



Treyo Leisure and Entertainment Ltd  
Level 2, 371 Spencer Street  
Melbourne Vic 3000  
Australia

## **Chair's Address to the Annual General Meeting 30<sup>th</sup> May 2011**

Good Afternoon Ladies and Gentlemen

My name is Allan Mao. I have the honour to be the Executive Chairman and Managing Director of Treyo Leisure and Entertainment Limited.

I would like to welcome you to Treyo's Annual General Meeting for the Financial Year 2010 – our third AGM since Treyo listed on the ASX in January 2009. We at Treyo, are very proud to be a company listed on the Australian Securities Exchange.

It should be noted that, in accordance with Chinese accounting practices, Treyo's financial year runs January to December each year.

The 2010 trading year has presented a number of challenges to the Company, but at the end of the year we have emerged a stronger and more efficient organisation, while still retaining the market leadership that we have enjoyed for a number of years.

2010 saw considerable consolidation of the automatic mahjong table industry in China, with fierce price competition in the market and increases in labour costs as the Chinese government imposed national wage increases across all industries.

Although the Company remains profitable, the intense competition and consolidation of the market over the last 12 months and the increase in wage costs, has resulted in a negative impact on the financial performance of the Company when compared to 2009.

The only beneficial effect of the intense price competition throughout 2010 is that it has caused a consolidation of the industry and a reduction in the number of low cost, poor quality, competitors. As a result, prices and profitability in the industry are expected to stabilise and recover.

It is important to note that during 2010, the Company achieved an overall increase in unit sales over those achieved in the previous year. This was as a result of a number of product innovations and can be attributed largely to Treyo's continuous efforts in research and development and marketing.  
172,197 units were sold in 2010 – a 6% increase in unit sales in 2009.

The introduction of new models and product platforms during 2010 has resulted in record sales for the last quarter of 2010. This has continued into early 2011.

Despite this increase in unit sales, due to the intense price competition, revenues have fallen by approximately 17% over the prior year, with a corresponding flow-on to the net profit of the business.

As outlined in more detail in our Annual Report, for the 2010 year, Treyo, through its wholly owned China based subsidiary, Matsuoka Mechatronics (China) Co. realised an after tax profit of \$AUD2.74 million for the 2010 financial year which represents a decrease of \$4.45 million on the previous year.

The substantial strengthening of the Australian dollar has caused the Company to incur exchange rate losses over the last year of \$AUD3.17 million.

Even with these challenges, Treyo's working capital remains strong at \$AUD20 million. The Company's cash and cash equivalents reserves also remain strong at \$AUD28.05 million.

In November last year, the Government of China, granted "Reputed Trademark" status to the Treyo brand. As a result, Treyo joins a small group of only 217 companies based in, and trading with China, that have received this recognition. These include companies like McDonald's and Coca Cola.

This government recognition and endorsement, provides national trademark and design protection of all Treyo products, technology and designs.

The Chinese economy continues to experience solid growth. Treyo currently holds approximately 70% of the premium end of the market for automatic mahjong tables in China. The Chinese domestic market has total annual sales of automatic mahjong tables of over RMB7.5 billion (approx \$AUD1.19 billion). The Company and its Treyo brand have grown rapidly to become the largest and most respected automatic mahjong table manufacturer in the world.

Your Board is confident of continuing Treyo's success through:

- Our product innovation;
- Our technical excellence;
- Our environmental standards;
- Our investment in advanced production lines and manufacturing processes;
- Our commitment to quality; and
- Our outstanding customer service and brand development.

While it is disappointed with the 2010 outcome the Treyo Board is confident that the business is in a strong position for growth and profitability in 2011.

In conclusion, I would like to thank my fellow Board members, the Company's senior management, our distributors and, most importantly, all of Treyo's employees, for their outstanding efforts over the last year.

As in previous years, I would like to thank all of Treyo's shareholders, for continuing to show your confidence in the Company and its future.

I now hand over the meeting to our Deputy Chairman Roger Smeed, who will Chair the rest of the AGM.

Thank You.