

# **Treyo Leisure and Entertainment Ltd**

ACN 131 129 489

## **Supplementary Prospectus**

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 Supplementary Prospectus.**

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## **IMPORTANT INFORMATION**

This Supplementary Prospectus is dated 5 December 2008 and is supplementary to the Replacement Prospectus dated 14 November 2008 issued by Treyo Leisure and Entertainment Limited ACN 131 129 489 (**Prospectus**).

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on 5 December 2008. ASIC and ASX take no responsibility for the contents of this Supplementary Prospectus.

Pursuant to the Corporations Act, the information set out in this Supplementary Prospectus is taken to be included in the Prospectus. Terms defined in the Prospectus have the same meaning in this Supplementary Prospectus except where otherwise defined. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

Any offer of Shares must be accompanied by both the Prospectus and this Supplementary Prospectus.

### **Note to Applicants**

This Supplementary Prospectus should be read in its entirety together with the Prospectus. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.

All details in relation to the terms of the Offer and other matters set out in the Prospectus that are not varied by this Supplementary Prospectus remain unchanged.

Applicants who have already subscribed for Shares in the Company as at the date of this Supplementary Prospectus will be sent a copy of this Supplementary Prospectus and have until 5:00pm AEST on 5 January 2009 to withdraw their Application and be repaid their Application Monies. Please refer to section 3.2 of this Supplementary Prospectus for further information on how to withdraw your Application.

### **Electronic Supplementary Prospectus**

This Supplementary Prospectus and the Prospectus may be viewed in electronic form at [www.treyo.com.au](http://www.treyo.com.au)

Any person accessing the electronic version of this Supplementary Prospectus must be an Australian resident and must only access the Supplementary 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 Supplementary Prospectus or accompanied by the complete unaltered version of this Supplementary Prospectus. Prospective Applicants should ensure they download and read this Supplementary Prospectus and the Prospectus in their entirety before completing the Application Form. Any person may obtain a hard copy of the Prospectus and this Supplementary Prospectus free of charge by contacting the Investor Call Centre on 1300 729 502.



## **1. VARIATION OF THE OFFER**

### **1.1 Variation**

The Directors of the Company have resolved to make the following changes to the Offer:

- the minimum subscription under the Offer is reduced from A\$20,000,000 to A\$12,500,000; and
- the Closing Date is extended to 5:00pm AEST on 12 December 2008.

Treyo reserves the right, subject to the Corporations Act and the ASX Listing Rules, to close the Offer early, to further extend the Closing Date or to withdraw the Offer without prior notice. Any further extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

The Directors have resolved to vary the minimum subscription and extend the Offer Period because of the significant deterioration in Australia's equity capital markets since the Prospectus was lodged.

### **1.2 Effect of the Variation**

The effect of the extension of the Closing Date will be to give applicants a longer period to consider the Prospectus and this Supplementary Prospectus before applying for shares

The effect of the reduction in the minimum subscription may be to reduce the amount raised under the Offer. The Directors do not believe that the reduction in the minimum subscription will adversely affect the Company's ability to achieve its objectives as outlined in the Prospectus.

If the revised minimum subscription is raised, but full subscription is not achieved, the Company will reduce expenditure towards its business goals in the manner described in section 2.3 of this Supplementary Prospectus. In particular, the funds available for marketing and possible acquisitions will be reduced.

The Directors have carefully considered whether the reduction in the minimum subscription to \$12.5 million and the possible consequence of a reduction in the amount raised under the Offer will have a material impact on the revenues and profitability of Treyo in the forecast period (being the period to 31 December 2009 or CY2009). For the reasons set out in section 2.3 of this Supplementary Prospectus they are satisfied that it will not.



## 2. AMENDMENTS TO PROSPECTUS

The variation to the minimum subscription and Offer Period detailed in section 1 of this Supplementary Prospectus will have a consequential effect on certain sections of the Prospectus. These sections and the resulting amendments are set out below.

### 2.1 Cover Page

The Cover Page of the Prospectus is amended to read *The Offer will close at 5.00 pm (AEDT) on 12 December 2008.*

### 2.2 Key Offer Details

The 'Key Offer Details' section in the Prospectus is amended as follows:

#### 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	12 December 2008
Shares expected to be allotted	18 December 2008
Holding Statements expected to be dispatched	22 December 2008
Trading of Shares on ASX expected to commence	29 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 the 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.

### 2.3 Details of the Offer

Section 1 of the Prospectus headed 'Details of the Offer' is amended as follows:



## 1.2 Minimum subscription

The minimum subscription for the Offer is **50,000,000** New Shares to raise **A\$12,500,000**.

If the minimum subscription is not achieved within 4 months after the date of the Prospectus (that is, by 14 March 2009), Treyo will either repay the money received from Applicants or issue a further supplementary or replacement Prospectus and allow Applicants 1 month to withdraw their applications and be repaid their Application Monies (excluding interest).

The Company will not count Applications for Shares received prior to the date of this Supplementary Prospectus when calculating whether the minimum subscription for the Offer has been achieved. This will ensure that the Company can comply with its obligations in relation to the withdrawal of those Applications set out in section 3 of this Supplementary Prospectus.

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 will be used to progress the business goals of Matsuoka over the next three years as set out in column 3 of the table below. If only the minimum subscription is achieved, the Company will reduce expenditure towards these business goals in the manner set out in column 2 of the table below.

Business goals	Allocation of Proceeds Assuming Minimum Subscription	Allocation of Proceeds Assuming Full Subscription
Ongoing development of automatic mahjong tables and research and development of complementary leisure and recreational products	\$6,000,000	\$6,000,000
Domestic and international marketing of products and expansion of local sales distribution network	\$450,000	\$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	\$0	\$5,000,000
Investment in "Treyo" branded Mahjong Clubs	\$4,500,000	\$4,500,000
Working capital	\$250,000	\$250,000
Estimated costs of conducting the Offer (including brokerage, legal costs, financial expert's costs and other fees)	\$1,300,000	\$2,250,000



<b>Total</b>	<b>\$12,500,000</b>	<b>\$25,000,000</b>
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The Directors have carefully considered whether the reduction in the minimum subscription to \$12.5 million and the possible consequence of a reduction in the amount raised under the Offer will have a material impact on the revenues and profitability of Treyo in the forecast period (being the period to 31 December 2009 or CY2009). The Directors believe that a reduction in the amount raised and a resulting reduction in expenditure towards the Company's business goals will have no material impact on the forecast financial information presented in the Prospectus because:

- (1) the reduced allocation of funds for domestic and international marketing and for the acquisition reserve will be addressed, in the case of marketing by funding marketing activity from other sources or by reducing marketing activity, and in the case of acquisitions by applying funds from existing cash flows or borrowings if appropriate acquisition opportunities arise;
- (2) the forecast financial information did not include increased revenues or profitability during the forecast period (being the period to 31 December 2009 or CY2009) resulting from such acquisitions or increased marketing;
- (3) the costs of the Offer will be reduced from approximately \$2.0 million to approximately \$1.3 million if only the minimum subscription is achieved, with a positive impact on both cash and earnings; and
- (4) although, if the Offer was fully subscribed the Company would have had substantial funds on deposit for a material time, interest revenue was conservatively forecasted in the projections, which were based on existing cash levels at 30 June 2008.

Accordingly, the Directors are satisfied that the reduction in minimum subscription to \$12.5 million will have no material impact on the revenues and profitability in the forecast period (being the period to 31 December 2009 or CY2009) even if as a result only the reduced minimum subscription is achieved.

#### 1.4 Capital Structure

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

	<b>Number of Shares Assuming Minimum Subscription</b>	<b>% of total number of Shares</b>	<b>Number of Shares Assuming Full Subscription</b>	<b>% of total number of Shares</b>
	A\$12,500,000		A\$25,000,000	
Existing Shares	260,200,000	83.9%	260,200,000	72.4%
New shares to be issued under the offer	50,000,000	16.1%	100,000,000	27.6%
<b>TOTAL</b>	<b>310,200,000</b>	<b>100%</b>	<b>360,200,000</b>	<b>100%</b>



## 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 cashflow 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.

The Directors do not consider that the reduction in the minimum subscription under the Offer will affect the Company's dividend policy.

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

## 1.11 Closing Date

Treyo will accept Applications from the date of this Prospectus until 5.00 pm (AEDT) on **12 December 2008** or such other date as the Directors in their absolute discretion may determine.

Treyo will process Applications daily until the Closing Date.

## 2.4 Financial Information

The following Pro Forma Consolidated Balance Sheet and Pro Forma Consolidated Statement of Changes in Equity are supplementary to the reports set out in Section 6 of the Prospectus headed 'Financial information'.

### 6.15 Pro Forma Consolidated Balance Sheet

This Pro Forma Consolidated Balance Sheet serves as a supplement to the Pro Forma Consolidated Balance Sheet contained in the Prospectus and has been prepared on a consistent basis, unless otherwise specified.

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 revised pro forma adjustments are set out in section 6.17 below.

	Reviewed Treyo	Reviewed Treyo International June 2008 (\$'000)	Pro Forma Minimum Subscription (\$'000)	Pro Forma Maximum Subscription (\$'000)
Cash and cash equivalents	1	26,096	37,282	48,848
Trade and other receivables	-	1,423	1,423	1,423
Inventories	-	3,309	3,309	3,309
<b>TOTAL CURRENT ASSETS</b>	<b>1</b>	<b>30,828</b>	<b>42,014</b>	<b>53,580</b>



Property, plant and equipment	-	10,138	10,138	10,138
Intangible assets	-	183	183	183
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>10,321</b>	<b>10,321</b>	<b>10,321</b>
<b>TOTAL ASSETS</b>	<b>1</b>	<b>41,149</b>	<b>52,335</b>	<b>63,901</b>
Trade and other payables	-	18,877	18,877	18,877
Short term borrowings	-	7,576	7,576	7,576
Current tax liabilities	-	172	172	172
<b>TOTAL CURRENT LIABILITIES</b>	<b>-</b>	<b>26,625</b>	<b>26,625</b>	<b>26,625</b>
<b>NET ASSETS</b>	<b>1</b>	<b>14,524</b>	<b>25,710</b>	<b>37,276</b>
Share capital	1	11,221	23,314	35,112
Reserves	-	(684)	(684)	(684)
Retained earnings	-	3,987	3,080	2,848
<b>TOTAL EQUITY</b>	<b>1</b>	<b>14,524</b>	<b>25,710</b>	<b>37,276</b>

#### 6.16 Pro Forma Consolidated Statement of Changes in Equity

This Pro Forma Consolidated Statement of Changes in Equity serves as a supplement to the Pro Forma Consolidated Statement of Changes in Equity contained in the Prospectus and has been prepared on a consistent basis, unless otherwise specified.

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 revised pro forma adjustments are set out in section 6.17 below.

	Share capital (\$'000)	Reserve (\$'000)	Retained earnings (\$'000)
<b>Balance at 30 June 2008</b>	-	-	-
<i>Pro forma transactions:</i>			
Issue of 259,999,999 fully paid ordinary shares to the existing shareholders of Treyo International Holdings (HK) Limited	11,221	-	-
Amounts recognised as a consequence of a reverse acquisition transaction	-	(684)	3,987
Fair value of the 200,000 fully paid ordinary shares issued to the Australian Directors for services provided	50	-	(50)
Issue of 50,000,000 New Shares to the public in accordance with this Prospectus (Minimum Subscription)	12,500	-	-
Expenses of the Offer	(653)	-	(661)



Deferred tax assets associated with the expenses of the Offer - written off	196	-	(196)
<b>Pro forma balance at 30 June 2008 Minimum Subscription</b>	<b>23,314</b>	<b>(684)</b>	<b>3,080</b>
Issue of an additional 50,000,000 New Shares to the public in accordance with this Prospectus (Maximum Subscription)	12,500	-	-
Additional costs of the Offer	(1,002)	-	68
Deferred tax assets associated with the additional expenses of the Offer - written off	300	-	(300)
<b>Pro forma balance at 30 June 2008 Maximum Subscription</b>	<b>35,112</b>	<b>(684)</b>	<b>2,848</b>

#### 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.
- 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 50,000,000 New Shares in the Company at an issue price of \$0.25 per share to raise \$12.5 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 \$1.3 million, of which \$653,052 has been directly off set against share capital (\$457,136 net of tax) and \$660,794 has been recognised through the Income Statement.

##### (2) Maximum Subscription

- The issue of an additional 50,000,000 New Shares in the Company at an issue price of \$0.25 per share to raise an additional \$12.5 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 \$934,615 of which \$1.0 million has been directly off set against



share capital (\$701,274 net of tax) and \$67,204 has been recognised through the Income Statement.

## 2.5 Additional Information

Section 9 of the Prospectus headed 'Additional Information' is amended as follows:

### 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 2 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 \$250,000(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 Independent Accountant's Report. They are entitled to receive approximately \$120,000 (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 (exclusive of GST) for these services.

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 2 years.

Pitt Capital Partners Limited has acted as the Corporate Adviser and Lead Manager to 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.



## 2.6 Definitions

Section 10 of the Prospectus headed 'Definitions' is amended as follows:

<b>Application Form</b>	The application form accompanying the Supplementary Prospectus
<b>Closing Date</b>	5:00pm, <b>12 December 2008</b> (unless extended)
<b>Supplementary Prospectus</b>	This Supplementary Prospectus dated 5 December 2008



### **3. APPLICATIONS AND WITHDRAWAL OF APPLICATIONS**

#### **3.1 Applications**

Applications by new Applicants must be made using the application form that is attached to this Supplementary Prospectus. Applications must **not** be made on the application form accompanying the Prospectus.

Applications Forms must be received before 5:00pm AEST on the Closing Date, unless the Offer Period is extended.

Applicants who have already lodged an application form under the Prospectus do not need to complete the application form accompanying this Supplementary Prospectus. However, Applicants may lodge the application form accompanying this Supplementary Prospectus if they wish to apply for additional shares.

#### **3.2 Withdrawal of Applications**

Applicants who have applied for Shares prior to the date of this Supplementary Prospectus may withdraw their Application and receive a refund of their Application Monies within one month of the date of this Supplementary Prospectus.

Applicants wishing to withdraw their Application and be repaid their Application Monies must send a written request to:

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

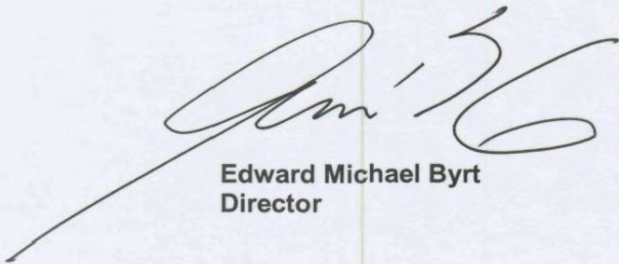
The request must contain details of the refund cheque. The details of the refund cheque (including the address to which it should be sent) must correspond to the details contained in the Application Form lodged by that Applicant.

Any Applicant wishing to withdraw their Application and be repaid their Application Monies has until **5pm AEST on 5 January 2009** to submit their written request.



#### **4. DIRECTORS' CONSENT**

This Supplementary Prospectus is signed on 5 December 2008 by Roger Smeed on behalf of the Directors, each of whom has consented to the signature, lodgement and issue of this Supplementary Prospectus and none of whom have withdrawn that consent before lodgement.

A handwritten signature in black ink, appearing to read 'Em 13', is written over the printed name and title of the director.

**Edward Michael Byrt**  
**Director**