director (non-executive)

Mr Tse is currently completing an accounting degree at Hong Kong Baptist University. Since 2002, Mr Tse has been the General Manager of Song Gang International Group Co., Ltd.

Mr Tse is a citizen of Hong Kong and is aged 27 years.



Ted (Edward Michael) Byrt

– LLB (Adelaide University)
Director (independent, non-executive)

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 and is aged 59 years.

4. Key Personnel continued

4.2 Company Secretary

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

Ms Dal Santo has held a variety of roles in private industry in the accounting and finance field and is currently a Director of Red Consulting International Pty Ltd, an accounting and taxation support business located in South Melbourne. Ms Dal Santo is an associate of the Institute of Company Secretaries Australia and a member of the Australian Institute of Company Directors. Ms Dal Santo also serves as Company Secretary to an ASX listed pharmaceutical company and a number of small private businesses.

4.3 Senior Management

Zhongliang Zheng – MBA (Xi'an University of Technology)

Finance Director

Mr Zheng graduated with a Masters of Business Administration from the Xi'an University of Technology. He is a Certified Practising Accountant and has worked as a financial manager for Hua Xin (China) Investment Ltd and Nong Fu Spring Ltd.

Mr Zheng has held the position of Finance Manager of Matsuoka since 2005 and became the Company's Finance Director in August 2008.

Mr Zheng is a citizen of China and is aged 39 years.

Bin Hu – Junior College major in Marketing
(Hangzhou Institute of Commerce)

Deputy General Manager

Mr Hu worked as a brand manager for Nongfu Spring Co. Ltd and was responsible for the supervision of a team of 300 employees. Mr Hu's excellent leadership ability ensured that he was able to increase the sales of the team from RMB 13 million to RMB 120 million in three years. Mr Hu has also been employed by Supor Co. Ltd as the manager of the Planning Department and assistant to the company President. During his employment at Supor Co. Ltd, Mr Hu was instrumental in establishing Supor Co. Ltd.'s promotion system and was responsible for building the company's brand image.

Mr Hu held the position of Market Director of Matsuoka in 2007 and became the Company's Deputy General Manager in August 2008.

Mr Hu is a citizen of China and is aged 35 years.

Lixin Wang – Junior College major in Economic Management
(Nanjing University)

Integrated Management Centre Director

Mr Wang worked as the chief personnel officer at Ting Yi International Food Co. Ltd. and the chief administration and human resource centre officer at Hong Xun Electrical Industry Ltd, a subsidiary of Foxconn Enterprise Group. Mr Wang was instrumental in establishing Hong Xun Electrical Industry Ltd's personnel management system and recruitment management process. He is a certified human resource manager and an internal examiner of the ISO 9000/TL9000 and OHSAS 18000 accreditation systems.

Mr Wang has held the position of Assistant General Manager and Human Resources Director of Matsuoka since 2006 and became the Company's Integrated Management Centre Director in August 2008.

Mr Wang is a citizen of China and is aged 38 years.

Lin Pan – Junior College major in Electrical Equipment
(Zhengzhou University of Light Industry)

Operations Center Director

Mr Pan has worked as the Regional Manager of the Customer Service Department, a project engineer, assistant Director of the Process section, head of the Research Institute, Director of the Technology and Quality Department for the Haier Group. Mr Pan also has experience in the information technology industry and is the operations manager for Vertex Group Ltd.

Mr Pan has held the position of General Manager of Research and Development of Matsuoka since 2007 and became the Company's Operations Centre Director in August 2008.

Mr Pan is a citizen of China and is aged 35 years.

4.4 Corporate Governance

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.

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 may prepare a Board Charter for this purpose. The Board has established a Nomination and Remuneration Committee which, among other functions, will evaluate the performance of senior executives.

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:

- one third of the Board retiring and being subject to election at the next Annual General Meeting (**AGM**) of the Company;
- the Directors being initially appointed by the Board are then subject to election by Shareholders at the next AGM of the Company;
- the Board is to be comprised of a majority of independent Directors;
- the Board is at all times to be comprised of at least two independent Australian Directors;
- 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;
- 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 Nomination and Remuneration 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.

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 Nomination and Remuneration Committee.

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 currently establishing a code of conduct to guide the Directors, the Managing Director and other key executives. The Company's share trading policies are set out below.

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 will act as the primary ASX liaison officer and will ensure timely and appropriate access to information for all investors. The Directors are 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 intend to establish a communications strategy 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 AGMs 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.

Principle 7 – Recognise and Manage Risk

The Company's Audit and Risk Committee is establishing policies on risk oversight and management, risk management and internal control systems, including 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.

The Directors intend to establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

4. Key Personnel continued

Principle 8 – Remunerate Fairly and Responsibly

The Board has provided disclosure in relation to the Company's remuneration policies in this Prospectus 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 will be given to investors annually in accordance with ASX Listing Rules and the Corporations Act. The Board has also established a Nomination and Remuneration Committee.

The Board has clearly distinguished the structure of non-executive Directors' remuneration from that of executives, as set out in this Prospectus. However, the Directors are entitled to options as set out in this Prospectus, 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.

Other Relevant Matters

Audit and Risk Committee

The Audit and Risk Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Company's financial statements, financial reporting processes, continuous disclosure, internal accounting control systems, internal audit, external audit, risk management and other matters as the Board may request from time to time.

The Committee may also undertake any other special duties as requested by the Board. The Audit and Risk Committee consists of a majority of independent Directors and an independent Chairman who is not the Chairman of the Board. Given the structure of the Board, it is not appropriate for the Committee to consist of only non-executive Directors. The Board is currently establishing a formal charter for the Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for:

- (a) periodically determining the appropriate mix of experience and expertise required on the Board, assessing the extent to which the Board comprises those skills and reviewing Board succession plans;
- (b) making recommendations to the Board for the appointment and removal of Directors;
- (c) evaluating the Board's performance and the performance of the Directors, including by reference to key performance indicators of the Company; and
- (d) ensuring that Directors and management are remunerated fairly by overseeing the remuneration and human resource policies and practices of the Company.

The Nomination and Remuneration Committee may obtain information from and consult with management and external advisers if it considers appropriate to do so. Board composition will also be reviewed periodically by the Committee either when a vacancy arises or if it is considered the Board would benefit from the services of a new Director given the existing mix of skills and experience of the Board. The Nomination and Remuneration Committee should consider the strategic demands of the Company.

Once it has been agreed that a new Director is to be appointed, a search for new candidates will be undertaken. The services of external consultants may be used for this purpose. Nominations will then be received and reviewed by the Board.

Share Trading

The Company has adopted formal share trading policies under which the Directors, management and other employees as nominated will normally be permitted to trade in securities of the Company throughout the year, except in the following periods:

- (a) the first day of January each year until midday Australian Eastern Standard Time on the business day after the date on which the Company releases its full year financial results; and
- (b) the first day of July each year until midday Australian Eastern Standard Time on the business day after the date on which the Company releases its half year financial results.

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.

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, AGMs, half yearly announcements, ASX announcements and the Company's website.

As noted above, the Company intends to fully implement the following policies and procedures, to the extent required, after listing on ASX:

- (a) statement of Board and management functions;
- (b) policy and procedures for the election and appointment of new Directors;
- (c) code of conduct for the Directors and key executives;
- (d) risk management policy; and
- (e) process for performance evaluation of the Board, Board committees and individual Directors and key executives.

5. Summary of Relevant Chinese Laws and Regulations



5. Summary of Relevant Chinese Laws and Regulations

5.1 Chinese Legal System

The Chinese legal system is based on the Chinese Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents in China.

The National People's Congress China (**NPC**) and the Standing Committee of the NPC are empowered by the China Constitution to exercise the legislative powers of the State including the power to amend the China Constitution and to enact and amend primary laws.

The State Council of China is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of China are also vested with the power to issue orders, directives and regulations.

At the regional level, the provincial and municipal People's Congresses and their standing committees may enact local rules and regulations and the local government may promulgate administrative rules and directives applicable to their own administrative region. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of China or its Ministries and Commissions.

5.2 Judicial System

The People's Courts are the judicial organs of China. The People's Courts comprise the supreme court, local courts, military courts and other special courts. The local courts are divided into three levels, namely, the basic courts, intermediate courts and provincial higher courts.

If any party to a civil action refuses to comply with a judgement or order made by a court or an award made by an arbitration body in China, the aggrieved party may apply to the People's Court to enforce the judgement, order or award.

A party seeking to enforce a judgement or order of a People's Court against a party who or whose property is not within China may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or order. A foreign judgement or ruling may also be recognised and enforced pursuant to China's enforcement procedures set by the People's Courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the People's Court considers that the recognition or enforcement of the judgement or ruling will violate fundamental legal principles of China or its sovereignty, security or social or public interest.

5.3 Arbitration and Enforcement of Arbitral Awards

Under China's Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of China against a party who or whose property is not within China may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by Chinese courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by China.

5.4 Taxation

The applicable tax laws, regulations, notices and decisions related to foreign investment enterprises and their investors (collectively referred to as applicable Foreign Enterprises Tax Law) include the following:

Corporate Income Tax on Foreign-invested Enterprises

Before 1 January 2008, foreign-invested enterprises (including Sino-foreign equity joint ventures, Sino-foreign co-operative joint ventures and wholly foreign owned enterprises established in China) were required to pay a national income tax of 30% and a local income tax of 3% under the applicable Foreign Enterprises Tax Law. However, a foreign-invested enterprise engaged in production operation for not less than 10 years can be exempted from corporate income tax for the first two profit-making years and is entitled to a 50% reduction in the corporate income tax payable for the next three years.

On and from 1 January 2008, the Enterprise Income Tax Law became effective, under which the corporate income tax rate of 25% is applicable to all companies in China irrespective of whether it is a domestic or a foreign-invested enterprise. However, foreign-invested enterprises established before 16 March 2007 are entitled to continue to enjoy corporate income tax benefits until the benefits expire during the five-years transition period pursuant to the Enterprise Income Tax Law.

Based on the above laws and other relevant Chinese taxation laws, regulations and notices, Matsuoka was exempted from paying corporate income tax in the fiscal years of 2006 and 2007. In the fiscal years of 2008, 2009 and 2010, Matsuoka is entitled to continue to enjoy corporate income tax benefits and in those years its applicable corporate income tax rate is 9%, 10% and 11% respectively. From 1 January 2011, the applicable corporate income tax rate for Matsuoka will be 25%.

Losses incurred in a tax year may be carried forward for not more than five years.

Value Added Tax

The Provisional Regulations of the People's Republic of China concerning Value Added Tax provide that Value Added Tax is imposed on goods sold in or imported into China and on processing, repair and replacement services provided within China.

Value Added Tax payable in China is charged on an aggregated basis at a rate of 13%, or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of Value Added Tax included in the price or charges, and less any deductible Value Added Tax already paid by the taxpayer on purchases of goods and services in the same financial year.

Accordingly, the current Value Added Tax rate payable by Matsuoka in China is 17%.

Business Tax

Businesses that provide services (except entertainment businesses), or assign intangible assets or sell immovable property are liable to pay a business tax at a rate ranging from 3% to 5% of the charges for the services provided, intangible assets assigned or immovable property sold, as the case may be.

Tax on Dividends from Chinese Enterprises with Foreign Investment

The profit generated before 1 January 2008 and which is derived by a foreign investor from a Chinese enterprise with foreign investment is exempted from withholding tax in China according to the relevant Chinese laws and regulations.

The profit generated on and after 1 January 2008 and which is derived by a foreign investor from a Chinese enterprise with foreign investment shall be subject to a 10% withholding tax according to the relevant Chinese laws and regulations. However, such withholding tax may be reduced as provided by any applicable double taxation treaty.

Dividends paid by Matsuoka to Treyo International are currently subject to a 5% withholding tax (China/Hong Kong).

Profit Distribution

Chinese laws and regulations permit payment of dividends only out of net profits (after-tax profits) as determined in accordance with China's accounting standards and regulations and such profits differ from profits determined in accordance with Australian accounting standards and regulations in certain significant respects, including the use of different bases or recognition of revenue and expenses.

A foreign-invested enterprise is also required to set aside a portion of its after-tax profits according to relevant Chinese laws and regulations to fund certain reserve funds that are not distributable as cash dividends.

5.5 Land Ownership

Under the Chinese Constitution, the ownership of all urban lands in China is held by the State. Individuals, companies and other entities can, however, acquire for valuable consideration the land use rights (Granted Land Use Rights) for a fixed period of up to 70 years.

The Granted Land Use Rights can be acquired through means of agreement, tendering and auction. The grantees are required to enter into a land use rights grant contract (Land Grant Contract) with the local land administration authorities.

In relation to the ownership of buildings and structures built on the land, a certificate of building ownership will be issued to the land use right holder (Certificate of Building Ownership).

In China the term "real property" refers to the land use rights together with buildings and structures on the land as evidenced by the Land Grant Contract and Certificate of Building Ownership. Subject to the restriction of land ownership and duration of land use, private ownership (by individuals and corporate entities) or real property is allowed in China. Building ownership is generally evidenced by a Certificate of Building Ownership.

Subject to the provisions of the relevant laws and administrative consents, real property can be transferred, leased or charged.

5.6 Environmental Protection Regulations

In accordance with the Environmental Protection Law of China, the PRC Ministry of Environmental Protection (previously known as the Administration Supervisory Department of Environmental Protection of the State Council) sets the national guidelines for the discharge of pollutants. The local governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

6. Financial Information



6.1 Overview

This section contains a summary of the Historical Financial Information, the Pro Forma Historical Financial Information and the Directors' Forecast Financial Information (collectively referred to as the **Financial Information**) in relation to Treyo which the Directors consider relevant to investors.

Investors should note that Treyo's financial year ends on 31 December (NOT 30 June) and is noted in this Prospectus as CY.

The Financial Information comprises the following:

(1) Historical Financial Information

- Consolidated Historical Income Statement for Treyo for CY2007 and 1HCY2008 as set out in section 6.4;
- Consolidated Historical Summary Cash Flow Statement for CY2007 and 1HCY2008 as set out in section 6.10; and
- Reviewed Consolidated Balance Sheet of Treyo as at 30 June 2008 as set out in section 6.15.

(2) Pro Forma Historical Financial Information

- Pro Forma Consolidated Historical Balance Sheet of Treyo as at 30 June 2008 as set out in section 6.15, which assumes the pro forma transactions set out in section 6.17 had occurred on 30 June 2008; and
- Pro Forma Consolidated Historical Statement of Changes in Equity of Treyo as at 30 June 2008 as set out in section 6.16, which assumes the pro forma transactions set out in section 6.17 had occurred on 30 June 2008.

(3) Directors' Forecast Financial Information

- The Directors' Forecast Summary Income Statement for 2HCY2008 and CY2009, collectively referred to as the "Forecast Period", as set out in section 6.4; and
- The Directors' Forecast Cash Flow Statement for the Forecast Period as set out in section 6.10.

The Financial Information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian equivalents to International Financial Reporting Standards (**AIFRS**) and the Corporations Act. In the view of the Directors of Treyo, the omitted disclosures would provide no further relevant information to potential investors.

The Financial Information should be read in conjunction with the risk factors associated with an investment in Treyo set out in section 7, the Independent Accountant's Review of the Historical Financial Information, the Investigating Accountants Review of the Forecast Financial Information and the other information contained in this Prospectus.

Investors should note the scope and limitations of the Investigating Accountant's Review.

6.2 Basis of Preparation of the Financial Information

(1) Historical Financial Information

The Historical Financial Information has been extracted from the financial statements of Treyo as at 30 June 2008 and Matsuoka as at 31 December 2007 which have been reviewed by Grant Thornton South Australian Partnership.

(2) Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been extracted from the financial statements of Treyo International and its controlled entity, Matsuoka, for the six months ended 30 June 2008, on which Grant Thornton South Australian Partnership issued an unqualified audit report. The financial statements of Treyo International and Matsuoka were audited for the purposes of the IPO only. In particular, Grant Thornton South Australian Partnership is not providing an audit report on Matsuoka's financial statements in the context of complying with the relevant accounting, statutory and regulatory requirements in China. The financial statements of Treyo International and its controlled entity for the six months ended 30 June 2008 are presented in Treyo's presentation currency, Australian dollars for the purposes of inclusion of financial information for this Prospectus as opposed to Treyo's functional currency of Chinese yuan renminbi.

6. Financial Information continued

6.3 Basis of Preparation of the Directors' Forecasts

The Directors' Forecasts for the Forecast Period have been prepared by the Directors with due care and attention on the basis of the Directors' forecast best estimate assumptions set out in section 6.6. The Directors consider the best estimate assumptions to be reasonable when viewed as a whole. The Directors' best estimate assumptions are subject to business, market, economic and competitive uncertainties and contingencies, many of which are beyond the control of Treyo and the Directors and are not reliably predictable. The business in which Treyo operates is subject to many external influences, which can materially impact the financial performance of Treyo.

No assurance can be given that business decisions and strategies will be effective or that anticipated benefits will be realised in the period for which the Directors' Forecasts have been prepared or otherwise in particular the changes in future orders and their magnitude may differ from that assumed in the Directors' Forecasts and this may have a material positive or negative effect on Treyo's actual financial performance or financial position.

As shown in the sensitivity analysis in section 6.9, relatively small changes in key variables can have a significant impact on earnings.

Accordingly, none of Treyo, the Directors or any other person guarantee or provides any assurance as to the accuracy or achievement of the Directors' Forecasts or the Directors' best estimate assumptions upon which they are based. The Directors' Forecasts should not be regarded as a representation or warranty that Treyo will achieve or is likely to achieve any particular results. Investors should note that past results do not guarantee future performance.

The Directors' Forecasts should be read in conjunction with the Directors' forecast best estimate assumptions set out in section 6.6, the sensitivity analysis set out in section 6.9, the discussion of the risk factors associated with an investment in Treyo set out in section 7 and other information set out in this Prospectus.

The Directors' Forecasts are presented in an abbreviated form insofar as they do not include all of the disclosures and notes required by AIFRS applicable to annual financial reports and notes prepared in accordance with the Corporations Act.

The Directors' Forecasts are unaudited, but have been reviewed and reported on by Grant Thornton Corporate Finance Pty Ltd, as Investigating Accountant on the Directors' Forecast Financial Information, and a copy of their report is annexed to this Prospectus.

Foreign Currency Translation

In accordance with the requirements of AIFRS, Treyo has adopted the foreign currency translation accounting policy set out in section 6.19 where monetary assets and liabilities of the Company and its subsidiaries are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenue and expenses, except depreciation, are translated at the exchange rates in effect at the date of the transaction. Foreign currency gains and losses are recorded in the income statement as incurred.

For presentation purposes only, the Forecast Financial Information has been translated from Treyo's functional currency, Chinese yuan renminbi (RMB) to Australian Dollars (AUD) to be included in the Prospectus and lodged with ASIC. The Forecast Financial Information which has been converted into AUD includes:

- the Directors' Forecast Income Statement for 2HCY2008 and CY2009 as set out in section 6.4; and
- the Directors' Forecast Cash Flow Statement for 2HCY2008 and CY2009 as set out in section 6.10.

In presenting the Forecast Financial Information in this Prospectus, the following rates have been used:

Period	Type of Rate	RMB/AUD
2HCY2008	Forecast	0.2222
CY2009	Forecast	0.2222

Source: Bloomberg two-year forward rates from 13 October 2008

6.4 Summary of Historical Financial Performance and Directors' Forecast Financial Performance

Set out below is the Historical Financial Information and the Directors' Forecast Financial Information for Treyo.

The basis of preparation of the Historical Financial Information is set out in section 6.2(2). The Historical Financial Information and the Directors' Forecast Financial Information have been prepared under AIFRS and the accounting policies set out in section 6.19.

	Historical ⁽¹⁾ CY2007 (\$'000)	Historical ⁽²⁾ 1HCY2008 (\$'000)	Forecast ⁽³⁾ 2HCY2008 (\$'000)	Forecast ⁽⁴⁾ CY2008 (\$'000)	Forecast ⁽³⁾ CY2009 (\$'000)
Sales revenue	66,170	31,430	46,805	78,235	134,230
Cost of sales	(54,275)	(24,751)	(37,000)	(61,751)	(105,386)
Gross margin	11,895	6,679	9,805	16,484	28,844
Gross margin %	18.0%	21.3%	20.9%	21.1%	21.5%
Other revenue	3,245	649	77	726	667
Overhead expenditure	(8,983)	(3,802)	(5,537)	(9,339)	(16,867)
Share-based payments	–	–	(50)	(50)	(95)
EBIT	6,157	3,526	4,295	7,821	12,549
EBIT margin %	9.3%	11.2%	9.2%	10.0%	9.3%
Net interest expense	(415)	(254)	(338)	(592)	116
Net profit before tax	5,742	3,272	3,957	7,229	12,665
Income tax expense	–	(282)	(421)	(703)	(1,598)
Net profit after tax	5,742	2,990	3,536	6,526	11,067
Basic earnings per share⁽⁵⁾	n/a	n/a	n/a	\$0.02	\$0.03
Fully diluted earnings per share⁽⁵⁾	n/a	n/a	n/a	\$0.02	\$0.03

1. CY2007 represents the audited financial information for the year ended 31 December 2007. CY2007 financial information has been translated into AUD from RMB using an exchange rate of 1RMB = 0.1568 AUD.
2. 1HCY2008 represents the audited financial information for the six months ended 30 June 2008. 1HCY2008 financial information has been translated into AUD from RMB using an exchange rate of 1RMB = 0.1532 AUD.
3. The Directors' Forecast for 2HCY2008 and CY2009 is derived from the Directors' Forecast Financial Information for the Forecast Period. A description of the key assumptions underlying the Directors' Forecasts is set out in section 6.7 and section 6.8. The Directors' Forecast Financial Information presented above has been translated into AUD from RMB using an exchange rate of 1RMB = 0.2222 AUD.
4. CY2008 represents the audited financial information for 1HCY2008 and the Directors' Forecast Financial Information for 2HCY2008.
5. Basic and diluted earnings per share are not shown for historical periods as the earnings and capital structure are not indicative of a publicly traded company. Basic and diluted earnings per share have been calculated on the assumption that the maximum subscription is achieved. Options approved by the Directors for issue during the Forecast Period have exercise prices of \$0.35 to \$0.85 relative to the listing price of \$0.25 and have therefore been excluded as dilutive shares.

6. Financial Information continued

6.5 Management Discussion on CY2007 and 1HCY2008 Financial Performance

The commentary below has been provided in order to give investors an understanding of the Historical Financial Information of Matsuoka set out above. This section should be read in conjunction with the Basis of Preparation of the Financial Information set out in section 6.2.

(1) Sales

Sales revenue during CY2007 and 1HCY2008 was \$66.1 million and \$31.4 million respectively. The product mix has remained relatively consistent throughout these periods, with an additional two mahjong table product lines introduced in 1HCY2008. The geographic sales mix within China has remained consistent during CY2007 and 1HCY2008.

(2) Gross Margin

Gross margin in CY2008 increased by 3.3% from CY2007 due to an increase in sales of mini mahjong tables which attract a higher gross margin than other mahjong products. Sales of non-branded products which attracted lower margins also ceased in CY2007, thereby contributing to the increase in gross margin.

The ongoing sales strategy is to focus on higher quality/higher margin products.

(3) Overhead Expenditure

Overhead expenditure of \$9.0 million for CY2007 represents 13.6% of sales revenue. As a result of significant brand advertising in CY2007 and ceasing of equipment rental arrangements in March 2008, overheads as a percentage of sales are projected to reduce to 11.9% and 12.6% in 2HCY2008 and CY2009 respectively. The overhead cost structure is predominantly variable. Overhead expenditure has not been adjusted for pro forma costs associated with being a listed company which is forecast at \$300,000 per annum.

(4) EBIT

EBIT margin improved in 1HCY2008 to 11.2% from 9.3% in CY2007. The improvement to EBIT is the result of improved gross margins achieved and a reduction in overhead expenditure relative to sales.

(5) Depreciation

Depreciation expense was \$669,585 and \$360,117 in CY2007 and CY2008 respectively.

(6) Taxation

Matsuoka was exempt from corporate income tax for CY2007 and for CY2008 the corporate income tax rate was 9%.

6.6 Directors' Forecast Best Estimate Assumptions

The Directors' Forecasts have been prepared on the basis of the Directors' best estimate assumptions including those set out in sections 6.7 and 6.8, which should be read in conjunction with the sensitivity analysis set out in section 6.9 and the risk factors set out in section 7 of the Prospectus.

As set out in sections 6.7 and 6.8, the Directors' forecast best estimate assumptions are subject to business, market, economic and competitive uncertainties and contingencies, many of which are beyond the control of Treyo and the Directors, and are not reliably predictable. The business in which Treyo operates is subject to many external influences, which may materially impact the financial performance of Treyo.

The Directors' forecast best estimate assumptions as set out in sections 6.7 and 6.8 are intended to assist potential investors in assessing the reasonableness and likelihood of the Directors' Forecasts being achieved, and is not intended to be a representation that those events that have been assumed will occur.

Potential investors should be aware that actual events and outcomes may differ in quantum and timing from those assumed with material consequences both positive and negative impact on Treyo's actual earnings and cash flows. Accordingly, potential investors should be aware of the risks of placing undue reliance on the Directors' best estimate assumptions set out in sections 6.7 and 6.8.

The Directors' forecast best estimate assumptions described below relate to the forecasts prepared by the Directors for the Forecast Period. There is no present intention to publish updates in the future to the Directors' forecast best estimate assumptions or to the Directors' Forecasts.

6.7 General Best Estimate Assumptions

The following general best estimate assumptions have been used to derive the forecasts prepared by the Directors:

- the Offer is fully subscribed, with the gross proceeds of \$25,000,000 received before float costs of \$2.25 million. In the event that the Offer does not meet the minimum subscription, the Company will take the actions detailed in section 1.2;
- the Company issues Shares as disclosed in the Pro Forma Consolidated Statement of Changes in Equity as set out in sections 6.16 and 6.18.8 and there is no further public issue of Shares;
- options issued are not exercised during the Forecast Period;
- domestic and overseas market conditions remain consistent with the details provided in section 3;
- there are no serious shortages of raw materials or changes in business costs which may affect the Group's level of production or profitability;
- there are no material beneficial or adverse effects arising from the actions of competitors (other than in the normal course of business);
- there are no changes in statutory or regulatory requirements in China that have a material adverse effect of the Group's operations or trading;
- there are no changes in related laws and regulations in China which may affect the Group as well as any impact on the social environment of the locality which may have an effect on the Group;
- there are no changes in the current tax legislation in the relevant operating jurisdictions, particularly with respect to corporate and withholding tax rates;
- there are no changes to AIFRS, other mandatory professional reporting requirements, Australian Accounting Interpretations and the Corporations Act, which would have a material effect on the financial results of the Group;
- there is no material amendment to any material agreement regarding the business of Treyo;
- there are no material changes to the prevailing and forward foreign exchange rates as set out in section 6.3, although the impact of such changes is included in the sensitivity analysis set out in section 6.9;
- interest rates do not materially change within the Forecast Period;
- there are no significant events that will affect the general business environment;
- the accounting policies adopted by the Group remain consistent with previous years, as disclosed in section 6.19.
- there is no material litigation that will arise or be realised to the detriment of the Group;
- there are no contingent liabilities that will arise or be realised to the detriment of the Group; and
- there are no material acquisitions other than those described in the specific assumptions set out in section 6.8.

6.8 Specific Best Estimate Assumptions

The following specific best estimate assumptions have been used to derive the Directors' Forecast Income Statement.

(1) Sales

Sales are anticipated to be approximately \$78.2 million and \$134.2 million in CY2008 and CY2009 respectively.

	Historical CY2007	Historical 1HCY2008	Forecast 2HCY2008	Forecast CY2008	Forecast CY2009
Sales revenue (AUD '000)	66,170	31,430	46,805	78,235	134,230
FX rate	0.1568	0.1532	0.2222	N/A ⁽¹⁾	0.2222
Sales revenue (RMB '000)	421,940	205,161	210,621	415,782	604,094
			Committed	95.8%	88.1%
			Non Committed	4.2%	11.9%

1. CY2008 represents a blended rate of 0.1532 during 1HCY2008 and 0.2222 during 2HCY2008.

6. Financial Information continued

The increase in sales (AUD) for the Forecast Period relative to historical periods includes growth through exchange rates used to convert functional currency (RMB) to presentation currency (AUD). AUD1:RMB4.5 has been used to translate the Forecast Period to AUD whilst historical exchange rates have been used to translate CY2007 and 1HCY2008 to AUD.

Sales growth (RMB) in CY2009 of 45.3% is the result of:

- increase in demand from existing distributors for existing products (0.6%);
- increase in demand from existing distributors for evolving mahjong table products (34.9%);
- the introduction of the new poker table in May 2009 (9.7%); and
- the Company's strategies and ability to produce high quality gaming products.

The revenue forecast adopted by the Board of Directors is based on previous trading history with existing customers, existing sales unit commitments and increases in production capacity denominated in RMB.

Sales commitments are in place in CY2008 and CY2009 of 95.8% and 88.1% respectively. However, commitments only specify purchase volume and period of commitment (no sales prices are specified).

Matsuoka has approximately 400 distributors and therefore there is little concentration risk. Whilst these sales commitments are not contractually binding obligations, most of the sales commitments are from Matsuoka's distributors and there are strong incentives for the distributors to comply with them, including volume discounts and the potential loss of sales territories for failure to meet targets. In some cases distributors will also forfeit guarantee deposits if sales targets are not met.

(2) Other Revenue

Other revenue in CY2009 includes operating income of \$333,000 from the establishment of Treyo Club leisure centres, to be established by April 2009 and commence trading by May 2009.

(3) Product Mix

The existing range of automated mahjong products is to evolve to meet customer demands and achieve growth during the Forecast Period. CY2009 is forecast to include 48,000 units of new mahjong products which supersede existing models and 15,000 units of a new automated poker table product.

(4) Gross Margin

Gross margins are forecast to remain consistent with 1HCY2008 during the Forecast Period. The consistency of the gross margin percentage is due to the Directors' best estimate that there will be no major adverse changes in the industry throughout the Forecast Period. The product mix forecast on high price/high margin products during the Forecast Period results in slight improvements on overall gross margin.

(5) Raw Materials

Raw materials have been forecast on the basis of historical raw material cost per product line and multiplied by the number of forecast sales during the Forecast Period. This approach assumes no material changes in raw material costs or gross margins. All major raw materials components are subject to existing supplier agreements.

(6) Production

Production is forecast to include the establishment of two new production lines by April 2009 for the automated poker table. Existing production lines are not compatible with the production of the new product. Production of the new product is forecast to commence in May 2009.

(7) Depreciation and Amortisation

Plant and equipment will continue to be depreciated at rates based on estimated useful life.

(8) Salaries and Wages Expense

Employee numbers are anticipated to increase to 731 and 812 in CY2008 and CY2009 respectively. The increase in employee numbers is the result of the two new production lines in respect of the new poker table product.

(9) Research and Development Expenditure

The Directors have assumed that all research and development expenditure is expensed in the Forecast Period.

(10) Interest

Existing short-term borrowings are assumed to be repaid in the first quarter of CY2009 using the proceeds from the IPO. Interest expenses of \$440,000 and nil have been forecast for 2HCY2008 and CY2009 respectively. Average interest rates are forecast at 7%.

(11) Share-based Payments

The Directors have assumed that a total of 200,000 Ordinary Shares will be issued to Directors in CY2008 and that 1,500,000 share options will be issued to certain Directors and management in CY2009.

(12) Taxation

A tax exemption notice was issued to Matsuoka on 16 April 2007 providing a 50% tax exemption for the 2008 to 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 industry tax ruling was released on 20 March 2008 which increases the existing tax exemption. The tax rate as a result of the industry tax ruling is 9% for CY2008, 10% for CY2009 and 11% for CY2010. These tax rates have been utilised in the Forecast Period.

The Directors have assumed the Australian company tax rate will remain at 30.0% for relevant Australian assessable earnings.

The Group's accounting policy in respect of income tax is set out in section 6.19.

The Directors refer investors to the Taxation Report for general tax guidelines.

(13) Foreign Exchange

The Directors have assumed that there will be no significant fluctuations in the adopted forward AUD/RMB exchange rate. Treyo continues to monitor its exposure to exchange rates and adopts appropriate strategies to mitigate the impact on profitability. The Company's current policy is not to hedge commodity or foreign exchange exposures given its significant Chinese domestic activities which are largely denominated in RMB for both revenues, cost of sales, and other operating costs.

The exchange rate used for the purposes of presenting the Financial Information in AUD for the Forecast Period is 1 RMB = 0.2222 AUD.

Historical financial information has been translated at historical exchange rates applied in audited historical financial statements at the relevant historical rates.

Although the Directors' have forecast that no significant fluctuations in the forward AUD/RMB will be experienced, to ensure potential investors understand the risks and sensitivities associated with fluctuations in the exchange rates, the impact on changes in exchanges rates are included in the sensitivity analysis set out in section 6.9.

The Group's accounting policy in respect of foreign currency translation is set out in section 6.19.

(14) Dividends

The Directors have assumed a dividend of not less than 40% of NPAT in respect of CY2009. Based on current PRC requirements, a 5% withholding tax has been assumed on payment of dividends to Hong Kong, resulting in an income tax expense of \$225,827 in CY2009.

Treyo is not expected to be subject to any Australian tax that will allow it to generate franking credits, and thus it is not envisaged that any dividends paid by Treyo in the immediate future will be franked.

The Directors refer investors to the Taxation Report for general tax guidelines.

6.9 Sensitivity Analysis

Treyo's forecast net profit before tax (NPBT) is sensitive to a number of key variables, as set out below. The sensitivity analysis below has been provided to assist potential investors in their assessment of the forecast performance of Treyo in the Forecast Period. The sensitivity analysis demonstrates how forecast NPBT would change with a variation in certain individual key assumptions.

Care should be taken in interpreting these sensitivities as they consider movements on an isolated basis. In most cases, changes in key assumptions are interdependent. Further, in the normal course of business, management would be expected to respond to any adverse changes in these key variables to minimise the net effect on Treyo's financial performance.

Potential investors should consider this analysis in conjunction with the material risks associated with an investment in Treyo set out in section 7.

Variable	Change (%)	Impact on NPBT 2HCY2008 (\$'000)	Impact on NPBT CY2009 (\$'000)
Non-achievement of forecast revenue	(10)	(961)	(2,719)
Changes in raw material costs	10.0/(10.0)	(3,384)/3,384	(9,760)/9,760
Fluctuation in gross margin	10.0/(10.0)	1,057/(1,057)	1,306/(1,306)
Fluctuation in labour costs	10.0/(10.0)	(263)/263	(655)/655
Fluctuation in shipment costs	10.0/(10.0)	(149)/149	(360)/360
Fluctuation in advertising costs	10.0/(10.0)	(33)/33	(501)/501
Fluctuation in research and development costs	10.0/(10.0)	(38)/38	(156)/156
Exchange rate (AUD/RMB) fluctuation	10.0/(10.0)	(359)/359	(1,107)/1,107
Non achievement of profit by Treyo Club	–	–	(333)

6. Financial Information continued

6.10 Summary of the Historical Cash Flow Statement and Directors' Forecast Cash Flow Statement

Set out below is the Historical and Forecast Cash Flow Statement for Treyo in accordance with the measurement and recognition requirements of AIFRS.

The basis of preparation of the Historical Cash Flow Statement is set out in section 6.2.2.

	Historical ⁽¹⁾ CY2007 (\$'000)	Historical ⁽¹⁾ 1HCY2008 (\$'000)	Forecast ⁽²⁾ 2HCY2008 (\$'000)	Forecast ⁽²⁾ CY2008 (\$'000)	Forecast ⁽²⁾ CY2009 (\$'000)
Cash flows from operating activities					
EBITDA	6,827	3,887	4,866	8,753	13,804
Movement in working capital ⁽³⁾	(8,431)	17,582	(15,771)	1,811	(7,778)
Net interest paid	496	(125)	(338)	(463)	116
Income tax paid	–	(110)	(421)	(531)	(1,598)
Cash flows from operating activities	(1,108)	21,234	(11,664)	9,570	4,544
Cash flows from investing activities					
Payments for investments	–	–	(2,222)	(2,222)	(2,222)
Payments for intangibles	(46)	(9)	–	(9)	–
Proceeds from sale of plant and equipment	22	–	–	–	–
Capital expenditure	(499)	(290)	(155)	(445)	(1,889)
Cash flows from investing activities	(523)	(299)	(2,377)	(2,676)	(4,111)
Cash flows from financing activities					
Net movement in debt	1,422	2,916	–	2,916	(11,111)
Proceeds from the Offer	–	–	25,000	25,000	–
Costs relating to the Offer	–	–	(2,248)	(2,248)	–
Dividends paid	–	(9,192)	–	(9,192)	(5,062)
Cash flows from financing activities	1,422	(6,276)	22,752	16,476	(16,173)
Net (decrease)/increase in cash	(208)	14,659	8,711	23,370	(15,740)
Opening cash at bank	12,085	11,625	26,096	11,625	34,806
Effect of exchange rates on cash holdings	(251)	(188)	–	(188)	–
Closing cash at bank	11,625	26,096	34,807	34,807	19,066

1. The Historical Cash Flow Statements presented above have been translated into AUD from RMB using an exchange rate of 1RMB = 0.1568 AUD and 1RMB = 0.1532 AUD in CY2007 and 1HCY2008 respectively.
2. The Forecast Cash Flow Statement has been prepared in accordance with the Directors' best estimate assumptions detailed in sections 6.7 and 6.8 respectively. The Directors' Forecast Cash Flow Information presented above has been translated into AUD from RMB using an exchange rate of 1RMB = 0.2222 AUD.
3. The movements in working capital reflect the use of trade financing in the form of notes payable as part of working capital cash flow and the intended repayment of these notes in 2HCY2008 and CY2009.

6.11 Management Discussion on Forecast Cash Flows

Matsuoka's principle source of funds during the Forecast Period is expected to be proceeds from the Offer and existing cash at bank. Directors forecast the repayment of short-term bank loans and bank-backed notes payable by March 2009, resulting in operating and financing cash outflows. Notes payable are promissory notes to suppliers that have maturity repayment dates between three and six months. Subsequent to the repayment of the bank loans and notes payable, sufficient cash exists for the commencement of Treyo's investment program as detailed in section 6.14.

Investment cash outflows in 2HCY2008 include the establishment of Treyo Club Hangzhou at a cost of \$2.2 million. CY2009 cash outflows include the establishment of Treyo Club Wuhan at a cost of \$2.2 million.

The Directors have established a dividend policy to pay not less than 40% of CY2009 NPAT, resulting in CY2009 dividends of \$5.1 million.

6.12 Movement in Working Capital

Treyo's working capital consists of receivables, inventory, trade payables and notes payable.

Forecast working capital requirements have been formulated on the basis that trade receivables and trade payables will decrease against sales revenue during the Forecast Period.

Debtors days are forecast to decrease due to non-branded product sales ceasing in CY2007 which attracted extended debtor terms.

Creditors days are forecast to decrease as more favourable raw material pricing through early settlement is intended to be achieved.

The reductions in working capital in the Forecast Period are also due to the repayment of notes payable as described in section 6.11 above by March 2009.

Inventories days are assumed to remain consistent with CY2007.

6.13 Capital Expenditure

The key items of capital expenditure for the Forecast Period are set out below and largely represent capital expenditure requirements of new production lines for the manufacture of automated poker tables.

Set out below is the anticipated capital expenditure for the Forecast Period:

	2HCY2008 (\$'000)	CY2009 (\$'000)
Manufacturing equipment	19	1,667
Buildings and plant	–	222
Transportation equipment	18	–
Office equipment	181	–
	218	1,889

6.14 Investments

The Directors have commenced establishment of the Treyo Club project. Treyo Club refers to the establishment of gaming and leisure clubs in the Hangzhou and Wuhan provinces of China. The Directors have commenced the establishment of a chain of branded clubs in these two provinces. The total project cash outflow is \$2.2 million each for Treyo Club Hangzhou and Treyo Club Wuhan. In total Treyo Club projects are expected to contribute \$0.3 million to CY2009 revenues. Forecast profitability and cash outflows have been determined in accordance with an external consultant feasibility report obtained by the Directors.

The Directors advise that site identification and project initiation procedures have **commenced** and have represented that they are of the opinion that the project will be completed and operations will commence in April 2009 for Hangzhou and in 2010 for Wuhan as planned.

6.15 Pro Forma Consolidated Balance Sheet

Set out below is the Pro Forma Consolidated Balance Sheet of Treyo as at 30 June 2008 in accordance with the measurement and recognition requirements of AIFRS.

The basis of preparation of the Reviewed Balance Sheet is set out in section 6.2(1). The basis of preparation of the Pro Forma Consolidated Balance Sheet is set out in section 6.2(2) and the pro forma adjustments are set out in section 6.17.

	Notes	Reviewed	Reviewed Treyo International June 2008 (\$'000)	Pro Forma Minimum Subscription (\$'000)	Pro Forma Maximum Subscription (\$'000)
Cash and cash equivalents	6.18(1)	1	26,096	44,098	48,848
Trade and other receivables	6.18(2)	–	1,423	1,423	1,423
Inventories	6.18(3)	–	3,309	3,309	3,309
Total current assets		1	30,828	48,830	53,580
Property, plant and equipment	6.18(4)	–	10,138	10,138	10,138
Intangible assets	6.18(5)	–	183	183	183
Total non-current assets		–	10,321	10,321	10,321
Total assets		1	41,149	59,151	63,901
Trade and other payables	6.18(6)	–	18,877	18,877	18,877
Short-term borrowings	6.18(7)	–	7,576	7,576	7,576
Current tax liabilities		–	172	172	172
Total current liabilities		–	26,625	26,625	26,625
Net assets		1	14,524	32,526	37,276
Share capital	6.18(8)	1	11,221	30,305	35,112
Reserves	6.16	–	(684)	(684)	(684)
Retained earnings	6.16	–	3,987	2,905	2,848
Total equity		1	14,524	32,526	37,276

6. Financial Information continued

6.16 Pro Forma Consolidated Statement of Changes in Equity

Set out below is the Pro Forma Consolidated Statement of Changes in Equity of Treyo as at 30 June 2008 in accordance with the measurement and recognition requirements of AIFRS.

The basis of preparation of the Pro Forma Consolidated Statement of Changes in Equity is set out in section 6.2(2) and the pro forma adjustments set out in section 6.17.

	Share Capital (\$'000)	Reserve (\$'000)	Retained Earnings (\$'000)
Balance at 30 June 2008	–	–	–
<i>Pro forma transactions:</i>			
Issue of 259,999,999 fully paid Ordinary Shares to the existing Shareholders of Treyo International Holdings (HK) Limited (refer to section 6.17)	11,221	–	–
Amounts recognised as a consequence of a reverse acquisition transaction (refer to section 6.17(1))	–	(684)	3,987
Fair value of the 200,000 fully paid Ordinary Shares issued to the Australian Directors for services provided (refer to section 6.17)	50	–	(50)
Issue of 80,000,000 New Shares to the public in accordance with this Prospectus (Minimum Subscription)	20,000	–	–
Expenses of the Offer	(1,380)	–	(618)
Deferred tax assets associated with the expenses of the Offer – written off (refer to section 6.17(1))	414	–	(414)
Pro forma balance at 30 June 2008 Minimum Subscription	30,305	(684)	2,905
Issue of an additional 20,000,000 New Shares to the public in accordance with this Prospectus (Maximum Subscription)	5,000	–	–
Additional costs of the Offer	(275)	–	25
Deferred tax assets associated with the additional expenses of the Offer – written off (refer to section 6.17(2))	82	–	(82)
Pro forma balance at 30 June 2008 Maximum Subscription	35,112	(684)	2,848

6.17 Pro Forma Adjustments to the Financial Information

The Pro Forma Consolidated Balance Sheet has been prepared from the Reviewed Balance Sheet as at 30 June 2008, adjusted for the following transactions as if they had taken place on 30 June 2008:

- pursuant to a Share Sale Agreement dated 31 October 2008, the issue of 259,999,999 fully paid Ordinary Shares to the existing Shareholders of Treyo International Holdings (HK) Limited. The fully paid Ordinary Shares have a fair value of \$11.2 million, which represents the purchase consideration for 100% of the share capital of Treyo International Holdings (HK) Limited. The business combination accounting commentary is set out in section 6.17(3); and
- pursuant to a resolution by the Board of Directors on 28 October 2008, the issue of 200,000 fully paid Ordinary Shares, which have a fair value of \$50,000, to the Australian Directors for services provided.

(1) Minimum Subscription

- The issue of 80,000,000 New Shares in the Company at an issue price of \$0.25 per share to raise \$20.0 million; and
- Expenses associated with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be \$2.0 million, of which \$1.4 million has been directly offset against share capital (\$1.0 million net of tax) and \$0.6 million has been recognised through the income statement.

(2) Maximum Subscription

- The issue of an additional 20,000,000 New Shares in the Company at an issue price of \$0.25 per share to raise an additional \$5.0 million; and
- Additional expenses associated with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be \$0.3 million, of which \$0.3 million has been directly offset against share capital (\$0.2 million net of tax) and \$24,510 has been recognised through the income statement.

(3) Business Combination

Pursuant to a Reconstruction Agreement dated 30 October as set out in section 8, Treyo International and its controlled entity have become a wholly owned subsidiary of Treyo.

AASB 3: *Business Combinations* states that “when a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination shall be identified as the acquirer on the basis of the evidence available”. This is commonly referred to as “reverse acquisition accounting”. This differs from the method of acquisition accounting under previous AGAAP, by which the legal entity that acquires the other combining entities (the **Legal Parent**) would always be identified as the acquirer.

Treyo is the Legal Parent, as it will acquire the Shares in Treyo International and its controlled entities. The Board of Directors of Treyo will ultimately direct the financial and operating policies of the Group and Shareholders of Treyo will obtain the benefits of the Group’s activities.

However, as Treyo is a newly formed entity and it is issuing Shares to effect the business combination, the Directors are of the opinion that, in accordance with the requirements of AASB 3, Treyo cannot be identified as the acquirer. Consequently, one of the combining entities that existed before the combination has to be identified as the acquirer.

In the opinion of the Directors, the acquirer is considered to be Matsuoka. This conclusion is based on an assessment of the relative fair values of the various combining entities.

In its financial statements for CY2008, the Group will present Company (Legal Parent) financial information for Treyo and consolidated financial information for Matsuoka and its controlled entities. The controlled entities of Matsuoka are deemed to be all other combining entities of the Group including Treyo.

6.18 Notes to the Pro Forma Consolidated Balance Sheet

	Pro Forma Minimum Subscription (\$'000)	Pro Forma Maximum Subscription (\$'000)
(1) Cash and Cash Equivalents		
Reviewed cash and cash equivalents at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Cash acquired through the acquisition of Treyo International:	26,096	26,096
Proceeds from Shares issued pursuant to the Prospectus	20,000	25,000
Expenses of raising capital under the Prospectus	(1,380)	(1,654)
Expenses associated with listing on ASX	(618)	(594)
Pro forma cash and cash equivalents	44,098	48,848
Deposits pledged with banks	224	224
(2) Trade and Other Receivables		
Reviewed trade and other receivables at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Trade and other receivables acquired through the acquisition of Treyo International:		
Trade receivables	1,380	1,380
Other receivables	43	43
Pro forma trade and other receivables	1,423	1,423
(3) Inventories		
Reviewed inventories at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Inventories acquired through the acquisition of Treyo International:		
Raw materials	2,090	2,090
Work in progress	542	542
Finished goods	677	677
Pro forma inventories	3,309	3,309

6. Financial Information continued

	Pro Forma Minimum Subscription (\$'000)	Pro Forma Maximum Subscription (\$'000)
(4) Property, Plant and Equipment		
Reviewed property, plant and equipment at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Property, plant and equipment acquired through the acquisition of Treyo International at its fair value:		
Buildings	7,917	7,917
Less: accumulated depreciation	(822)	(822)
	7,095	7,095
Plant and equipment	1,993	1,993
Less: accumulated depreciation	(395)	(395)
	1,598	1,598
Motor vehicles	512	512
Less: accumulated depreciation	(158)	(158)
	354	354
Land use rights	1,217	1,217
Less: accumulated depreciation	(126)	(126)
	1,091	1,091
Pro forma property, plant and equipment	10,138	10,138
(5) Intangible Assets		
Reviewed intangible assets at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Intangible assets acquired through the acquisition of Treyo International at its fair value:		
Intangible assets	393	393
Less: accumulated amortisation	(210)	(210)
Pro forma intangible assets	183	183
(6) Trade and Other Payables		
Reviewed trade and other payables at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Trade and other payables acquired through the acquisition Treyo International:		
Trade payables	7,744	7,744
Notes payable	5,356	5,356
Prepayments from customers	2,128	2,128
VAT and other indirect taxes payable	438	438
Sundry payable	3,211	3,211
Pro forma trade and other payables	18,877	18,877
(7) Short-term Borrowings		
Reviewed short-term borrowings at 30 June 2008	–	–
<i>Pro forma transactions:</i>		
Short-term borrowings acquired through the acquisition of Treyo International:		
Short-term bank loans	7,576	7,576
Pro forma short-term borrowings	7,576	7,576

Short-term borrowings consist of numerous short-term bank loans which expire within 12 months and are secured by the Company's buildings and land use rights. The interest rate of the borrowings varies between 5.58% and 6.84% per annum.

(8) Share Capital

	Number of Shares Issued	(\$'000)
Paid up capital		
Reviewed Shares issued at 30 June 2008	2	–
<i>Pro forma transactions:</i>		
Issue of New Shares as consideration for the acquisition of Treyo International	259,999,998	11,221
Fair value of the 200,000 fully paid Ordinary Shares issued to the Australian Directors for services provided	200,000	50
New Shares issued pursuant to this Prospectus (Minimum Subscription)	80,000,000	20,000
Less: capital raising costs (net of tax effect)	–	(966)
Pro forma Minimum Subscription	340,200,000	30,305
Additional New Shares issued pursuant to this Prospectus (Maximum Subscription)	20,000,000	5,000
Less: additional capital raising costs (net of tax effect)	–	(193)
Pro forma Maximum Subscription	360,200,000	35,112

(9) Controlled Entities

The Pro Forma Income Statement and Balance Sheet incorporate the assets, liabilities, results and equity of the following entities in accordance with section 6.17 Pro Forma Adjustments to the Financial Information, section 6.17(3) Business Combination and section 6.19(2) Principles of Consolidation:

Name of entity	Country of Incorporation	Equity Holding
Treyo International Holdings (HK) Limited	Hong Kong	100.0%
Matsuoka Mechatronics (China) Co., Ltd	People's Republic of China	100.0%

(10) Share-based Payments

Since 30 June 2008 Treyo has or will issue the following share-based payments assuming a maximum subscription is received:

- 259,999,999 New Shares to the existing Shareholders of Treyo International, with a fair value of \$11.2 million, as consideration for 100% of the share capital of Treyo International;
- 200,000 fully paid Ordinary Shares, which have a fair value of \$50,000, to the Australian Directors for services provided; and
- the Directors have assumed that 1,500,000 share options will be issued to certain Directors and management in CY2009.

(11) Contingent Liabilities

Matsuoka guaranteed the loan of Zhejiang Songgang Mechatronics Co., Ltd, a related party, to the amount of \$9,230,769 for the period from 4 July 2007 to 4 July 2008.

Matsuoka has entered into a contact with Hangzhou Guoshi Advertising Co., Ltd, a related party, to provide advertising services for a period of two years from 1 January 2008 to 31 December 2009 at a fee of \$55,385 per annum.

(12) Financial Risk Management

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

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

(13) Treasury Risk Management

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

6. Financial Information continued

(14) Financial Risks

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

Currency Risk

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

Credit Risk

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

The Group 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 expected collectibility of all trade and other receivables.

Liquidity Risk

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

Price Risk

The Group is exposed to price risk on the purchase of raw materials.

6.19 Statement of Significant Accounting Policies

Set out below are the significant accounting policies adopted in the presentation of the Financial Information included in this Prospectus. The accounting policies have been consistently applied unless otherwise stated.

(1) Reporting Basis and Conventions

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

(2) Accounting Policies

New Accounting Standards and Interpretations

Certain new accounting standards and Australian Accounting Interpretations have been published that are not mandatory for current reporting periods. Treyo's assessment of the impact of these new standards and interpretations is that there would be no material impact on the reported Financial Information contained in the Prospectus.

Principles of Consolidation

Treyo and its controlled entities are together referred to in this financial information as the Group.

Controlled entities are all those entities over which Treyo has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

Incorporation

The Company was incorporated on 23 May 2008.

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the **functional currency**). The consolidated financial statements are presented in Australian dollars, which is Treyo's presentation currency.

Transactions 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.

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

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

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

- *sale of goods*: on delivery of the goods to the customer; and
- *interest*: on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of Chinese Value Added Tax (**VAT**).

6. Financial Information continued

Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Reverse acquisitions, where the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (i.e. the acquiree for accounting purposes), are accounted for using AASB 3: *Business Combinations*. The method calculates the fair value of the instruments issued by the legal parent on the basis of the fair value of existing instruments in the legal subsidiary.

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 goodwill and intangible assets with indefinite lives.

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

Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Share Capital

Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of New Shares and options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of New Shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Chinese VAT

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Asset Class	Useful Life
Buildings	20 years
Land use Rights	50 years
Plant & Machinery	10 years
Motor Vehicles	5 years
Office Equipment	5 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect to those assets to retained earnings.

Financial Instruments***Recognition***

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

Loans and Receivables

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

Financial Liabilities

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

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.

Intangibles

Trade marks and acquired patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives, which vary from 5 to 10 years

6. Financial Information continued

Equity-settled Compensation

The Group operates an equity-settled share-based payment employee share and option scheme. 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 any equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a 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.

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current financial 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.

7. Risk Factors



7. Risk Factors

There are a number of risk factors which could adversely impact on Treyo's performance and the value of its Shares. Applicants should consider these risk factors and should consult their stockbroker, accountant, lawyer or other professional adviser before deciding whether to subscribe for New Shares under the Offer. These risk factors include those set out below and the financial risks set out in section 6.18(14) above.

7.1 General Risk Factors

Share Price Variations – The Shares are to be quoted on ASX, where their price may rise or fall in relation to the offer price. The Shares offered under this prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors. Share market fluctuations in Australia and other stock markets around the world may negatively affect the value of the Shares. Factors that may influence the investment climate in stocks, which may not relate to actual performance of the Company, include general economic outlook, changes in government fiscal, monetary and regulatory policies, movements in commodity prices, exchange rate movements, interest rates, inflation and political developments.

Economic Conditions – The performance of Treyo may be significantly affected by changes in economic conditions, and particularly conditions which affect the leisure and entertainment industry. Profitability of the business may be affected by factors such as market conditions, interest rates, inflation and consumer demand.

Geo-political Factors – Treyo may be affected by the impact that geo-political factors have on the various world economies or the Australian or Chinese economies or on the financial markets and investments generally or specifically.

Australian and Foreign Government Policies and Legislation – Treyo may be affected by changes to government policies and legislation (both in Australia and in foreign jurisdictions including, but not limited to, the People's Republic of China) concerning property, the environment, superannuation, taxation and the regulation of trade practices and competition, government grants and incentive schemes.

Other – Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise) or any other cause, including strikes, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of Treyo.

7.2 Specific Risks

In addition to the above, there are a number of specific risks concerning Treyo, by virtue of its ownership of Matsuoka, that Applicants should be aware of. The following is not an exhaustive summary but points to some of the risks that are specific to Matsuoka. Any one or a combination of such risks could affect Matsuoka adversely and thus the value of any investment in Treyo.

Like other companies at a similar stage of development, Matsuoka faces a number of risks, both general and project specific, including but not limited to the risks set out below:

Intellectual Property – Matsuoka is continuing to develop its technology and products in a relatively new industry. There is no guarantee that Matsuoka will be able to rely on its technology, including its patents, to successfully develop, manufacture and market its products. Matsuoka's ability to protect its intellectual property is important for it to compete successfully and achieve future growth in sales. Matsuoka's trade mark is recognised by its customers in China. However, Matsuoka is yet to register the trade mark in any other countries (except Singapore and Australia) where future customers may be based. In addition, there may be third party infringements of its trade mark. Matsuoka may have to commence legal proceedings against third parties who infringe its rights to enforce its intellectual property rights. Such intellectual property litigation is expensive, time consuming and may disrupt and divert valuable resources from the conduct of Matsuoka's business. Further, Matsuoka may not be successful in its infringement claims which will lead to a waste of financial resources. Matsuoka is currently not aware of any material violation or infringement of any intellectual property rights held by third parties. Nevertheless, there can be no assurance that Matsuoka will not inadvertently infringe the intellectual property rights of others in its development of new designs, logos and methods. Similarly no assurance can be given that third parties will not assert infringement claims against Matsuoka. Such claims, even if untrue or baseless, could result in significant legal and other costs and may be a distraction to its management. Adverse determinations in such litigation could result in loss of proprietary rights or subject Matsuoka to significant liabilities. As a result, Matsuoka's financial and operating results may be adversely affected.

Component Risk – the risk that critical components supplied by third parties do not perform to the quality standards required.

Product Quality and Reliability – The quality and reliability of Matsuoka's products is critical to its reputation and ability to maintain market dominance. There can be no assurance that a product liability or other claim would not materially and adversely affect the business or financial condition of Matsuoka.

Regulatory Approvals – All regulatory approvals for the continual operation of Matsuoka's business in China have been obtained and Matsuoka is not aware of any circumstances which might give rise to the cancellation or suspension of any of those approvals. If any of those approvals are cancelled or suspended, Matsuoka's business may be adversely affected.

Increasing Working Capital – Matsuoka requires working capital in order to implement its business plan and expand its manufacturing capacity. While Matsuoka has generated revenues to date, there can be no assurance that Matsuoka's operations will continue to be profitable.

Managing Growth – The Directors anticipate significant growth within Matsuoka which may place strain on its managerial, operational and financial resources. To manage its potential growth, Matsuoka will implement and improve its operational and financial systems. No assurance can be given as to Matsuoka's ability to manage future growth.

Competition – Matsuoka faces competition in the highly competitive automatic mahjong machine industry in China. There is no assurance that Matsuoka will be able to compete effectively with existing and new competitors in the future. Increased competition in the industry may reduce Matsuoka's sales, selling prices and profit margins and may adversely affect its operating results. Matsuoka will need to sustain and develop its intellectual property and quality control to ensure it maintains its competitive edge in the market. In addition, there is a risk that a competitor's product may be more cost effective than Matsuoka's products. There is also the risk that a competitor could develop and market new products in a way that creates extensive competition for Matsuoka. This may result in an increase in Matsuoka's research and development costs, adversely affect its sales, decrease its current revenues and adversely affect the value of its own research projects. These adverse effects could impact on the profitability of Matsuoka.

Reliance on Key Executives – The success of Matsuoka is dependent upon a number of highly qualified and experienced personnel. The loss of any of these personnel could materially and adversely affect the Company and impede on the achievement of its business goals. Due to the specialised nature of Matsuoka's business, its ability to achieve its business goals partly relies on its ability to attract and retain suitably qualified personnel. There can be no assurance that Matsuoka will be able to retain its key personnel or find suitable replacements if required. The failure to retain key personnel and attract highly qualified personnel could materially affect Matsuoka's financial position.

Country Risk – Matsuoka's manufacturing facility is located in China. Accordingly, the Company's operations will be subject to:

- the risk of political and economic instability in China;
- the possible imposition of restrictive trade regulations and tariffs, including restrictions concerning its Chinese customers;
- reduced protection for intellectual property rights under Chinese law;
- the risk of foreign exchange currency fluctuations; and
- unexpected changes in regulatory requirements (such as those relating to taxation, import and export tariffs, environmental obligations and other matters).

Contract Risk – Matsuoka is a party to various agreements relating to its products or their manufacture, including supply contracts and distribution agreements, which are important to the future of its business. Any failure by a party to perform its obligations under, or the termination of any of, the material agreements might have an adverse affect on Matsuoka. There can be no assurance that Matsuoka would be successful in enforcing its contractual rights. Refer to section 8 of this Prospectus for details on the material agreements.

Foreign Currency Risks – Matsuoka's costs and expenses are denominated in RMB. Accordingly, the depreciation and/or the appreciation of the RMB relative to Australian currency would result in a translation loss on consolidation which is taken directly to shareholder equity. In addition, the reporting currency of Matsuoka's financial reports is denominated in Australian currency. Any depreciation of the RMB relative to Australian currency may result in lower than anticipated revenue, profit and earnings.

Tax Risk – Treyo is subject to the tax regimes of China and Australia. Changes in the tax laws and regulations or their interpretation or applications could adversely affect the tax liabilities of Matsuoka. There is also no assurance that current concessions, incentives or exemptions available to Matsuoka will be renewed upon their expiry date.

Uninsured Risks – While Matsuoka carries standard insurance, it may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If Matsuoka incurs uninsured losses or liabilities, the value of Matsuoka's assets may be at risk.

Expiration of Tax Incentives – There is no assurance that the existing Chinese income tax law and its application or interpretation will remain in effect or will not be subject to change. Accordingly, Matsuoka may be required to pay the higher income tax rate generally applicable to Chinese companies. To the extent that there are any such changes, Matsuoka's financial results may be adversely affected.

7. Risk Factors continued

Outbreak of Communicable Diseases Such as Avian

Influenza – The outbreak of avian influenza in China or elsewhere may result in a deterioration of the economic conditions of the countries infected. In addition, Matsuoka's employees or those of its suppliers or customers may be infected with the disease. This may result in Matsuoka, its suppliers or its customers being required by health authorities to temporarily shut down affected offices or operations and quarantine the relevant employees to prevent the spread of the disease. This may have an adverse impact on the operations of Matsuoka's business.

Environmental Risk – Matsuoka intends to conduct its activities in an environmentally responsible manner, in accordance with all applicable Chinese laws and environmental protection regulations, and at a level that represents sound environmental management. Matsuoka may incur liabilities for damages, clean-up costs or penalties in the event of unintended discharges into the environment from the construction or operation of its production facilities. Any such liability may adversely affect Matsuoka's financial performance.

Litigation Risk – From time to time, Matsuoka may be involved in litigation. This litigation may include, but is not limited to, contractual claims, personal injury claims, employee claims, product liability and environmental claims. If a claim is pursued against Matsuoka, the litigation may adversely impact on the sales, profits or financial performance of Matsuoka. Any claim, whether successful or not, may adversely impact on Matsuoka's share price.

Concentration of Shareholding – Following completion of the Offer, Legheny Group Ltd., Balatina Group Ltd., Matoury Overseas CORP., Laury Commercial INC. and Yerigton Assets INC. will hold approximately 72.22% of the Shares and the voting rights in Treyo between them (based on full subscription of the Offer). The exercise of these companies' votes will give them the ability to exercise a controlling influence over Treyo and hence the business and affairs of Matsuoka. They may also, subject to the provisions of the Corporations Act, have the power to prevent or cause a change in control of Treyo.

8. Material Contracts



8. Material Contracts

There are various contracts entered into by Treyo which may be material to the Offer. The Directors of Treyo consider the material contracts summarised below as significant or material to the Offer and the operation of Treyo.

8.1 Restructure Agreement

Under an agreement dated 31 October 2008 between Legheny Group Ltd., Laury Commercial INC., Yerigton Assets INC., Matoury Overseas CORP. and Balatina Group Ltd. (together the **Sellers**) and the Company, the Sellers sold their Shares in Treyo International (**Treyo HK Shares**) to the Company. The transfer of the Treyo HK Shares resulted in Matsuoka becoming a wholly owned subsidiary of the Company.

The consideration for the purchase of the Treyo HK Shares was the issue of 259,999,998 Shares in the Company. Each Seller was issued the number of Shares in the Company that represents the proportional percentage of Shares held by it in Treyo International.

8.2 Loan Agreement

Matsuoka has entered into a loan agreement with the Bank of China (Xiaoshan Branch) for working capital. The key details of this loan are as follows:

Amount	Term of the Loan	Interest Rate
RMB 30,000,000	29 April 2008 to 28 April 2009	7.47% per annum, fixed rate

The performance of Matsuoka's obligations under the loan agreement is secured by a mortgage over Matsuoka's premise located at 122 GAOXIN 10th Road, South Area, Xiaoshan Economical and Technological Development Zone, Zhejiang Province, People's Republic of China.

8.3 Land Use Rights

On 23 February 2003, Matsuoka entered into a land use right contract with Hangzhou Xiaoshan State Land Resource Administration Bureau (**SXLRAB**) in relation to the land upon which its production facilities are located. Under that contract, SXLRAB agreed to grant to Matsuoka the land use right of 53,355m² located at GAOXIN 10th Road, South Area, Xiaoshan Economical and Technological Development Zone, Zhejiang Province, People's Republic of China. The land must be used for industrial buildings or construction. The total purchase price was RMB 8,003,250 and the tenure of the land use right is 50 years.

9. Additional Information



9. Additional Information

9.1 Rights Attaching to New Shares

The New Shares will rank equally with and have the same rights and liabilities as existing Shareholders of Treyo.

The rights and liabilities attaching to Treyo's Shares are set out in the Constitution of Treyo and are affected by the Corporations Act, statute and general law. The following is a summary of key rules in the Constitution.

(1) Voting

Subject to any restriction agreement entered into between Treyo and a Shareholder, every Shareholder present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a show of hands and one vote on a poll for every Share held. A poll may be demanded by the chairman of the meeting, five Shareholders entitled to vote on the resolution or Shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll, or who together hold voting Shares paid up to a value of not less than 5% of the total sum paid up on all voting Shares.

(2) General Meetings

Each Shareholder is entitled to receive notice of and to attend general meetings of Treyo and to receive all notices, accounts and other documents required to be sent to Shareholders of Treyo under the Constitution or the Corporations Act.

(3) Dividends

Where dividends are payable out of Treyo's profits they will be declared by the Board or Treyo in general meeting provided the Board has recommended a dividend and the dividend is not a greater amount than that recommended. Dividends declared will (subject to any special rights or restrictions attaching to a class of Shares created under any arrangement as to dividend) be payable on Treyo's Shares in accordance with the Corporations Act.

(4) Transfer of Treyo Shares

A Shareholder may transfer Shares by instrument in writing or any other form approved by the ASTC Settlement Rules or the Board. The Board may refuse to register a transfer of Shares where the refusal to register the transfer is permitted under the Constitution.

(5) Issue of Shares

The Board may (subject to the restrictions on the issue of Shares imposed by the Constitution or the Corporations Act) issue, grant options in respect of, or otherwise dispose of further Shares as they see fit.

(6) Winding Up

Subject to any special or preferential rights attaching to any class or classes of Shares, on a winding up of Treyo a liquidator may divide among the Shareholders in kind the whole or any part of the property of Treyo in proportion to the Shares held by them respectively. The liquidator may for that purpose set the value he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator may vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is liability.

(7) Directors

The minimum number of Directors of Treyo is three and the maximum is nine unless Treyo in general meeting determines otherwise (provided the number does not fall below three).

A share qualification for Directors may be fixed by Treyo in general meeting. Unless and until such a qualification is fixed, a Director is not required to hold any Shares in Treyo.

(8) Directors' Indemnity

To the extent permitted by law and without limiting the powers of Treyo, it may indemnify each person who is or has been a Director or officer of Treyo out of the property of Treyo for every liability incurred by the person in that capacity.

9.2 Dividend Reinvestment Plan

Treyo has established a dividend reinvestment plan (**Plan**), which is intended to apply to all future dividends, and will commence as determined by the Board. All holders of Ordinary Shares will be eligible to participate in the Plan. Participation in the Plan will be optional.

Shares issued under the Plan will be fully paid Ordinary Shares, will rank equally in all respects with existing Shares and will be able to be sold at any time. Shares issued under the Plan may also be issued at a discount from market price, with the amount of the discount to be determined by the Directors (at their absolute discretion).

Shareholders will be able to access the full terms and conditions of the Plan in due course at www.treyo.com.au and will be given the opportunity to participate in the Plan once the Plan commences.

9.3 Deeds of Access and Indemnity

Treyo has executed Deeds of Access and Indemnity in favour of each Director. The indemnity is subject to the restrictions prescribed in the Corporations Act. The Deeds also give each Director a right of access to Board papers and permit Treyo to maintain insurance cover for the Directors. Such insurance is in place.

9.4 Holdings of Directors

At the date of this Prospectus, the relevant interests held by each of the current Directors (including companies and trusts associated with the Directors) in Treyo are as follows:

Director	Number of Shares	Nature of Interest
Allan Mao (Ling Mao)	7,800,000	Laury Commercial INC.
Guohua Wei	179,400,000	Matoury Overseas CORP
Kwong Fat Tse	48,100,000	Balatina Group Ltd
Weiyun Chen	7,800,000	Yerigton Assets INC.
Jieliang Wang	NIL	N/A
Roger Smeed	100,000	Roger Smeed and Associates Pty Ltd ATF RF Investment Trust
Edward Byrt	100,000	Stroud Nominees Pty Ltd ATF Byrt Super Fund

Note: Prior to completion of the Restructure Agreement on 31 October 2008, Kwong Fat Tse and Kin Yip Tse (not a director of Treyo) had non-beneficial interests in 10% and 90% respectively of Matsuoka. Their interests are now 13.36% and 4.69% respectively but will be further diluted by shares issued under this Prospectus.

Nothing in this Prospectus will be taken to preclude Directors, officers, employees or advisers of Treyo from applying for Shares on the same terms and conditions as offered pursuant to this Prospectus.

The following Shareholders have entered into Voluntary Escrow Deeds with the Company whereby they have agreed to not sell their Shares for the periods set out in the table below:

Holder	Escrowed Securities	Escrowed Period
Legheny Group LTD.	16,900,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months
Laury Commercial INC.	7,800,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months
Yerigton Assets INC.	7,800,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months
Matoury Overseas CORP.	179,400,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months
Balatina Group LTD.	48,100,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months
Roger Smeed and Associates Pty Ltd	100,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months
Stroud Nominees Pty Ltd	100,000	25% released after 6 months, 25% released after 12 months and the remaining 50% released after 18 months

The Company has applied for relief from ASIC in relation to this arrangement which would otherwise potentially contravene section 606 of the Corporations Act.

9. Additional Information continued

9.5 Remuneration of Directors

The Constitution provides that the Directors' remuneration must not exceed the maximum aggregate sum determined by Treyo in general meeting. At present that sum is fixed at a maximum of \$300,000, in aggregate, per annum. This maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting.

(1) Payment of Expenses

In addition to remuneration, Directors are entitled to receive travelling and other expenses reimbursement that they properly incur in attending Directors' meetings, attending any general meetings of Treyo or in connection with Treyo's business.

(2) Payment for Extra Services

Any Director called upon to perform extra services or undertake any executive or other work for Treyo beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Directors. This may be in addition to or in substitution for the Director's share in the usual remuneration provided.

(3) Effect of Cessation of Office

With the approval of Treyo in general meeting the Directors may, upon a Director ceasing to hold office or at any time after a Director ceases to hold office whether by retirement or otherwise, pay to the former Director or any of the legal personal representatives or dependents of the former Director in the case of death a lump sum in respect of past services of the Director of an amount not exceeding the amount permitted by either the Corporations Act or ASX Listing Rules.

Treyo may contract with any Director to secure payment of the lump sum to the Director, his or her legal personal representatives or dependants or any of them, unless prohibited by the Corporations Act or ASX Listing Rules.

(4) Payment of Superannuation Contributions

Treyo may also pay the Directors' superannuation contributions of an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

(5) Financial Benefit

A Director must ensure that the requirements of the Corporations Act are complied with in relation to any financial benefit given by Treyo to the Director or to any other related party of the Director.

Treyo must not make loans to Directors or provide guarantees or security for obligations undertaken by Directors except as may be permitted by the Corporations Act.

Upon admission to the Official List, two of the non-executive Directors will be paid remuneration as follows.

Director	Per Annum
Roger Smeed	\$50,000
Edward Byrt	\$50,000

The other non-executive Directors will not be paid any remuneration. Executive Directors will receive their normal remuneration as employees of Matsuoka.

9.6 Director and Executive Option Plan

The Company has established a Director and Senior Executive Option Plan to encourage Directors and senior executives to share in the ownership of Treyo in order to promote the long-term success of the Company.

Under the Plan, the Board may offer Directors and senior executives of the Company or its Related Bodies Corporate options which may be exercised for New Shares. The Board has a discretion to set the issue price, exercise price and other conditions applying to the options. These terms and conditions will be set with a view to both providing a long-term incentive to Directors and senior executives and aligning the financial interests of the Directors and senior executives with Shareholders for the benefit of the Company.

If there is a reorganisation of capital in the Company or a bonus issue to 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 ASX Listing Rules. These provisions are designed to preserve the participants' proportionate entitlement to Shares on the exercise of options.

The number of Shares which are the 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 document within the meaning of section 708 of the Corporations Act), will not exceed 5% of the total number of Shares on issue at the time of the offer of the 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 as at the date of this Prospectus. However, 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 continuing to be employees of the Company for two, three and four years respectively. The exercise prices for the options are 35 cents, 50 cents and 65 cents. Options expire if not exercised by the date that occurs five years after the IPO (which for these purposes is the day on which Shares in the company are first listed for quotation on ASX). Other relevant terms are as follows:

- (1) each option confers the right to acquire one fully paid Ordinary Share in the capital of Treyo and may be exercised at a price of \$0.35, \$0.50 or \$0.65 (as above);
- (2) options may not be exercised unless:
 - (a) performance targets set with the participant are achieved; and
 - (b) the Company itself achieves defined performance targets;
- (3) options may be exercised at any time after two years, three years or four years from the date of Listing to the date of expiry;
- (4) options expire upon the earlier of:
 - (a) a date being the day of the fifth anniversary from the date of Listing, by 5.00 pm AEDT; or
 - (b) a date, being the date of termination of the service agreement with the relevant Director or senior executive; and
- (5) options will not be listed on ASX.

The participation of the Directors in the Director and Senior Executive Option Plan will be as follows:

Name of Participant	Position	Number Year 2	Number Year 3	Number Year 4	Number Total	Vesting Conditions
Allan Mao	Chairman and Managing Director	150,000	150,000	150,000	450,000	Company meets projected earnings for CY2009
Guohua Wei	Non-executive Director	150,000	150,000	150,000	450,000	Company meets projected earnings for CY2009
Wei Yun Chen	Director	100,000	100,000	100,000	300,000	Company meets projected earnings for CY2009
Zhongliang Zheng	Finance Director	50,000	50,000	50,000	150,000	Monitoring the Company's financial activities and producing financial reports to a satisfactory standard set by the Board
Bin Hu	Deputy General Manager	50,000	50,000	50,000	150,000	Increase in sales revenue by 30%, 45% and 60% from CY2008 in year 2, year 3 and year 4 respectively
Total					1,500,000	

9. Additional Information continued

9.7 Interest of Directors

Other than as set out above, or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (1) the promotion or formation of Treyo;
- (2) property acquired or proposed to be acquired in connection with its promotion or formation or the Offer under this Prospectus; or
- (3) the Offer of Shares under this Prospectus.

Except as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- (1) to induce him or her to become, or to qualify him or her as, a Director; or
- (2) for services rendered by him or her in connection with the formation or promotion of Treyo of the Offer of Shares under this Prospectus.

9.8 Interest of Experts and Advisors

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- has any interest, or has had any interest during the last two years, in the formation or promotion of Treyo, or in property acquired or proposed to be acquired by Treyo in connection with its formation or promotion, or the Offer; and
- no amount has been paid, or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of Treyo or the Offer.

Deacons has acted as Australian legal advisers to Treyo in connection with the Offer and is entitled to receive approximately \$230,000 (exclusive of GST) for these services.

Grant Thornton Corporate Finance Pty Ltd and Grant Thornton South Australian Partnership have acted as the investigating accountant to Treyo in connection with the Offer and have prepared the Investigating Accountant's Review. They are entitled to receive approximately \$110,000 (exclusive of GST) for these services.

Grant Thornton Australia Ltd has provided tax advice to the Company with respect to the prospectus and is entitled to receive \$18,000.

Grant Thornton South Australian Partnership is also the auditor of the Company and has been paid fees with respect to these services.

Apart from the above Grant Thornton has not provided any other professional services to Treyo during the previous two years.

Pitt Capital Partners Limited has acted as the corporate advisor and lead manager of the Offer. Pitt Capital Partners Limited is entitled to receive:

- an advisory fee of \$7,500 (+GST) per month payable from May 2008; and
- subject to commissions to be paid by it, a management fee of not less than 1% but not more than 6% (exclusive of GST) of the total amount raised by Treyo from subscriptions for Shares.

Zhong Hui Dao Ming Investment Management Co., Ltd has acted as Chinese financial advisor in connection with the Offer. It is entitled to receive approximately \$290,000 for its advisory services.

9.9 Privacy

Treyo collects information about each Applicant provided on the Application Form for the purpose of processing applications for New Shares and to administer the Applicant's security holding in Treyo.

By submitting an Application Form, each Applicant agrees that Treyo may use the information provided on those forms for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Registry, Related Bodies Corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to other regulatory authorities.

The Corporations Act requires Treyo to include information about security holders (including name, address and details of the securities held) in its public register. The information contained in Treyo's public registers must remain there even if a person ceases to be a security holder of Treyo. Information contained in Treyo's register is also used to facilitate distribution payments and corporate communications (including Treyo's financial results, annual reports and other information that Treyo may wish to communicate to its security holders) and compliance by Treyo with legal and regulatory requirements.

If the information required on an Application Form is not provided, Treyo may not be able to accept or process the application.

An Applicant has a right to gain access to the information that Treyo holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Treyo Secretary at Treyo's registered office.

9.10 Governing Law

This Prospectus and the contracts that arise from the acceptance of applications under this Prospectus are governed by the law applicable in the State of Victoria, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

9.11 Consents and Disclaimers

The following persons have given and not withdrawn their consents to be named in this Prospectus in the form and context in which they are named:

- (1) Deacons (Australian legal advisers to Treyo in relation to the Offer);
- (2) Pitt Capital Partners Limited (corporate advisers and lead manager of the Offer);
- (3) Computershare Investor Services Pty Limited;
- (4) Grant Thornton South Australian Partnership, Grant Thornton Corporate Finance Pty Ltd and Grant Thornton Australia Ltd (accountants and tax advisers in relation to the Offer);
- (5) Zhejiang T&C Law Firm (Chinese legal advisers to Treyo in relation to the Offer); and
- (6) Zhong Hui Dao Ming Investment Management Co., Ltd (Chinese corporate advisers of the Offer).

9.12 Directors' Consent

This Prospectus is signed on 14 November 2008 by Roger Smeed on behalf of the Directors, each of whom has consented to the signature, lodgement and issue of this Prospectus and none of whom have withdrawn that consent before lodgement.



Roger Smeed
Director

10. Definitions



Terms and abbreviations used in this Prospectus have the following meaning:

1HCY2008	Six months ended 30 June 2008
2HCY2008	Six months ended 31 December 2008
A\$ and \$	Australian dollars (and references to cents are to Australian cents) unless otherwise indicated
AEDT	Australia Eastern Daylight Time
Applicant	A person to whom an Offer is made under this Prospectus and who applies for New Shares under the Offer
Application	A valid application by way of an Application Form made to subscribe for a specified number of New Shares under the Offer
Application Form	The application form accompanying this Prospectus
Application Monies	Monies paid by Applicants in respect of the New Shares they apply for
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532
ASX	ASX Limited ABN 98 008 624 691
Board	The board of directors of Treyo
Business day	An Australian business day that is not a Saturday, Sunday, or any other day which is a public holiday or bank holiday in the place where an act is to be performed or a payment is to be made
Closing Date	5.00 pm, 5 December 2008 (unless extended)
Constitution	The constitution of Treyo as amended from time to time
Corporate Adviser	Pitt Capital Partners Limited ABN 17 000 651 427
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Currency conversion	In this prospectus RMB has been converted to A\$ at a rate of RMB4.5:A\$1 (Refer to section 6.3(1))
CY2007	Calender year ended 31 December 2007
CY2008	Calender year ended 31 December 2008
CY2009	Calender year ended 31 December 2009
CY2010	Calender year ended 31 December 2010
Director	A director of Treyo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
Group	Treyo and its subsidiaries
GST	Has the meaning ascribed in the <i>A New Tax System (Goods and Service Tax) Act 1999</i> (Cth)
Holding Statements	Holding statements for shares under CHES
Issue Price	AUD\$0.25 per New Share
Listing	Quotation on the Official List
Matsuoka	Matsuoka Mechatronics (China) Co., Ltd.
New Share	A share to be issued pursuant to this Offer
NPAT	Net profit after tax
Offer	Offer of New Shares under this Prospectus
Offer Period	The period from 10 November until the Closing Date
Official List	The official list of entities that ASX has admitted and not removed
Prospectus	The Replacement Prospectus dated 14 November 2008 which replaces the Prospectus issued by the Company dated 3 November 2008
Registry	Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, AUSTRALIA 3067
Related Body Corporate	Has the meaning ascribed to it in section 9 of the <i>Corporations Act 2001</i> (Cth)
RMB	Chinese Yuan Renminbi
Shareholders	Shareholders of Treyo
Shares	Fully paid Ordinary Shares in the capital of Treyo
Taxation Report	Taxation Report attached to this Prospectus
Treyo and Company	Treyo Leisure and Entertainment Ltd ACN 131 129 489
Group	Treyo and its subsidiaries
Treyo International	Treyo International Holding (HK) Limited
US\$	US dollars unless otherwise indicated

Independent Accountant's Report (Historical Information)





The Directors
Treyo Leisure and Entertainment Limited
ACN 131 129 489
Level 1
263 City Road
SOUTH MELBOURNE VIC 3205

14 November 2008

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

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

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

Dear Sirs

**INVESTIGATING ACCOUNTANT'S REPORT ON
REVIEWED HISTORICAL FINANCIAL INFORMATION**

Introduction

Grant Thornton South Australian Partnership ("Grant Thornton") has been engaged by the directors of Treyo Leisure and Entertainment Ltd ("the Company") to prepare an Investigating Accountant's Report on Historical Financial Information ("report") for inclusion in a Prospectus to be dated on or about 14 November 2008 relating to the issue of 100,000,000 New Shares in the Company at an issue price of \$0.25 per share to raise \$25,000,000 ("Offer"). The Offer is subject to a Minimum Subscription of \$20,000,000.

Expressions referred to in the Prospectus have the same meaning in this report.

Background

The Company was incorporated in Victoria on 23 May 2008 as an unlisted public company limited by shares. The Company was established as the Australian holding company of the Chinese based operating company, which manufactures and sells premium automated mahjong tables.

Financial information

Grant Thornton has been requested to prepare a report covering the historical financial information and pro forma historical financial information (together referred to as "the historical financial information") as described below and disclosed in Section 6 of the Prospectus.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

Our Ref: H/ENG LTR/2008/Treyo Leisure & Entertainment_Review Historical Financial Information.doc

Independent Accountant's Report (Historical Information) continued

**Historical Financial Information**

The historical financial information of the Company, disclosed in Section 6 of the Prospectus, comprises the income statement, cash flow statement and statement of changes in equity for the six months ended 30 June 2008, the balance sheet as at 30 June 2008 and the associated notes. The historical financial information has been extracted from the audited financial reports of the Company for the six months ended 30 June 2008 on which Grant Thornton issued an unqualified audit report.

The Directors of the Company are responsible for the preparation and presentation of the historical financial information. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the historical financial information. The historical financial information as at 30 June 2008 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS").

The historical financial information in this Prospectus is presented in an abbreviated form in so far as it does not include all the disclosures required under AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Pro forma Financial Information

The pro forma historical financial information of the Company, disclosed in Section 6 of the Prospectus, comprises the consolidated pro forma balance sheet and the consolidated pro forma statement of changes in equity of the Company as at 30 June 2008, which assumes the pro forma transactions as set out in Section 6.17 had occurred as at 30 June 2008.

The Directors of the Company are responsible for the preparation and presentation of the pro forma historical financial information.

The pro forma historical financial information as at 30 June 2008 has been prepared in accordance with AIFRS.

The pro forma historical financial information in the Prospectus is presented in an abbreviated form in so far as it does not include all the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Scope

The directors of the Company have requested Grant Thornton prepare a report covering the following information:

- a The historical performance of the Company for the six months ended 30 June 2008;



- b The historical balance sheet as at 30 June 2008 and the pro forma balance sheet as at 30 June 2008, which assumes completion of the contemplated transactions disclosed in Section 6.17.
- c The historical statement of changes in equity as at 30 June 2008 and the pro forma statement of changes in equity as at 30 June 2008, which assumes completion of the contemplated transactions disclosed in Section 6.17.

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention, which causes us to believe that the pro forma historical financial information of the Company, as set out in Section 6 of the Prospectus, does not present fairly the pro forma historical balance sheet and the pro forma statement of changes in equity of the Company as at 30 June 2008 on the basis of the pro forma transactions and adjustments described in Section 6.17 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Section 6.19 of the Prospectus.

We have conducted our review of the financial information including the pro forma adjustments in accordance with the Australian Auditing Standard ASRE 2410 “Review of an Interim Financial Report Performed by the Independent Auditor of the Entity.” We have made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- review of the pro forma transactions and/or adjustments made to the pro forma historical financial information;
- review of work papers, accounting records, audit files of the Company and other documents and reports;
- comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Section 6.19 of the Prospectus; and
- enquiry of Directors, management and officers of the Company.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independent Accountant's Report (Historical Information) continued

**Review Statement of Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that the pro forma historical financial information of the Company, as set out in Section 6 of the Prospectus does not present fairly the consolidated pro forma balance sheet and the consolidated pro forma statement of changes in equity of the Company as at 30 June 2008 on the basis of the pro forma transactions and/or adjustments described in Section 6.17 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Section 6.19 of this Prospectus.

Subsequent Events

Since the 30 June 2008 and to the date of this report the Company has incurred costs associated with the production of this Prospectus and managing of the company's assets. The Company has received revenues and incurred costs associated with the operation of its business between the pro forma acquisition date of 30 June 2008 and the date of this report.

Apart from the matters dealt with in this report and having regard to the scope of our review, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company have come to our attention that require comment on or adjustment to the information referred to in our report or that would cause such information to be misleading or deceptive.

Responsibility

Grant Thornton has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, Grant Thornton makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Independence

Grant Thornton does not have any interest in the outcome of this offer other than in connection with the preparation of this report, participation in due diligence procedures and acting as statutory auditor for the company for which normal professional fees will be received.

Yours faithfully
GRANT THORNTON
South Australian Partnership
Chartered Accountants

A handwritten signature in dark ink, appearing to read 'S J Gray'.

S J Gray
Partner

Investigating Accountant's Review (Forecast Information)



Investigating Accountant's Review (Forecast Information)



The Board of Directors
Treyo Leisure and Entertainment Limited
Level 1263 City Road
SOUTH MELBOURNE VIC 3205

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

14 November 2008

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@grantthornton.com.au
W www.grantthornton.com.au

Dear Sirs

INVESTIGATING ACCOUNTANT'S REVIEW OF THE DIRECTORS' FORECAST FINANCIAL INFORMATION

Introduction

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") has prepared this Investigating Accountant's Report on the Directors' Forecast Financial Information of Treyo Leisure and Entertainment Limited ("the Company") and its controlled entities ("the Group") for the 18 month period ending 31 December 2009 collectively referred to as the ("the Forecast Period") for inclusion in a Prospectus dated on or about 14 November 2008 ("the Prospectus") relating to the offer of 80,000,000 ordinary shares at an offer price of AUD0.25 per share to raise AUD20,000,000 ("Minimum Subscription"), the Company has reserved the right to accept oversubscriptions of up to 20,000,000 ordinary shares at AUD0.25 each to raise an additional AUS\$5,000,000, which would take the total amount raised to AUD25,000,000 ("Maximum Subscription") ("the Offer").

The nature of this report is such that it can be given only by an entity, which holds an Australian Financial Services Licence. Grant Thornton Corporate Finance holds the appropriate Australian Financial Services Licence under the Financial Services Reform Act 2001. A copy of the Financial Services Guide is attached at **Appendix A** to this report.

Scope

The Directors' Forecast Financial Information of the Group (the "Forecast Financial Information") comprises the:

- a forecast income statement of the Group for the Forecast Period;

Holder of Australian Financial Services Licence No. 247140

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards legislation.

OUR REF: F/IA/R/REVIEW/2008/Treyo Leisure & Entertainment_Investigating Accountants Review_08.doc



- b forecast cash flow statement of the Group for the Forecast Period;
- c Directors' best-estimate assumptions (assumptions formed on reasonable grounds determined objectively in light of all circumstances at the time of the assumption and set out in Section 6.7 and Section 6.8 of the Prospectus, ("Forecast Best Estimate Assumptions"); and
- d Directors' sensitivity analysis for the Forecast Period based on changes to a number of key variables.

The Directors' are responsible for the preparation and presentation of the Forecast Financial Information, including the Forecast Best Estimate Assumptions, which include the pro forma transactions, on which they are based. The Forecast Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the Directors' Forecast Financial Information to which it relates for any purposes other than for which it was prepared.

Our review of the Forecast Best Estimate Assumptions underlying the Directors' Forecast Financial Information was conducted in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our procedures included discussion with the Directors' and management of the Group as well as the auditors of the Group and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the:

- a Forecast Best Estimate Assumptions do not provide a reasonable basis for the preparation of the Forecast Financial Information and whether, in all material respects the Forecast Financial Information is properly prepared on the basis of the Forecast Best Estimate Assumptions and are presented fairly in accordance with the;
 - i recognition and measurement principles prescribed in Australian equivalents to International Financial Reporting Standards ("AIFRS") and other mandatory professional reporting requirements in Australia;
 - ii accounting policies of the Group disclosed in Section 6.19 of the Prospectus so as to present a view of the Group which is consistent with our understanding of the Group's past, current and future operations; and
- b Forecast Financial Information itself is not reasonable.

The Forecast Financial Information has been prepared by the Directors' to provide investors with a guide to the Group's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of Forecast Financial Information. Actual results may vary materially from the Forecast Financial Information and the variation may be materially positive or negative.

Investigating Accountant's Review (Forecast Information) continued



Accordingly, investors should have regard to the sensitivities set out in Section 6.9 and investment risks set out in Section 7 of the Prospectus.

Our review of the Forecast Financial Information, which is based on the Forecast Best Estimate Assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecast Financial Information included in the Prospectus.

Review statement on the Directors' Financial Forecast Information

Based on our review of the Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Forecast Best Estimate Assumptions giving rise to the Forecast Financial Information, nothing has come to our attention, which causes us to believe that the:

- a Forecast Best Estimate Assumptions set out in Section 6.7 and Section 6.8 of the Prospectus do not provide reasonable grounds for the preparation of the Forecast Financial Information;
- b Forecast Financial Information is not properly compiled on the basis of the Directors' Forecast Best Estimate Assumptions;
- c Forecast Financial Information is not presented fairly in accordance with the:
 - i recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia;
 - ii accounting policies adopted by the Group disclosed in Section 6.19 of the Prospectus; and
- d Forecast Financial Information itself is not reasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Group. If events do not occur as assumed, actual results and distributions achieved by the Group may vary significantly from the Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Forecast Financial Information, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

**Responsibility**

Grant Thornton Corporate Finance has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Grant Thornton Corporate Finance makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Independence

Grant Thornton Corporate Finance does not have any interest in the outcome of this issue other than in connection with the preparation of this report and participation in due diligence procedures for which normal profession fees will be received. Grant Thornton South Australian Partnership is the auditor of the Company and has prepared the Investigating Accountant's Report on historical financial information and from time to time, may also provide the Company with certain other professional services for which normal professional fees are received including advice on taxation matters.

General Advice Warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

Handwritten signature of Neil Cooke in black ink.

NEIL COOKE
Director

Handwritten signature of Scott Griffin in black ink.

SCOTT GRIFFIN
Director

Investigating Accountant's Review (Forecast Information) continued

**APPENDIX A - FINANCIAL SERVICES GUIDE****1. Grant Thornton Corporate Finance Pty Limited**

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") carries on a business at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Treyo Leisure and Entertainment Limited ("Treyo" or "the Company") to provide general financial product advice in the form of an Investigating Accountant's Review of Directors' Forecast Financial Information ("the Report") to be included in the Prospectus relating to the proposed Initial Public Offering ("Offer") of Treyo.

2. Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a Report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3. General Financial Product Advice

In our Report we provide general financial product advice. The advice in our Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4. Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company to which it provides the Report. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Treyo a fee based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our Directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the Directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of the Report.



5. Independence

Grant Thornton Corporate Finance is required to be independent of the Company in order to provide this Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance does not have, at the date of this report, and has not had within the previous two years, any relationship with Trevo that could reasonably be regarded as capable of affecting its ability to provide an independent and unbiased opinion in relation to the proposed Offer. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out of pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the making of this report. The payment of this fee is in no way contingent upon the success or failure of the Offer.”

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993.

6. Complaints Process

Grant Thornton Corporate Finance has an internal complaint handling mechanisms and is a member of the Financial Industry Complaints Service’s Complaints Handling Tribunal, No. F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for the Report and this FSG. Complaints or questions about the Prospectus should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Taxation Report





The Directors
Treyo Leisure and Entertainment Limited
Level 1
263 City Road
SOUTH MELBOURNE VIC 3205

PRIVATE AND CONFIDENTIAL

14 November 2008

Grant Thornton Australia Limited
ABN 41 127 556 389

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

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

Dear Sirs

TAXATION REPORT

1. Introduction

This Taxation Report has been prepared at the request of the Directors of Treyo Leisure and Entertainment Ltd ("Treyo") for inclusion in a Prospectus to be dated on or about 14 November 2008 relating to an initial capital raising of \$25,000,000 via an offer to subscribe for 100,000,000 New Shares in Treyo, at a price of \$0.25 each.

2. Scope

This Report, which is intended as a general guide only and not as a substitute for detailed tax advice, provides a general understanding of the Australian tax implications for shareholders in Treyo who will hold their shares in Treyo on capital account, not as trading stock or as a revenue asset.

Accordingly, this Report provides a general outline for shareholders who hold their shares as an investor, and are therefore subject to Australian Capital Gains Tax ("CGT") legislation.

This Report is based on Australian income tax legislation and established interpretations of that legislation at the date of this report – however, it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every investor. This report does not purport to provide advice to any particular investor, since the tax position of each investor may vary depending on the specific circumstances of the investor. Investors should obtain their own professional advice relevant to their specific circumstances.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

Taxation Report continued



Disclaimer

To persons receiving this document in Australia:

The information contained in this Report does not constitute 'financial product advice' within the meaning of the Corporations Act 2001 (Cth) ('Corporations Act'). Grant Thornton is not licensed to provide financial product advice under the Corporations Act. To the extent this document contains any information about a 'financial product' within the meaning of the Corporations Act, taxation is only one of the matters that should be considered when making a decision about the relevant financial product. This Report has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, before acting on this Report, any recipient should consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act, and also should consider the appropriateness of this material having regard to their objectives, financial situation and needs.

3. Taxation Implications

Treyo is incorporated in Australia and owns directly and indirectly a number of subsidiaries located in jurisdictions outside Australia.

This Report considers the Australian tax implications for Australian resident or non-resident shareholders of an investment in New Shares of Treyo issued at \$0.25 each.

The tax implications for shareholders in Treyo generally relate to the receipt of dividends and to any gain on the disposal of the shares.

4. Taxation Treatment of Dividends

The capital raising by Treyo involves the issue of shares which will be an Equity interest for Australian tax purposes.

To the extent dividends are paid by Treyo, the level of franking of such dividends will depend on the level of franking credits generated and available to Treyo. Generally dividends received by Treyo from shareholdings of at least 10% in a foreign company will not be assessable in Australia and will not generate franking credits. Furthermore, based on the information contained in the Prospectus, the Directors are of the view there will be no activities which give rise to attribution of income for Treyo under the Controlled Foreign Company provisions, and hence no assessable income or franking credits arise from those activities.

Accordingly, Treyo is not expected to be subject to any Australian tax that will allow it to generate franking credits, and thus it is not envisaged any dividends paid by Treyo in the immediate future will be franked.

The following comments apply to dividends paid on New Shares; the tax treatment will vary depending on the nature of the entity owning the New Shares.

4.1 Individual Investors - resident

An Australian resident individual receiving a dividend that is unfranked will include the amount of the dividend in assessable income, with tax being paid at the individual's marginal rate of tax.

If an Australian resident individual receives a dividend that is fully or partly franked, the individual's assessable income includes the dividend and is grossed up to include the franking credit attaching to the dividend. Tax is calculated at the individual's marginal rate of tax. The individual will be entitled to a tax offset against income tax equal to the amount of the franking credit included in assessable income.

4.2 Company Investors - resident

The taxation treatment of an Australian resident company receiving a dividend is similar to the taxation treatment of individuals. The corporate tax rate is currently 30%.

A company investor receiving an unfranked dividend will include that dividend in assessable income.

To the extent dividends are franked the company investor's assessable income includes the dividend and is grossed up to include the franking credit attaching to the dividend. The company tax rate is then applied to the grossed up dividend, and a tax offset against income tax can be claimed equal to the amount of the franking credit included in assessable income. Where the distribution is fully franked a company investor will pay no further tax on the dividend.

Company investors will include in their franking account the franking credit attaching to the distribution received.

Company investors that have tax losses and receive franked distributions can convert any excess franking credits to current year tax losses. In limited circumstances certain corporate entities (for example exempt institutions and life insurance companies), may be entitled to receive a refund of the franking credit; these entities should seek their own professional advice in respect of their particular circumstances. In all other cases a company investor cannot receive a refund of franking credits.

4.3 Complying Superannuation Funds

Complying superannuation funds are assessable on the dividend received and need to gross up a franked dividend in the same way as individuals and companies. The rate of tax payable by complying superannuation funds is currently 15% on the grossed up amount. The franking credit is available to offset tax on other income of the complying superannuation fund. Any excess franking credit is refundable.

Taxation Report continued



4.4 Investors – non-resident

Dividends paid by Treyo to a non-resident are not assessable in Australia. Instead the dividend might be subject to a dividend withholding tax ('DWT') which Treyo would need to deduct and remit as a final tax on behalf of the investor.

DWT is nil for franked dividends paid to a non-resident.

To the extent a dividend is unfranked, DWT is generally imposed at a flat rate of 30% but for dividends paid to investors resident in countries with which Australia has a double tax agreement ('DTA') eg China, the rate is generally 15%.

However, DWT on unfranked dividends paid to non-residents might be nil in certain cases, including that portion of an unfranked dividend Treyo declares to be conduit foreign income ('CFI'). In general terms, CFI relates to foreign income derived by Treyo, such as a dividend received from its subsidiaries located in jurisdictions outside Australia.

4.5 Anti Avoidance Measures

Depending on the availability of franking credits generated by Treyo, dividends in respect of the New Shares can be franked. When franking occurs it will be applied equally across all shares.

Tax legislation contains specific anti-avoidance measures targeting dividend streaming and franking credit trading. Providing the securities are held 'at risk' for a period of 45 days it is not considered that any of the anti-avoidance measures should generally have application to dividends received from Treyo on the New Shares.

5. Taxation Treatment of Disposal of Shares

The New Shares will be separately listed on the Australian Stock Exchange and can be sold.

Disposal of New Shares acquired in the initial capital raising will constitute a CGT event.

An assessable capital gain on Sale of New Shares will arise to a resident investor where the disposal proceeds exceed the cost of acquiring the shares. Where the New Shares acquired in the initial capital raising are retained for more than twelve months, the assessable net capital gain (after offsetting available capital losses) of individuals and complying superannuation funds will be reduced by a CGT discount of 50% for individuals and 33 1/3% for complying superannuation funds - company shareholders will receive no CGT discount and will pay tax at 30% on any net capital gain included in assessable income.

An assessable capital gain or loss on sale of New Shares will not arise to a non-resident investor unless the share is taxable Australian property ('TAP'). Based on the information contained in the Prospectus, the Directors are of the view there will be no activities which will cause Treyo shares to be TAP.

6. Quotation of Tax File Number

If Australian resident shareholders in Treyo New Shares do not advise Treyo of their Tax File Number (TFN) or Australian Business Number (ABN), then Treyo is currently required to withhold 46.5% of the unfranked part of the dividend and remit it on behalf of the shareholder (for the shareholder's benefit via tax offset) to the Australian Taxation Office. Treyo cannot compel shareholders to provide it with their TFN or ABN.

7. Goods & Services Tax (GST)

The GST implications for investors are dependent on the specific GST position of the investor; however the acquisition, holding and disposal of shares in Treyo are input taxed supplies for GST purposes. Accordingly there should be no GST implications for an investor that is not registered or required to be registered for GST since there is no GST on the acquisition or disposal of shares.

Yours faithfully



Geoff Lloyd
DIRECTOR

Application Forms



How to complete this General Application Form

A New Shares Applied for
Enter the number of New Shares you wish to apply for. The Application must be for a minimum of 10,000 New Shares. Applications for greater than 10,000 New Shares must be in multiples of 2,000 New Shares.

B Application Payment
Enter the amount of Application Payment. To calculate the amount, multiply the number of New Shares applied for by the price per New Share of A\$0.25.

C Applicant name(s)
Enter the full name you wish to appear on the statement of New Share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact details
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES
Treyo Leisure and Entertainment Ltd will apply to ASX for New Shares to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, Treyo Leisure and Entertainment Ltd will operate an electronic CHES subregister of New Shares holdings and an electronic issuer sponsored subregister of New Shares holdings. Together the two subregisters will make up Treyo Leisure and Entertainment Ltd's principal register of New Shares. Treyo Leisure and Entertainment Ltd will not be issuing certificates to Applicants in respect of New Shares allotted.

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold New Shares allotted to you under this Application in uncertificated form on the CHES subregister, enter your CHES HIN.

Otherwise leave this section blank and on allotment you will be sponsored by Treyo Leisure and Entertainment Ltd and a shareholder reference number (SRN) will be allocated to you. Please note that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN, and New Shares issued will be held on the issuer sponsored subregister.

G Application Payment
If you are applying for New Shares by completing a paper Application Form, please make your cheque(s) or bank cheque(s) payable to 'TYO Share Application Account' in Australian currency and crossed 'Not Negotiable'. Your cheque(s) or bank cheque(s) must be drawn on an Australian bank. Complete Section G and the cheque details in the boxes provided. The amount must agree with the amount shown in Section B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) and/or bank cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipts for payment will not be forwarded.

Acceptance of the Offer

By returning this Application Form with your Application Payment to the Registry by 5.00pm (AEDT) on 5 December 2008:

- you declare that this Application is completed and lodged according to the Prospectus and the declarations/statements on this Application Form;
- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations, contained in the Prospectus and this Application Form;
- you declare that all details and statements made are complete and accurate;
- you declare that each Applicant, if a natural person, is at least 18 years old;
- you declare that you are not a US Person, nor acting for the account or benefit of any US Person;
- you represent and warrant that the law of any other place does not prohibit you from being given the Prospectus and any supplementary or replacement Prospectus or making an Application on this Application Form;

- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution;
- you apply for the number of New Shares set out on or determined in accordance with this Application Form and agree to be issued such number of New Shares or a lesser number;
- you acknowledge that New Shares are not deposit liabilities of Treyo Leisure and Entertainment Ltd;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs; and
- your Application to acquire New Shares is irrevocable and may not be varied or withdrawn except as allowed by law.

Lodgement Instructions

General Applicant

Applications must be received by Computershare Investor Services Pty Limited in Melbourne by no later than 5.00pm (AEDT) on 5 December 2008. You should allow sufficient time for this to occur. If you are applying for New Shares and your payment is being made by either cheque(s) or bank cheque(s), return the Application Form with cheque(s) and/or bank cheque(s) attached to:

TREYO LEISURE AND ENTERTAINMENT LTD
COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
GPO Box 52
MELBOURNE VIC 3001

Neither Computershare Investor Services Pty Limited nor Treyo Leisure and Entertainment Ltd accepts any responsibility if you lodge an Application Form at any other address or by any other means.

PRIVACY STATEMENT

Personal information is collected on this Application Form by Computershare Investor Services Pty Limited ("CIS"), as registrar for Treyo Leisure and Entertainment Ltd, for the purpose of maintaining registers of New Shares holders, facilitating Dividend payments and other corporate actions and communications. Your personal information may be disclosed to related bodies corporate of CIS, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Bendigo and Adelaide Bank in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au.

If you have any enquiries concerning your New Share holding, please contact the Information Line on 1300 729 502.

CORRECT FORMS OF REGISTRABLE TITLE(S)

Note that ONLY legal entities are allowed to hold New Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

How to complete this General Application Form

A New Shares Applied for
Enter the number of New Shares you wish to apply for. The Application must be for a minimum of 10,000 New Shares. Applications for greater than 10,000 New Shares must be in multiples of 2,000 New Shares.

B Application Payment
Enter the amount of Application Payment. To calculate the amount, multiply the number of New Shares applied for by the price per New Share of A\$0.25.

C Applicant name(s)
Enter the full name you wish to appear on the statement of New Share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact details
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES
Treyo Leisure and Entertainment Ltd will apply to ASX for New Shares to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, Treyo Leisure and Entertainment Ltd will operate an electronic CHES subregister of New Shares holdings and an electronic issuer sponsored subregister of New Shares holdings. Together the two subregisters will make up Treyo Leisure and Entertainment Ltd's principal register of New Shares. Treyo Leisure and Entertainment Ltd will not be issuing certificates to Applicants in respect of New Shares allotted.

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold New Shares allotted to you under this Application in uncertificated form on the CHES subregister, enter your CHES HIN.

Otherwise leave this section blank and on allotment you will be sponsored by Treyo Leisure and Entertainment Ltd and a shareholder reference number (SRN) will be allocated to you. Please note that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN, and New Shares issued will be held on the issuer sponsored subregister.

G Application Payment
If you are applying for New Shares by completing a paper Application Form, please make your cheque(s) or bank cheque(s) payable to 'TYO Share Application Account' in Australian currency and crossed 'Not Negotiable'. Your cheque(s) or bank cheque(s) must be drawn on an Australian bank. Complete Section G and the cheque details in the boxes provided. The amount must agree with the amount shown in Section B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) and/or bank cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipts for payment will not be forwarded.

Acceptance of the Offer

By returning this Application Form with your Application Payment to the Registry by 5.00pm (AEDT) on 5 December 2008:

- you declare that this Application is completed and lodged according to the Prospectus and the declarations/statements on this Application Form;
- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations, contained in the Prospectus and this Application Form;
- you declare that all details and statements made are complete and accurate;
- you declare that each Applicant, if a natural person, is at least 18 years old;
- you declare that you are not a US Person, nor acting for the account or benefit of any US Person;
- you represent and warrant that the law of any other place does not prohibit you from being given the Prospectus and any supplementary or replacement Prospectus or making an Application on this Application Form;

- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution;
- you apply for the number of New Shares set out on or determined in accordance with this Application Form and agree to be issued such number of New Shares or a lesser number;
- you acknowledge that New Shares are not deposit liabilities of Treyo Leisure and Entertainment Ltd;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs; and
- your Application to acquire New Shares is irrevocable and may not be varied or withdrawn except as allowed by law.

Lodgement Instructions

General Applicant

Applications must be received by Computershare Investor Services Pty Limited in Melbourne by no later than 5.00pm (AEDT) on 5 December 2008. You should allow sufficient time for this to occur. If you are applying for New Shares and your payment is being made by either cheque(s) or bank cheque(s), return the Application Form with cheque(s) and/or bank cheque(s) attached to:

TREYO LEISURE AND ENTERTAINMENT LTD
COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
GPO Box 52
MELBOURNE VIC 3001

Neither Computershare Investor Services Pty Limited nor Treyo Leisure and Entertainment Ltd accepts any responsibility if you lodge an Application Form at any other address or by any other means.

PRIVACY STATEMENT

Personal information is collected on this Application Form by Computershare Investor Services Pty Limited ("CIS"), as registrar for Treyo Leisure and Entertainment Ltd, for the purpose of maintaining registers of New Shares holders, facilitating Dividend payments and other corporate actions and communications. Your personal information may be disclosed to related bodies corporate of CIS, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Bendigo and Adelaide Bank in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au.

If you have any enquiries concerning your New Share holding, please contact the Information Line on 1300 729 502.

CORRECT FORMS OF REGISTRABLE TITLE(S)

Note that ONLY legal entities are allowed to hold New Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Corporate Directory

Directors

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

Company Secretary

Jo-Anne Dal Santo

Registered Office

Level 1, 263 City Road
South Melbourne VIC 3205
AUSTRALIA

Corporate Advisers and Lead Manager

Pitt Capital Partners Limited
Level 11, 50 Pirie Street
Adelaide SA 5000
AUSTRALIA
Phone: +61 (0)8 8231 7033
Fax: +61 (0)8 8231 7233

Australian Legal Advisers

Deacons
RACV Tower
485 Bourke Street
Melbourne VIC 3000
AUSTRALIA
Phone: +61 (0)3 8686 6000
Fax: +61 (0)3 8686 6505
www.deacons.com.au

Chinese Legal Advisers

Zhejiang T&C Law Firm
11/F, Block A, Dragon Century Square
No. 1 Hangda Road
Hangzhou, Zhejiang
PEOPLE'S REPUBLIC OF CHINA
Phone: +86 571 8790 1111
Fax: +86 571 8790 1500

Chinese Corporate Advisers

ZHDM Investment Management Co., Ltd
10th Floor, Building B, Runfengdeshang
No. 60 Anli Road
Chaoyang District
Beijing, 100101
PEOPLE'S REPUBLIC OF CHINA
Phone: +86 10 6482 7876
Fax: +86 10 6482 7683

Share Registry

Computershare Investor
Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
AUSTRALIA
Phone: +61 (0)3 9415 5000

