ASX: TTV

ASX RELEASE

19 November 2012

Notice of Meeting & Online Version of 2012 Annual Report

In accordance with Listing Rule 3.17, Two Way Limited lodges the attached Shareholder Booklet (containing a letter of invitation to shareholders, Notice of Meeting, Proxy Form, Explanatory Memorandum, and Independent Expert's Report) for the 2012 Annual General Meeting, to be held on Wednesday 19 December 2012.

Corporate Restructure and Acquisition

At the AGM, shareholders will be invited to consider the proposed Corporate Restructure and Acquisition of Donaco Singapore Pte Ltd, as detailed in the attached Shareholder Booklet.

The Independent Expert, Leadenhall Corporate Advisory Pty Limited, has concluded that the Corporate Restructure and Acquisition is fair and reasonable to shareholders.

Bonus Issue of Options

As part of the Corporate Restructure and Acquisition, the Company proposes to conduct a bonus issue of one option for every two shares held by shareholders as at the bonus issue record date. Full details will be set out in a prospectus in accordance with Chapter 6D of the Corporations Act to be issued by the Company.

Annual Report

The pack mailed to shareholders today will also include a hard copy of the 2012 Annual Report, for those shareholders who elected to receive it.

An online version of the 2012 Annual Report can also be viewed at our corporate website at www.twowaytv.com.au/investors/annual_reports .

For further information:

Rointon Nugara
Company Secretary
Phone: +612 9017 7000

ABOUT TWO WAY LIMITED (ASX: TTV)

Two Way creates, develops and builds advanced interactive media and gambling applications for mobile, internet, TV and IPTV platforms. Our competitive strengths include our specialised expertise, patented technology and library of interactive applications which have been deployed on all devices.

Two Way has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) taking in New South Wales and Victoria in conjunction with Foxtel, and seen on Sky Racing 1, Sky Racing 2 and Sky Racing World. This has now been extended to include Racing and Wagering Western Australia (RWWA) and TattsBet Limited (ASX:TTS) covering Queensland & South Australia. Two Way has the potential to establish similar relationships with other wagering and broadcasting partners throughout Australia and overseas.

Our interactive wagering technology offers advanced betting features and related information, utilising the red button on the Foxtel remote providing the latest synchronization techniques to enhance the user experience. This technology can be applied to both racing and sports betting applications.

Our Way2Bet portal offers an extensive range of information resources to help punters bet better. These services are available via online and mobile platforms at www.way2bet.com.au and way2bet.mobi.

Two Way's products are currently being deployed by leading wagering and interactive TV operators in Australia and New Zealand. Our clients include Tabcorp, RWWA, TattsBet, Centrebet, IAS Bet, Luxbet, Sportingbet, Betfair, Optus TV, LG, Samsung and Sky New Zealand.

To learn more about Two Way visit www.twowaytv.com.au

Two Way Limited

(ACN 007 424 777)

Shareholder Booklet

Annual General Meeting and Corporate Restructure and Acquisition

A notice of meeting is included in Appendix 1 to this Booklet. A Proxy Form for the meeting accompanies this Booklet.

The Independent Expert has concluded that the Corporate Restructure and Acquisition is fair and reasonable.

Your vote is important in determining whether the Corporate Restructure and Acquisition proceeds. This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

Important Notices

General

You should read this Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the AGM. The notice convening the AGM is contained in Appendix 1. A Proxy Form for the meeting is enclosed.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 10 of this Booklet or where the relevant term is first used.

References to **dollars** or **$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding.

Purpose of this Booklet

The purpose of this Booklet is to:

- provide the Shareholders with information in relation to the AGM and the proposed Corporate Restructure and Acquisition Resolutions;
- explain the terms and effect of the Corporate Restructure and Acquisition to Shareholders; and
- provide such information as is prescribed by the Listing Rules.

ASX

A copy of this Booklet has been lodged with ASX. None of ASX or any of their officers takes any responsibility for the contents of this Booklet.

Input from other parties

Leadenhall Corporate Advisory Pty Ltd (ACN 114 534 619) (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Corporate Restructure and Acquisition enclosed with this Booklet and takes responsibility for that report. The Independent Expert is not responsible for any other information contained within this Booklet. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Donaco has prepared, and is responsible for, the Donaco Information. The Company does not assume any responsibility for the Donaco Information. The Independent Expert has prepared and is responsible for the independent experts report.

Other than in respect of the information identified above as Donaco Information, the information contained in the remainder of this Booklet has been prepared by the Company and is the responsibility of the Company. Neither Donaco, the New Holders nor any of their representatives assumes any responsibility for the accuracy or completeness of that information. The Company does not assume responsibility for the accuracy or completeness of any other part of this Booklet and assumes responsibility only to the extent required by law.

Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Shares. Independent financial and taxation advice should be sought before making any decision to invest in the Company or in relation to the Corporate Restructure and Acquisition. It is important that you read the entire Explanatory Memorandum before making any voting or investment decision. In particular, it is important that Shareholders consider the possible disadvantages of the Corporate Restructure and Acquisition and the risk factors identified in Section 7.

Shareholders should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If Shareholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Corporate Restructure and Acquisition. Past performance is no indication of future performance.

Forward looking statements

This Booklet includes certain forward looking statements which have been based on current expectations about future events. **The forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward looking statements.** The assumptions on which forward looking statements are based may prove to be correct or may be affected by matters not currently known to, or considered material by, the Company. Past performance is no indication of future performance.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet.

Important dates and times

Date of this Booklet	19 November 2012
Last time and date by which the Proxy Form for the Annual General Meeting can be lodged	11:00am (Sydney time) on 17 December 2012
Time and date for determining eligibility to vote at the Annual General Meeting	11:00am (Sydney time) on 17 December 2012
Annual General Meeting* to vote on the Corporate Restructure and Acquisition	11:00am (Sydney time) on 19 December 2012

* The Annual General Meeting will be held on Wednesday, 19 December 2012 at Four Points by Sheraton Hotel, 161 Sussex Street Sydney at 11:00 am with registration commencing at 10:30am (Sydney time).

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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Chairman's letter

19 November 2012

Dear Shareholder

It is my pleasure to invite you to the 2012 Annual General Meeting (**AGM**) of the Company.

The AGM will commence at 11:00am (Sydney time) on 19 December 2012, at Four Points by Sheraton Hotel, 161 Sussex Street Sydney.

During the AGM, approval will be sought for the proposed Corporate Restructure and Acquisition by the Company.

The Corporate Restructure and Acquisition will involve the following key steps:

1. non-selective consolidation of the Company's issued securities, pursuant to which all of the issued capital in the Company will be consolidated on a 20 to 1 basis;

2. the bonus issue of options to Shareholders for nil issue price on a pro-rata basis (**Bonus Issue**). Under the Bonus Issue, Shareholders will receive 1 option for every 2 shares they own in the Company (post Consolidation). Options issued under the Bonus Issue will have an exercise price of $0.30 (post Consolidation); and

3. the Company's acquisition of 100% of the issued share capital in Donaco Singapore Pte Ltd (**Donaco**) in consideration for the issue of ordinary shares by the Company (**Consideration Shares**) to Donaco's current shareholders, Convent Fine Limited and Slim Twinkle Limited (together the **New Holders**). The New Holders are both companies registered in the British Virgin Islands. See Section 5.1 and Section 5.2 for further details about the New Holders. It is expected at completion of the Corporate Restructure and Acquisition that Donaco's sole assets will be:

   (a) 75% of the ownership rights in Lao Cai International Hotel Joint Venture Company (**Lao Cai**); and

   (b) 75% of the licence under which Lao Cai operates the Lao Cai International Hotel, a boutique casino and hotel located in Lao Cai Province, Vietnam.

4. a public offer of new Shares, each with an issue price of not less than $0.30, to raise up to $1 million, to be conducted under a prospectus prepared in accordance with Chapter 6D of the Corporations Act (**Public Offer**).

This Booklet

This Booklet comprises:

- a Notice of Meeting at Appendix 1:
- a detailed Explanatory Memorandum; and
- a personalised Proxy Form.

Enclosed with this Booklet is a copy of the Independent Expert's Report and, if you elected to receive a hard copy, the Company's 2012 Annual Report.

What you need to do

All Shareholders should carefully read the Booklet in full, and decide whether to vote on the resolutions contained in the Notice of Meeting.

Your vote is important, but it is not compulsory to vote. If you would like to vote, you may either attend the AGM in person or alternatively appoint a proxy to vote for you at the AGM by using the attached Proxy Form or voting online. If you intend to appoint a proxy, please complete the Proxy Form and return it to us in accordance with the directions on the reverse side of the form by 11:00 am (Sydney time) on Monday, 17 December 2012.

Attendance

If you wish to attend the AGM:

- please bring your Proxy Form with you to assist us to process your registration efficiently; and
- if possible, call us on (02) 9017 7000 to confirm your attendance.

Your Directors and the Company's management look forward to welcoming you to the AGM.

Yours sincerely

Stuart J. McGregor
Chairman
Two Way Limited

PLEASE BRING THIS LETTER TO THE ANNUAL GENERAL MEETING

The Annual General Meeting of Two Way Limited will be held on Wednesday, 19 December 2012 at Four Points by Sheraton Hotel, 161 Sussex Street Sydney at 11:00 am with registration commencing at 10:30am (Sydney time).

Representatives of corporate shareholders should present satisfactory evidence of appointment when registering.

1. Ordinary business – Resolutions 1 - 4

1.1. Introduction

The AGM will be held at 11:00 am (Sydney time) on Wednesday, 19 December 2012, at Four Points by Sheraton Hotel, 161 Sussex Street, Sydney.

This section of the Booklet sets out the information Shareholders require with respect to Resolutions 1 – 4 (inclusive).

1.2. Resolution 1: Financial Statements and Reports

The Act and the Constitution (rule 20.2) require that the Report of the Directors, the Auditor's Report and the Financial Report be laid before the AGM. Shareholders will be given ample opportunity to ask questions with respect to these reports and statements at the AGM. There is no formal resolution for this item.

1.3. Resolution 2: Non-binding Resolution – Remuneration Report

As required by section 250R(2) of the Act, a resolution for the adoption of the Remuneration Report must be put to the vote. The Remuneration Report is contained within the Directors' Report in the 2012 Annual Report on pages 10 to 12.

Shareholders attending the AGM will have the opportunity to ask questions and make comments on the Remuneration Report.

Resolution 2 at the AGM is a non-binding, advisory resolution to adopt the Remuneration Report. Whilst this vote is advisory only and does not bind the Company or the Directors, the Board will take the outcome of the vote into consideration when reviewing the remuneration policies of the Company.

Following amendments to the Act which took effect on 1 July 2011, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs (treating this AGM as the first such meeting), Shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director, if any) must stand for re-election. The 2011 Remuneration Report was approved by Shareholders at last year's AGM.

Voting exclusion statement

The Company will disregard any votes cast in relation to the Remuneration Report by, or on behalf of:

- the Chairman, other directors or other key management personnel as disclosed in the Remuneration Report; and
- a closely related party (such as specified family members, dependants and any controlled companies) of those persons,

unless the vote is cast by that person as proxy for a person entitled to vote in accordance with a direction on the Proxy Form.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either "For", "Against" or "Abstain" on the Proxy Form for this Resolution.

1.4. Resolution 3: Election of Directors

The Constitution (rule 12.4) requires that one-third of the Directors, excluding the Managing Director, if any (or if that number is not a multiple of three, then the number nearest one-third), must retire at the AGM. The Constitution (rule 12.4) and Listing Rule 14.4 further provide that each Director is required to retire no later than at the third annual general meeting convened by the Company following his or her last election or appointment by a general meeting. Any Director retiring from office under rule 12.4 is eligible for re-election.

Benedict Paul Reichel (**Ben Reichel**) is due to retire by rotation in accordance with the Constitution and, being eligible, presents himself for re-election.

Ben Reichel is a company director and adviser in the media, gaming and technology sectors, with more than twenty years experience in major Australian listed public companies and law firms.

Ben Reichel held the position of Chief Executive Officer and Managing Director of the Company from July 2007 to January 2012, at which point he stepped down to pursue the next phase of his career. During his tenure as CEO and Managing Director, he improved the Company's bottom line by 85%. Ben also previously held the positions of Chief Operating Officer, General Counsel and Company Secretary.

Before joining the Company, Ben was General Counsel of Tab Limited (ACN 081 765 308), a $2 billion ASX listed company with operations in wagering, gaming and media. Prior to that, he was General Counsel of racing broadcaster Sky Channel Pty Limited, and held a number of executive positions at Publishing and Broadcasting Limited.

Ben was educated at the University of Sydney and the University of California, Berkeley. He holds a Bachelor of Arts, Bachelor of Laws with First Class Honours and Master of Laws with First Class Honours.

A review of Mr Reichel's performance during the period of his directorship has been undertaken. The Board unanimously recommends that shareholders vote in favour of Resolution 3.

1.5. Resolution 4: Approval of previous investments

Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval. However, under Listing Rule 7.4, the Company may seek subsequent approval to specified issues of securities, and if that approval is granted, such issues do not count toward the 15% limit.

Resolution 4 seeks Shareholder approval for the previous issues of:

- 15,000,000 shares issued to Beez Investments Pty Limited on 29 June 2012, in return for an investment of working capital in the sum of $300,000; and
- 16,666,667 ordinary shares issued to various investors on 18 September 2012, in return for an investment of working capital in the sum of $250,000.

These shares were issued in accordance with the 15% in 12 months limitation set out in Listing Rule 7.1.

The following information is provided in relation to the share issue on 29 June 2012, in accordance with the requirements of Listing Rule 7.4.

Number of shares issued	15,000,000
Price at which the shares were issued	3 cents per share
Terms of the securities	Ordinary fully paid shares in the same class and ranking equally with existing fully paid ordinary shares on issue in all respects.
Basis on which allottees were determined	Professional investor.
Names of allottees and respective allocations	Beez Investments Pty Limited
Voting exclusion statement	See below
Intended use of the funds raised	Working capital

The following information is provided in relation to the share issue on 18 September 2012, in accordance with the requirements of Listing Rule 7.4.

Number of shares issued	16,666,667
Price at which the shares were issued	1.5 cents per share
Terms of the securities	Ordinary fully paid shares in the same class and ranking equally with existing fully paid ordinary shares on issue in all respects.
Basis on which allottees were determined	Professional and/or sophisticated investors.
Names of allottees and respective allocations	Helen M S Leong (6,666,667 shares) Wai Kit Choo (4,933,333 shares) Shoba Devi Arnasalam (400,000 shares) Chan Fatt Choo (400,000 shares) Lucy M Y Teow (400,000 shares) Haemalini K Pichai (400,000 shares) Tom Sun Yap (400,000 shares) Shanmuga Pillaiyan (400,000 shares) Kim How Yeoh (200,000 shares) Shuk J A Wong (1,133,333 shares) Kyen Chee Kong (400,000 shares) Madelene S L Tan (933,334 shares)
Voting exclusion statement	See below
Intended use of the funds raised	Working capital

The Board believes that it is in the best interests of the Company to maintain its ability to issue up to a full 15% of its issued capital, in order that it may issue further securities in the next 12 months if necessary, enabling the Company to continue to pursue its objectives.

Accordingly, the Company seeks Shareholder approval of the issues of:

- 15,000,000 Shares to on 29 June 2012; and

- 16,666,667 ordinary Shares issued to various investors on 18 September 2012,

for the purposes of Listing Rule 7.4 of the Listing Rules.

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by any of the persons named in the tables above, and their Associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or

- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Summary of the Corporate Restructure and Acquisition

2.1. Introduction

Sections 2 – 9 of the Booklet provide Shareholders with the information required for the purpose of Resolutions 5 – 12 (inclusive).

2.2. Summary

As announced on 24 August 2012 and 9 October 2012, the Company has entered into an agreement with Donaco Singapore Pte Ltd (**Donaco**) and subsequently, its two shareholders, Convent Fine Limited (**Convent**) and Slim Twinkle Limited (**Slim**), companies associated with the Lim family, under which the Company will acquire all of the shares of Donaco from Convent and Slim (**Sale Agreement**). See Section 4.1 for information about Donaco and the Lim family and Sections 5.1 and 5.2 for information about Slim and Convent. At the time of completion of the Corporate Restructure and Acquisition, it is expected that Donaco's sole assets will be:

- 75% of the ownership rights in Lao Cai International Hotel Joint Venture Company (**JV Company**); and
- 75% stake in the licence under which JV Company operates the Lao Cai International Hotel, an exclusive casino and hotel located in Lao Cai Province, Vietnam.

At completion of the Corporate Restructure and Acquisition, Convent and Slim will be issued in aggregate 261,724,250 fully paid ordinary shares in the Company[1] at an issue price of $0.30 per Share (**Consideration Shares**).

Immediately after the issue of the Consideration Shares, Convent's voting power in the Company will increase from 0% to 48.36%, Slim's voting power in the Company will increase from 0% to 46.46% and together Slim and Convent will hold a relevant interest equal to 94.82%[2]. See Section 6 for details of the impact that the issue of Consideration Shares will have on the control of the Company.

As part of the Corporate Restructure and Acquisition, Lim, Keong Yew, Benjamin Lim Keong Hoe and Mak, Siew Wei (each a **New Director**) will be appointed as Directors of the Company.

In addition, to rationalise the Company's share price so that the Company can re-comply with Chapters 1 and 2 of the Listing Rules, the Company proposes to:

- consolidate its issued capital on a 20 to 1 basis (**Consolidation**); and
- raise $1 million through the issue of new Shares, each with an issue price of not less than $0.30, under a prospectus issued by the Company in accordance with the Corporations Act (**Public Offer**).

Re-compliance with Chapters 1 and 2 of the Listing Rules is precondition to completion of the Corporate Restructure and Acquisition that ASX has imposed on the Company under Listing Rule 11.

To proceed with the Corporate Restructure and Acquisition, Shareholders are being asked to consider, and if thought fit, to approve the Consolidation, the Public Offer, the issue of Consideration Shares, the acquisition of Donaco and the appointment of each New Director. Conditional on these approvals and the Company satisfying ASX that it has complied with Chapters 1 and 2 of the Listing Rules, the Corporate Restructure and Acquisition will be completed.

If the Corporate Restructure and Acquisition is approved, your Directors are also proposing to:

- conduct a bonus issue of options (each with a nil issue price) to Shareholders (other than Convent and Slim) on a pro-rata basis (**Bonus Issue**). The Bonus Issue will be made under a prospectus in accordance with Chapter 6D of the Act to be issued by the Company. Under the Bonus Issue, Shareholders will receive 1 option for every 2 Shares they own in the Company

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[1] The number of Consideration Shares assumes a consolidation of the Company's capital (on a 20 to 1 basis) has been completed. 261,724,250 Shares calculated on a post consolidation basis is the equivalent of 5.2 billion Shares issued at the date of the Booklet.

[2] Calculated before the issue of new Shares under the Public Offer.

as at the Bonus Issue Record Date. Options issued under the Bonus Issue will have an exercise price of $0.30. No approval is required or is being sought with respect to the Bonus Issue. Full terms and conditions for the Bonus Issue will be disclosed in the prospectus; and

- change the name of the Company to "Donaco International Limited".

Your Directors believe that the Corporate Restructure and Acquisition will, if it proceeds, provide a solid financial foundation for the future, as well as a capital base that will allow the Company to take advantage of a wider range of attractive investment opportunities in the Asia-Pacific market.

For the Corporate Restructure and Acquisition to proceed, Shareholder approval is required:

- under 254H of the Act for the Consolidation;
- under Item 7 of Section 611 of the Act for the issue by the Company of the Consideration Shares that will result in each of Convent and Slim having a relevant interest in the Company greater than 20%;
- under Listing Rule 11.1 for the significant change to the nature and scale of the Company's activities that will result from the acquisition of the Donaco;
- under Listing Rule 7.1 for the issue of up to $1 million of new Shares under the Public Offer; and
- to appoint each of Lim, Keong Yew, Benjamin Lim Keong Hoe, and Mak, Siew Wei, as directors of the Company.

Shareholder approval is also required to change the name of the Company.

Resolutions 5 – 11 require approval by a simple majority of votes (50% or more) cast by eligible Shareholders at the AGM. Resolution 12 requires approval by a special majority of votes (75% or more) cast by eligible Shareholders at the AGM.

For the full explanation of the nature, purpose and effect of the Resolutions and the voting restrictions applying to them, please refer to Section 9 of this Booklet.

2.3. Resolutions inter-conditional

Resolutions 5 – 11 are inter-conditional. This means that each of these Resolutions needs to be passed for the approval sought in respect of the Corporate Restructure and Acquisition to be effective.

Resolution 12 is conditional on Resolutions 5 – 11. This means, Resolutions 5 – 11 need to be passed for Resolution 12 to be put to the AGM.

2.4. Key conditions

The key conditions that must be satisfied or waived for the Corporate Restructure and Acquisition to proceed are summarised in Section 8.2.

2.5. Implementation and timetable

For the Corporate Restructure and Acquisition to proceed Resolutions 5 – 11 (inclusive) must be approved and the Company must re-comply with Chapter 1 and Chapter 2 of the Listing Rules (See Section 9.6 for details about compliance with Chapter 1 and Chapter 2 of the Listing Rules).

As at the date of this Booklet, the Company has no reason to believe that it will not be able to satisfy the requirements of Chapter 1 and Chapter 2 of the Listing Rules.

If Resolutions 5 – 11 are approved it is expected:

- the Company will be suspended from trading on the ASX after the AGM;
- the Consolidation will complete on 8 January 2013;

- the Bonus Issue record date will be 29 January 2013 and the Bonus Issue will be completed by 11 February 2013;
- the acquisition of Donaco, the issue of the Consideration Shares and the New Directors appointment will occur by 29 January 2013, and in any event, within 3 months of the date of the AGM;
- the Public Offer will close on 29 January 2013; and
- Shares in the Company will recommence trading on the ASX on or before 20 February 2013.

If Resolution 12 is approved, the Company will file the necessary forms with ASIC and ASX to effect the change of name following at the time the Consideration Shares are issued.

See Section 6.3 for further details regarding the expected timetable.

2.6. Independent Expert's Report

The Company engaged the Independent Expert to prepare an Independent Expert's Report expressing an opinion on whether or not the Corporate Restructure and Acquisition is fair and reasonable to Shareholders who are not associated with Convent and/or Slim.

The Independent Expert concludes that:

> *"The Proposed Transaction is fair and reasonable to Shareholders. Therefore the proposed acquisition of a 94.82% interest in the Proposed Merged Entity by Slim and Convent is also fair and reasonable to Shareholders."*

A copy of the Independent Expert's Report is enclosed with this Booklet and you should read it as part of your assessment of the Corporate Restructure and Acquisition.

3. Rationale for the Corporate Restructure and Acquisition

3.1. Introduction

The purpose of this Section is to identify significant issues for Shareholders to consider in relation to the Corporate Restructure and Acquisition.

Shareholders are reminded that the Corporate Restructure and Acquisition will not proceed unless the Consolidation, the issue of the Consideration Shares, the appointment of the New Directors and the Public Offer are approved at the AGM.

Before deciding how to vote at the AGM, Shareholders should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

3.2. Rationale for the Corporate Restructure and Acquisition

The Company's rationale for proceeding with the Corporate Restructure and Acquisition can be summarised as follows:

- **Cash flow positive and profitable ASX listed entity** – the Corporate Restructure and Acquisition will create a cash-flow positive and profitable ASX-listed entity. The Proposed Merged Entity will pursue gaming and wagering opportunities, particularly in Asia. See Sections 5.3 and 6.2 for details.
- **Consolidation of complementary skills and assets in the gambling industry** – through the Corporate Restructure and Acquisition, the parties will explore ways of combining the Company's expertise in online and interactive gambling, with Donaco's casino management expertise, to offer online casino gaming in territories where it is legal to do so.
- **Improved international reach and relationships** – the Lim family, the New Directors and Donaco are well known and respected throughout Asia. Your Directors believe that the long established business relationships and reputation of the Lim family will assist the Company's

expansion into Asia Pacific region and could result in opportunities for the Company in what your directors consider to be a growing region. See Section 5.5 for details of the New Directors.

- **Strengthened market capitalisation** – the introduction of the Lim family as cornerstone shareholders in the Company (through the issue of Consideration Shares to Slim and Convent) and the Public Offer will provide the Company's share register with greater strength and stability. The increase in the Company's market capitalisation is expected result in increased liquidity in the Company's Shares. Increased liquidity and investor interest is expected to assist the Company to pursue appropriate growth opportunities.

- **Premium to market price** – The Corporate Restructure and Acquisition values the equity in the Company at 1.5 cents per Share, which is a 50% premium to both the last traded price, and the 30-day volume weighted average price, of the Company's Shares as at 24 August 2012, when the transaction with Donaco was first announced. The Company's Shares trade in a fully informed market, although liquidity can vary on a daily basis. Therefore, the Board considers that adopting a "market value of shares" methodology to determine an indicative value of the Company is appropriate, as it reflects all publicly available information on the Company.

  On this basis, the premium of 50% represents a very fair price for Shares.

- **Appropriate valuation** – in determining the value of Donaco, the Board considered a number of sources of information, including a valuation comparison for 18 publicly traded gaming companies published by JP Morgan on 12 August 2012. This comparison showed that the selected gaming companies traded at share prices that represented various multiples of earnings before interest, tax, depreciation and amortisation (**EBITDA**). The multiples based on estimated FY12 earnings ranged from 6.4x (for Genting Malaysia) to 13.9x (for Sands China). The average multiple for Malaysian/Singapore listed entities was 8.0x; the average for Australian listed entities was 9.2x; the average for Macau operators listed in Hong Kong was 10.0x; and the average for Macau operators listed in the USA was 10.3x. These variations in multiples are based on different taxation and regulatory regimes applicable in each jurisdiction.

  The Corporate Restructure and Acquisition values Donaco at a multiple of 7.3x expected earnings for FY12 (to December 2012), based on seven months of actual performance and five months of forecast. The Board considers that this represents an appropriate valuation multiple, based on typical multiples for other casino operators as listed above. The valuation multiple is not a forecast. There can be no guarantee as to the future performance of Donaco.

  In addition, Two Way shareholders will receive additional value under the Corporate Restructure and Acquisition, in the form of one free Bonus Option for every 2 Shares that they hold in the Company. The Bonus Options will have an exercise price of $0.30, and will expire after two years. As at the date of this Booklet, full terms and conditions of the Bonus Options have not been determined. The terms will be disclosed in the Prospectus to be issued by the Company.

- **Investment in Lao Cai** – your Directors consider the Corporate Restructure and Acquisition provides the Company with an opportunity to acquire a 75% stake in the joint venture company that owns the Lao Cai International Hotel (the JV Company), an investment that offers attractive prospects for future returns. See Section 4 of this Booklet and Section 4 of the Independent Expert's Report for information on the Lao Cai International Hotel.

- **Adopting a name that reflects the Company** – under the Corporate Restructure and Acquisition, the Company will establish an alliance with the Lim family. The proposed new name is "Donaco International Limited". Donaco is a long-established and successful business, and has a successful joint venture relationship with the Vietnamese Government in relation to the Lao Cai International Hotel. Adopting the new name for the Company as a part of the Corporate Restructure and Acquisition is a public confirmation of this alliance and the Company's new direction. Therefore it is appropriate for the merged entity to adopt this name.

- **Director's unanimous recommendation –** it is the unanimous recommendation of the Directors that, in the absence of a superior proposal, the Shareholders should vote in favour of the Corporate Restructure and Acquisition. Each Director of the Company intends to vote all Shares they own or control in favour of all Resolutions (in the absence of a superior proposal).

3.3. Why you may vote against the Corporate Restructure and Acquisition

Shareholders may decline to approve the Corporate Restructure and Acquisition for a number of reasons. These may include the following:

- **Disagreement with Independent Expert** – the Independent Expert has concluded that the Acquisition is fair and reasonable to Shareholders not Associated with Donaco, Convent and Slim. You are not obliged to follow that recommendation.

- **Control** – as a result of the Corporate Restructure and Acquisition, Convent's and Slim's voting powers in the Company will increase from 0% to 47.79% and 45.91% respectively (assuming no Options are exercised between the date of this Booklet and the date of completion and 3,333,334 new Shares are issued under the Public Offer)[1]. This will provide Convent and Slim with the ability to individually block special resolutions (requiring 75% approval) put to Shareholders and, acting together, carry both ordinary (requiring 50% approval) and special resolutions.

- **Dilution –** Shareholders have not been given the opportunity to participate in the issue of the Consideration Shares to Convent and Slim. As a result, Shareholders' interests in the Company will be significantly diluted. It should be noted, however, that the dilution, which will occur as a consequence of the issue of the Consideration Shares calculated on a pre-consolidated basis, the Independent Expert has determined the Consideration Shares to have an effective value between 1.29 cents and 1.38 cents, will, therefore, occur at a price above 0.83 cents – 0.88 cents, the range of values the Independent Expert has determined are representative of the current fair market value at the date of this Booklet. See Sections 8.1, 10.4 and 11.1 of the Independent's Expert Report for details. Further, as a result of the issue of the Consideration Shares and the acquisition of Donaco, the net asset value per Share will increase from 0.201 cents to 0.206 cents (calculated on a pre-Consolidated basis) based on the pro forma balance sheet prepared as at 30 June 2012. See Section 6.7 for details.

- **Reduce attractiveness of the Company as a takeover target** – following the issue of the Consideration Shares, Convent and Slim will have an aggregate voting power of 94.82% (before completion of the Public Offer and assuming no Options are exercised between the date of this Booklet and the date of completion). The aggregate shareholding of Convent and Slim may reduce the attractiveness of the Company to potential acquirers as it would make a takeover of the Company difficult.

- **You do not want the Company to acquire Donaco or the Lao Cai Interest** – the future earnings of the JV Company and the value of Donaco is affected by the general economic climate, political movements, currency movements, interest rates and other factors beyond the control of the Company. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments. You may not consider the Corporate Restructure and Acquisition to be a sound investment decision.

- **Increased costs** – if the Corporate Restructure and Acquisition is approved, the costs incurred by the Company will increase. However some costs (such as fixed administrative costs) will reduce on a per Share basis, as they are spread across a larger capital base.

3.4. Risks of the Corporate Restructure and Acquisition

While the Company considers the benefits for Shareholders far outweigh the risks, there are a number of risks to Shareholders associated with the Corporate Restructure and Acquisition.

See Section 7 for details of material risks identified by the Directors.

3.5. Key implications if the Corporate Restructure and Acquisition does not proceed

If any one of Resolutions 5 – 11 is not approved by the Shareholders:

- the Corporate Restructure and Acquisition will not proceed;

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[1] Immediately after the issue of the Consideration Shares, Convent's voting power in the Company will be 48.36% and Slim's voting power in the Company will be 46.46%.

- the Shareholders will retain their current interest in the Company and there will be no change to the board of the Company, other than the retirement and re-election of directors pursuant to the Constitution;

- the Company may be required to find sources of finance to fund its activities. There is no guarantee that the Directors will be able to source equity or debt financing at suitable rates, or at all; and

- the Company will have spent substantial Board and management time and resources pursuing the Corporate Restructure and Acquisition, without realising the benefits of the Corporate Restructure and Acquisition. In addition, if the Corporate Restructure and Acquisition is not approved, the Company would lose a great opportunity to advance its business with a substantial and credible investor, and is likely to have to search for other sources of funding, on terms that are uncertain and unpredictable.

4. Donaco and Lao Cai International Hotel

4.1. Profile of Donaco

Donaco is a Singapore registered company involved in the gaming, entertainment and trading industries.

Donaco was incorporated in 2002 to hold the Lim family's investment in the JV Company. Donaco was co-founded by the late Tan Sri Lim Goh Tong. Donaco has also served as an investment holding company for several of the Lim Family's investments. Donaco owns 75% of the JV Company, with the remaining 25% owned by Sapa Petrol Tourism Joint Stock Company, an entity Associated with the Government of Vietnam.

At the time of completion of the Corporate Restructure and Acquisition it is expected that the Lao Cai Interest will be Donaco's only asset and that there will be no outstanding debts or encumbrances (other than those associated with the Lao Cai Interest). Convent and Slim, Donaco's sole shareholders, are entities associated with the Lim family. See Section 4.1 of the Independent's Expert Report for further details on Donaco.

Lim, Keong Yew and Benjamin Lim Keong Hoe are the grandsons of the late Tan Sri Lim Goh Tong, the founder of the Genting Group of companies. The Genting Group is a Malaysian conglomerate comprising five listed entities (namely holding company Genting Berhad (MY:3182) and its member companies Genting Malaysia Berhad (MY:4715), Genting Plantations Berhad (MY:2291), Genting Singapore Plc (SG:G13) and Genting Hong Kong Limited (HKEX:678).

Genting Berhad, which operates and manages Malaysia's only casino resort was founded in 1965, together with its member company Genting Malaysia Berhad, are both members of the Kuala Lumpur Composite Index.

Lim, Keong Yew is the current Managing Director and Chief Executive Officer of Donaco, Benjamin Lim, Keong Hoe is the current Executive Director of Donaco.

4.2. Profile of Lao Cai International Hotel

The JV Company is the entity that owns the Lao Cai International Hotel, a boutique hotel in Lao Cai, Vietnam, located on the border with Yunnan Province in China (**Lao Cai Province**).

The JV Company is a joint venture company established in Vietnam by and between Sapa Tourism Petrol JSC and Donaco under an investment licence issued by the Ministry of Planning and Investment in Vietnam.

The JV Company was initially established for the purposes of investing, constructing and upgrading an pre-existing hotel, then known as the "Duyen Hai Hotel". The Duyen Hai Hotel is now called the Lao Cai International Hotel and is an international hotel and entertainment centre for foreign patrons. Duyen Hai Hotel was reopened under the name of Lao Cai International Hotel JVC in January 2003 and is a fully operational casino with 36 slot machines, 8 gaming tables, 32 hotel rooms and restaurants.

4.3. New Casino Project

To further benefit the tourism and entertainment development in the Lao Cai Province, the JV Company is expanding its business operations through the construction of a 4-star hotel, casino and amusement park (**New Casino Project**). The New Casino Project is currently being constructed 2km from the existing Lao Cai International Hotel. As such it is close to the international border with China and the centre of Sapa tourism, it is also close to the local railway station. The land on which the New Casino Project is being developed is licensed to the JV Company from the Lao Cai local Government for a term of 30 years (rent free for first 11 years).

Construction of the New Casino Project started in 2011. It is currently estimated that the New Casino Project will be operational at the beginning of year 2014. Once construction is complete, the intention is that the business operations of the Lao Cai International Hotel will be moved from their current premises to the new location.

Donaco believes that the New Casino Project is unique; there is currently no (geographically located) direct competition for a casino of the size and offering the same services and facilities as those of the New Casino Project. The established brand and casino licence (the only casino licence in Lao Cai Province) are expected to be advantageous for the New Casino Project.

A further advantage is the New Casino Project is located within a “border economic zone”. As a result, the New Casino Project will be expected to be entitled to:

- preferences on corporate income tax from time to time;
- preferences on import taxes for equipments; and
- a 50% deduction of personal income tax.

4.4. Lao Cai Province and market

Lao Cai Province is located in the North of Vietnam, bordering with Ha Giang, Yen Bai, Son La, Lai Chau and China. The Lao Cai Province is known for its scenery, landscapes and marketplaces.

Lao Cai Province is developing its tourism and hospitality capabilities, which in turn is feeding the need for more improved accommodation options. See Section 4.3 of the Independent’s Expert Report for further details regarding the Lao Cai Province.

In the Lao Cai Province there are currently approximately 9 hotels, representing a total of 1000 rooms. Most hotels fall into the 2 – 3 star category. None of these hotels have licences to operate casinos.

Most of the competing hotels are located within 3km of the New Casino Project. Donaco believes that the New Casino Project has a competitive advantage as other properties do not have fully functional hotel/resort facilities. The majority of hotels only offer basic accommodation options.

See Section 3 of the Independent’s Expert Report for further details regarding the casino industry in Vietnam including known planned casino developments.

4.5. Donaco’s historical financial performance

The following table is a pro forma balance sheet prepared in accordance with the Act, the Corporations Regulations 2001 and applicable accounting standards.

The pro forma balance sheet has been prepared to illustrate the historical financial performance of Donaco as though Donaco's sole asset was the Lao Cai Interest. The pro forma statement of the financial position of Donaco has been prepared based on the audited financial position of Lao Cai at the dates set out in the table.

	31/12/2010 (12 months) 3	31/12/2011 (12 months) 3	30/06/2012 (6 months) 3
AUD $			
Revenue[1.]	3,522,914	9,720,700	4,864,233
Profit before tax[2]	1,797,489	8,308,199	3,526,990
Tax expense	483,926	2,079,181	885,505
Net profit after tax	1,313,564	6,229,017	2,641,485
Net profit attributable to non-controlling interests	328,391	1,557,254	660,371
Net profit attributable to shareholders of Donaco	985,173	4,671,763	1,981,114

Notes:

1 See section 4.9 of the Independent Expert's Report for details on what constitutes "revenue".

2 Operating costs include costs of operating the hotel restaurant and casino. These comprise salaries and wages, food and beverages, housekeeping costs (including cleaning) and other operating and administrative costs.

3. Figures used in the pro forma statement reflect 75% of the audited financial position of the JV Company.

Both revenue and Net Profit before Tax (**NPBT**) have grown over the years ending December 2011 and 2012. The revenue and NPBT for the six months to June 2012 increased when compared to the previous corresponding period by 38.3% and 24.9% respectively. On a constant currency basis revenue and NPBT increased by 45.2% and 31.1% respectively.

In previous years the July to December period have generated higher revenues and profits than the period July to June (this is a statement of fact not a forward looking statement). The JV Company pays tax on profits at a rate of 25%, which has not varied since the hotel commenced operation in January 2003.

For further financial information, see Section 4.9 and Section 4.10 of the Independent's Expert Report.

4.6. Material contracts

Licence

The JV Company was established and operates pursuant to a licence (**Licence**) issued by the Ministry of Planning and Investment and the People's Council and People's Committee on 19 July 2002 (as amended from time to time). The Licence is currently held by Donaco and Sapa Tourism Petrol Joint Stock Company (**Sapa**).

The Licence permits its holders to establish and operate the JV Company for a period of 30 years commencing on the 19 July 2002. The JV Company is a two member limited liability company which is subject to, and must comply with, Vietnamese regulations, laws and decrees which govern its operation together with the terms of the Licence, investment certificates, the Contract and JV Charter.

Donaco currently expects it will apply for the renewal of the licence before its expiry on 19 July 2032. Whilst there is no guarantee that the Licence will be renewed after 19 July 2032, Donaco is not currently aware of any reason why it would not be renewed.

The Licence permits the JV Company to operate a hotel, bar, restaurant, casino and leisure centre in Lao Cai.

The Licence permits the JV Company to operate no more than 150 slot machines, 150 video game machines and 8 gaming tables[1]. Only Vietnamese foreign nationals or holders of a passport issued by a country other than Vietnam are permitted to use the JV Company's gaming facilities.

Collection of Cash (Foreign Currency)

The JV Company is also entitled, subject to certain restrictions as laid out in the Permit for Collection of Cash Foreign Currency dated 19 May 2003, to collect foreign currency in cash from bonus games service operations which are marketed solely at foreigners.

Joint Venture Contract

On 9 September 2009, Donaco and Sapa (**JV Parties**) entered into an agreement outlining the relationship between the JV Parties and how the JV Parties will operate the JV Company (**Contract**).

Pursuant to the Contract, the operation term of the JV Company, the Contract, the JV Charter and the Licence is 30 years from the 19 July 2002. The JV Parties, prior to the end of the term, shall consider an extension of the term subject to the approval of the competent state authority of Vietnam. The JV Company is entitled to use the site at Dangchau Street, Duyenhai ward, Lao Cai city, Lao Cai, Province, Vietnam for 30 years from 19 July 2002 and in the event that the Parties decide the extend the term, the Parties shall submit an application to the relevant authorities to obtain an extension of the term.

The Contract provides specific details of how loans are to be obtained and managed by the JV Company.

The percentage holding of each of the JV Parties, being 25% stake held by Sapa and a 75% held by Donaco, must be maintained during the 30 year term. A JV Party can sell its ownership stake in the JV Company (**Stake**) to a third party only in circumstances where the non-selling JV Party does not wish to acquire the Stake and both the JV Board and relevant Vietnamese authorities approve the transfer.

JV Charter

The JV Charter dated 9 September 2009 (**JV Charter**) is the equivalent of a constitution and sets out the rules under which the JV Company operates.

The following is a summary of the key provisions of the JV Charter:

- **Board of Management** (**JV Board**) – The JV Board is comprised of 9 directors, 7 being appointed by Donaco and 2 being appointed by Sapa. The JV Board is appointed for 3 years and, unless notice of a replacement appointee is given, the directors will be re-appointed for a further 3 years. The directors do not receive wages but are entitled to a minimum allowance for attendance at each meeting of the JV Board. Each director is entitled to one vote at any meeting of the JV Board and all decisions must be approved by a simple majority of the JV Board except for decisions in relation to the amendment of or addition to the JV Charter or the appointment or dismissal of the general director or the deputy general director.

- **Executives** – The JV Company is managed by a general director and deputy general directors nominated by the Parties and appointed by the JV Board. The JV Charter provides details of the process to be followed for the appointment and dismissal of the various executives. The JV Charter further specifies the responsibilities and obligations of the executives and confirms that the general director must consult with the first deputy general director before making any significant decisions in relation to the JV Company.

- **Termination** – either JV Party may terminate the JV Charter and, consequently the Contract in the event of a material breach of the JV Charter or Contract, a change of law or proposed change of law which would have a material adverse effect on the operations of the JV Company. The JV Parties may also terminate the JV Charter or Contract by mutual agreement.

[1] The games that can be played at the gaming tables include baccarat, blackjack and taisai, and are governed by rules issued by the People's Committee of Lao Cai province.

4.7. Key Management of the JV Company

The managers of JV Company have extensive experience in gaming and operating leisure facilities. Set out below are summaries of the managers' experience:

- **Mr Tan Iam Howi** – Mr Howi is the General Director of JV Company, joining the JV Company in August 2010. He completed his diploma course of Financial Accounting in Tunku Abdul Rahman College (Malaysia) and the Chartered Association of Certified Accountant of UK (ACCA) in 1984 and was admitted as associate member of ACCA and a fellow member of the FCCA in 1989. He is also a registered accountant of MIA (The Malaysia Institute of Accountant).

  Mr Howi worked with Genting Bhd & Resorts World Bhd for over seven years. Mr Howi is an experienced auditor and accountant - acting as the head of accounting and budgeting for Golden Star Video Sdn Bhd after this time at Genting. Following his time at Golden Star, Mr Howi worked for South China Strategies Sdn Bhd as the assistant general manager and later for Rapid Pile Sdn Bhd as the company accountant.

- **Mr Tran Quoc Hong** – Mr Tran Quoc Hong is the Deputy General Director for the JV Company. He has a degree in Accounting and Finance from the University of Hanoi, Vietnam.

  Soon after graduating from the University of Hanoi, he joined the Lao Cai Import & Export Company (a State Government Company) where he worked as an accountant and later the chief accountant, overseeing the company's financial reporting and compliance. Before joining the JV Company, he worked with the Lao Cai Tourist Company (a State Government company) in overseeing the overall accounts operations.

  Mr Hong joined the JV Company in 2003 as chief accountant and was promoted to deputy general director in 2006.

- **Mr Michael Chow En Lai** – Mr Michael Chow En Lai is the head of operations for the JV Company.

  He started his career with Genting Group Malaysia and has assumed numerous roles in relation to the casino operations (such as project planning, performance analysis, floor expansion, staff training and general management). Mr Chow joined the JV Company in October 2010. . Before that, he was the project operation manager involved in setting up the Royale Hotel & Casino in Cambodia where he was responsible for the casino's operations as well as establishing and implementing the casino's marketing plan and promotions.

- **Mr Jason Shit Ngai Fatt** – Mr Jason Shit Ngai Fatt is the JV Company's casino cage manager. Jason has a Diploma in Hotel Management from City & Guilds (School of Hotel & Catering).

  Before joining the JV Company in 2005, Mr Fatt managed a number of famous hotels in Malaysia including the Shangri-La Hotel and Pan Pacific Glenmarie.

5. Profile and intention of Slim and Convent

5.1. Slim

Slim was registered in the British Virgin Islands. Lim, Keong Yew and Benjamin Lim Keong Hoe, two of the three New Directors, are the sole shareholders of Slim. Slim has three directors, Lim, Keong Yew, Benjamin Lim Keong Hoe and Jeanie Woo.

5.2. Convent

Convent was registered in the British Virgin Islands. Convent has 4 shareholders, namely, Lim, Keong Yew, Benjamin Lim Keong Hoe and Marie Lim and Tan, Bee Gaik. Convent has three directors, Lim, Keong Yew, Benjamin Lim Keong Hoe and Jeanie Woo.

5.3. Management of Slim and Convent

Lim, Keong Yew is authorised to manage the business affairs of both Slim and Convent. Slim and Convent have confirmed that there is no present intention to remove Lim, Keong Yew as their authorised manager.

5.4. New Holders' Intentions

If the Corporate Restructure and Acquisition is approved immediately after the issue of the Consideration Shares, Convent and Slim will hold in aggregate 94.82% of the Shares in the Company.

This Section sets out the intentions of Convent and Slim in relation to:

- the continuation of the business of the Company;
- any major changes to be made to the business of the Company, including redeployment of the fixed assets of the Company; and
- the future employment of the present employees of the Company.

The intentions set out in this Section 5.4 have been formed on the basis of facts and information concerning the Company and the general business environment which is known to Convent and Slim as at the date of this Booklet, based on publicly available information and information that the Company has made available to Convent and Slim.

Final decisions will only be made by Convent and Slim in light of all material facts and circumstances at the relevant time and after conducting a detailed review of the Company's business. Accordingly, the statements set out in this section are statements of present intention only, which may change as new information becomes available.

- **Head Office** – No changes expected. It is intended that the head office of the Company will remain in Sydney.
- **Directors** – The Board following the Completion of the Corporate Restructure and Acquisition will comprise Stuart McGregor, Ben Reichel, Gerald Tan, Benjamin Lim Keong Hoe, Lim, Keong Yew and Mak, Siew Wei.
- **Business continuity** – the Company's current business operations will continue following Completion of the Corporate Restructure and Acquisition however the Company will look to expand into Asia, taking advantage of the knowledge and experience of Donaco. See Section 6.2 for further details.
- **Employees** – other than the changes to the Board, there are no current plans to change the Company's management team or to make any changes to the employees as a result of and following successful implementation of the Corporate Restructure and Acquisition.

5.5. Nominee TTV Directors – summary of experience

As part of the Corporate Restructure and Acquisition, the New Directors will be appointed as directors of the Company. This section summarise the experience of each New Director.

Mak, Siew Wei

Mak, Siew Wei holds a Bachelor Degree in Management Information Systems. Mak, Siew Wei served as a Business Development Manager of Marvic International (NY) Ltd. from 1998 to 2000. He has been an Independent Non Executive Director of Jotech Holdings Bhd since August 2006, Nakamichi Corp. Bhd since August 2008 and Av Ventures Corp. Bhd since April 2006.

He has been an Executive Director of Advance Information Marketing Berhad since September 2010. He has been an Executive Director of SCAN Associates Berhad since August 2012.

Mak, Siew Wei served as Manager of Low Yat Holdings Sdn Bhd from 2001 to 2002.

Lim, Keong Yew

Lim, Keong Yew is the grandson of the late Tan Sri Lim Goh Tong, founder of the Genting Group of companies. See Section 4.1 for details.

Lim, Keong Yew is of Malaysian nationality and has a Bachelor Degree in Computer Science from Queen Mary and Westfield College, University of London.

Lim, Keong Yew is currently acting as the managing director and chief executive officer of Donaco, a Singaporean company holding an investment in a Vietnamese casino. Lim, Keong Yew is also a director of Malahon Securities Limited. Malahon Securities Limited is a stock brokerage, founded in 1984 and is a member and participant of Hong Kong Exchange. Mr. Lim is also the principal of the Slingshot Group of Companies. The Slingshot Group of Companies are investment companies based in Hong Kong.

Lim, Keong Yew's relevant experience includes:

- working as an executive director to M3 Technologies (Asia) Bhd where he was responsible for strategic investments and corporate affairs;
- working at VXL Capital, China, a company whose business was focused on investing in and restructuring companies in Malaysia, Beijing, Shanghai and Hong Kong; and
- working as "Project Manager" for Glaxo Wellcome, London, United Kingdom.Glaxo Wellcome, London, United Kingdom.

Benjamin Lim Keong Hoe

Benjamin Lim Keong Hoe is the grandson of the late Tan Sri Lim Goh Tong, founder of the Genting Group of companies. See Section 4.1 for details.

Benjamin Lim Keong Hoe has a Bachelor Degree in International Business with Design Management from Regent Business School, United Kingdom.

Benjamin Lim Keong Hoe is currently engaged as a director of Donaco, as well as a property developer in Genting Development Sdn Bhd, Malaysia. Benjamin Lim Keong Hoe is also a major shareholder of Genting Development Sdn Bhd, which has an estimated valued of RM 100 million (Malaysian ringgit).

6. Profile of the Company

6.1. Profile of the Company

The Company creates, develops and builds advanced interactive media and gambling applications for mobile, internet, TV and IPTV platforms. Our competitive strengths include our specialised expertise, patented technology and library of interactive applications which have been deployed on all devices.

The Company has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) taking in New South Wales and Victoria in conjunction with Foxtel, and seen on Sky Racing 1, Sky Racing 2 and Sky Racing World. This has now been extended to include Racing and Wagering Western Australia (RWWA) and TattsBet Limited (ASX:TTS) covering Queensland & South Australia. The Company has the potential to establish similar relationships with other wagering and broadcasting partners throughout Australia and overseas.

Our interactive wagering technology offers advanced betting features and related information, utilising the red button on the Foxtel remote providing the latest synchronization techniques to enhance the user experience. This technology can be applied to both racing and sports betting applications.

Our Way2Bet portal offers an extensive range of information resources to help punters bet better. These services are available via online and mobile platforms at www.way2bet.com.au and way2bet.mobi.

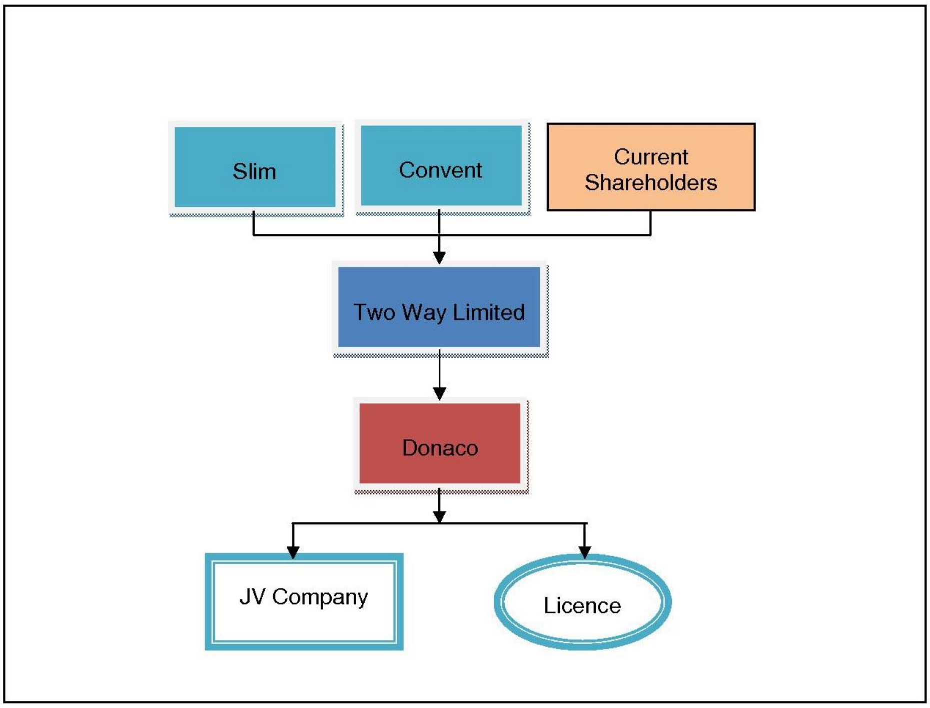
The Company's products are currently being deployed by leading wagering and interactive TV operators in Australia and New Zealand. Our clients include Tabcorp, RWWA, TattsBet, Centrebet, IAS Bet, Luxbet, Sportingbet, Betfair, Optus TV, LG, Samsung and Sky New Zealand.

See Section 6 of the Independent's Expert Report for further information about the Company, its business and key members of management.

6.2. Profile of Proposed Merged Entity

The Proposed Merged Entity will continue to operate the current business of the Company. As previously announced, the Company will look to expand the Company's business into Asia. The long standing business relationships and reputation of the Lim family may result in opportunities for the Company.

Set out below is the structure of the Company immediately after the issue of the Consideration Shares (but before completion of the Public Offer).



6.3. Corporate Restructure and Acquisition Timetable

If the Corporate Restructure and Acquisition is approved, the Company will issue 1 Bonus Option for every 2 Shares held as at the Bonus Issue Record Date. Because the Bonus Issue will be made on a pro rata basis, Shareholder approval is not required for the purpose of the Bonus Issue.

The Bonus Issue will be made under a prospectus prepared in accordance with the requirements of Chapter 6D of the Act. The Company currently expects the prospectus will be lodged with ASIC on or before 12 December 2012. As at the date of this Booklet, full terms and conditions of the Bonus Options have not been determined. The terms will be disclosed in the prospectus to be issued by the Company.

At the date of this Booklet, the Company expects the Consolidation, Bonus Issue and Public Offer will occur in accordance with the following timetable:

Action	Proposed Date
TTV AGM (Note: TTV goes into trading halt immediately prior to AGM)	19 December 2012
TTV is suspended pending completion of the Corporate	19 December 2012

Action	Proposed Date
Restructure and Acquisition	
Public Offer open date	20 December 2012
Consolidation is completed – dispatch of consolidated TTV holding statements	8 January 2013
Bonus Options record date	28 January 2013[1]
Consideration Shares issue date	29 January 2013
Public Offer closing date	29 January 2013
Despatch date for Bonus Options holding statements	11 February 2013
Despatch date for the new Shares and Consideration Shares holding statements	11-19 Feb 2013

Note:

1. Assumes that ASX confirms Chapter 1 and 2 compliance and admission to quotation for the Bonus Options on 16 January 2013. There is no guarantee that the Company will re-comply with Chapters 1 and 2 by this date or at all.

The Corporate Restructure and Acquisition will only be implemented if Resolutions 5 to 11 (inclusive) are approved at the AGM.

Even if the Resolutions are all approved, the issue of the Consideration Shares, the issue of new Shares under the Public Offer and the issue of Bonus Options under the Bonus Issue will remain conditional on the Company re-complying with Chapter 1 and Chapter 2 of the Listing Rules. See Section 9.6 for details.

6.4. Consolidation

As a means of rationalising the current number of shares on issue, and to prepare the Company for the proposed acquisition of shares in Donaco, the directors believe it is necessary to consolidate and reduce the existing number of shares on issue.

Resolution 5 provides for the consolidation of the Company's issued securities on a ratio of 20 to 1. This means that 20 existing Shares will be consolidated into 1 consolidated Share. Similarly Existing Options will be consolidated in the ratio of 20 to 1. To preserve the parity of the exercise price, the exercise price of the Company's options will be converted to a post consolidation amount as detailed in Table 2 in Section 6.5.

The number of consolidated Shares you will hold post Consolidation will be rounded down to the nearest whole number. For rounding purposes, holdings in the same name will be aggregated for the calculation of your consolidation Shares.

The underlying asset backing of each Shareholder's parcel of shares in the Company will not change, even though the number of shares held will be a 20th of those previously held. The process of consolidation does not involve a capital reduction.

6.5. Impact on the Company's capital structure

This Section provides details on the capital structure of the Company:

- at completion of the Consolidation (ignoring any rounding which may occur);
- at completion of the Bonus Issue;
- at completion of the issue of the Consideration Shares;
- at completion of the Public Offer.

Table 1 – Summary of the effect of the Corporate Restructure and Acquisition

Security holder	Securities	Voting Power
Step1: Current Share Capital		
Optionholders	16,983,320 Options[4]	N/A
Shareholders	285,197,427 Shares	100%
Convent	0 Shares	0%
Slim	0 Shares	0%
Step 2: Immediately after completion of the Consolidation[1]		
Optionholders	849,166 Options	N/A
Shareholders	14,259,871 Shares	100%
Step 3: Immediately after completion of the Bonus Issue		
Optionholders	7,973,864 Options[2]	N/A
Shareholders	14,259,871 Shares	100%
Step 4: Immediately after completion of the issue of the Consideration Shares		
Optionholders	7,973,864 Options	N/A
Shareholders	14,259,871 Shares	5.17%
Convent	133,479,368 Shares	48.36%[3]
Slim	128,244,882 Shares	46.46%[3]
Total (undiluted)	275,984,121 Shares	100%
Step 5: Immediately after completion of the Public Offer		
Optionholders	7,973,864 Options	N/A
Shareholders (other than Convent and Slim)	17,593,205 Shares[3]	6.29%
Convent	133,479,368 Shares	47.79%
Slim	128,244,882 Shares	45.91%
Total Shares and Voting Power	279,317,454 Shares	100%
After completion of the Corporate Restructure and Acquisition and exercise of all Options[5]		
Optionholders	0 Options	-
Shareholders	25,572,307 Shares[4]	8.90%
Convent	133,479,368 Shares	46.46%
Slim	128,244,882 Shares	44.64%
Total (undiluted)	287,296,556 Shares	100%

Notes:

1. Assumes 104,760 Options lapse in December 2012 and 5,238 Options lapse in January 2013. Details of option types are set out in Table 2.
2. Assumes 7,129,936 Bonus Options are issued under the Bonus Issue.
3. Assumes that "Step 1" to "Step 3" were completed as set out in the above Table 1. "Step 4" is calculated on an undiluted basis, assuming no Options are exercised, expire or are issued between the date of this Booklet and the date of calculation.
4. Assumes that "Step 1" to "Step 4" were completed as set out in the above Table 1. "Step 5" assumes $1 million, at not less than 30 cents per new Share, was raised under the Public Offer.
5. Assumes $1 million, at not less than 30 cents per new Share, was raised under the Public Offer. Figures are calculated on a fully diluted basis. To show maximum possible dilution, the table assumes 100% of the Options on issue as at

"Step 3" have been exercised – including 5,238 Series B Options with an expiry day of 1 January 2013 and the Bonus Options.

Table 2 – Summary of the effect of the Options on issue

The following table sets out impact the Consolidation will have on the Option current on issue and details the number of Bonus Options that will be issued in the Bonus Issue.

Type	Options	Exercise price	Expiry date
Post Completion			
Series B Options	5238	$0.68	1 January 2013
Series B Options	5238	$0.58	1 February 2013
Series B Options	5238	$0.50	1 March 2013
Series B Options	5238	$0.40	1 April 2013
Series B Options	5238	$0.36	1 May 2013
Series B Options	5238	$0.42	1 June 2013
Main Ace Options	562,500	$0.56	17 January 2015
Main Ace Options	125,000	$0.56	17 March 2015
Main Ace Options	125,000	$0.56	17 May 2015
New Options to existing shareholders	7,129,936	$0.30	24 months from date of issue
Total	**7,979,102**	**-**	**-**

Table 3 – Summary of Slim and Convent holdings

The following table shows the potential changes in the Company's issued capital, and Convent's and Slim's voting power, if the Corporate Restructure and Acquisition completes:

Point in time	Total Shares	Slim Shares		Convent Shares	
		No.	**%**	**No.**	**%**
Shares on issue as at date of this Booklet	285,197,427	0	0%	0	0%
Shares on issue following the Consolidation	14,259,871	0	0%	0	0%
Following Completion of the Bonus Issue	14,259,871	0	0%	0	0%
Following issue of the Consideration Shares	275,984,121	128,244,882	46.46%	133,479,368	48.36%
Following Completion of Public Offer (undiluted basis) [1]	279,317,454	128,244,882	45.91%	133,479,368	47.79%
Following Completion of Public Offer (fully diluted basis)	287,296,556	128,244,882	44.64%	133,479,368	46.46%

Note:

1. Assumes $1 million, at not less than 30 cents per new Share, is raised under the Public Offer and no Option are exercised between the date of this Booklet and completion of the Public Offer.
2. Assuming 100% of the Options on issue as at "Step 3" in Table 1, including the Bonus Options, have been exercised.

6.6. Impact on control of the Company

The Company currently has 2 substantial shareholders: Robert Murray Ward and Gerald Tan. Gerald Tan is a director of the Company.

Immediately after the issue of the Consideration Shares, Convent's voting power in the Company will increase from 0% to approximately 48.36% and Slim's voting power in the Company will increase from 0% to approximately 46.46%. At the same point in time, Robert Murray Ward's voting power in the Company will have decreased to approximately 0.557% and Gerald Tan's voting power in the Company (held through Main Ace) will decrease to approximately 0.476%.

Immediately after the issue of the Consideration Shares, Convent and Slim will have the ability to individually block special resolutions (requiring 75% approval) put to Shareholders and, acting together, carry both ordinary (requiring 50% approval) and special resolutions.

Slim and Convent will not participate in the Public Offer or receive Bonus Option under the Bonus Issue. Accordingly:

- immediately after completion of the Public Offer, Slim's and Convent's will be diluted to 45.91% and 47.79% respectively (assuming 3,333,334 new Shares are issued at an issue price of not less than $0.30 to raise $1 million under the Public Offer);

- on a fully diluted basis's Slim's and Convent's voting power may be diluted to 44.64% and 46.46% (refer to Table 1 and Table 3 for assumptions).

On a fully diluted basis, Convent and Slim will still be able to block the passage of ordinary resolutions (requiring 50% approval) and special resolutions (requiring 75% approval).

Section 5 sets out the current intention of Convent and Slim with regard to the Company should the Corporate Restructure and Acquisition proceed.

6.7. Illustrative pro forma balance sheet

The table set out below shows the Company's pro forma statement of financial position as at 30 June 2012. The pro forma statement of financial position incorporates:

- the audited financial position of the Company as at 30 June 2012;

- the pro forma statement of financial position of Donaco, incorporating the audited financial position of Lao Cai as at 30 June 2012 (being 75% of Lao Cai);

- adjustments to recognise (for accounting purposes) the acquisition of the Company by Donaco; and

- consolidation adjustments to recognise goodwill and eliminate the share capital and retained losses of the Company.

The consolidation adjustments have been made to reflect a reverse acquisition. The accounting acquirer (i.e. Donaco) usually issues no consideration for the acquiree. Instead, the accounting acquiree (i.e. the Company) usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal acquiree would have had to issue to give the owners of the legal acquirer the same percentage equity interest in the combined entity that results from the reverse acquisition.

The cost of a reverse acquisition business combination is calculated by determining the amount Donaco equity shares it would need to issue to the Company in order to maintain the same proportionate holding of the Proposed Merged Entity.

Illustrative pro forma Statement of Financial Position

AUD	Donaco Pro Forma[1] As at 30 June 2012	Acquisition of Two Way[2]	Two Way Audited[3] As at 30 June 2012	Consolidation Adjustments[4]	Pro Forma Consolidated As at 30 June 2012
Cash	6,098,800	—	426,000	—	7,404,800
Receivables	4,515,690	—	128,000	—	4,643,690
Invetories	110,283	—	—	—	110,283
Short term investments	1,859,187	—	401,000	—	2,260,187
Other financial assets	—	—	36,000	—	36,000
Current Assets	**12,583,959**	—	**991,000**	—	**14,454,959**
Receivables	—	—	—	—	—
Property & Equipment	1,027,487	—	6,000	—	1,033,487
Construction in progress	2,990,692	—	—	—	2,990,692
Investment	—	3,373,783	—	(3,373,783)	—
Intangibles	40,346	—	—	2,801,783	2,842,128
Other financial assets	191,000	—	—	—	191,000
Non-Current Assets	**4,249,524**	**3,373,783**	**6,000**	**(572,000)**	**7,057,307**
Payables	5,249,159	—	219,000	—	5,468,159
Amounts owing to Directors	—	—	—	—	—
Tax	3,589,879	—	—	—	3,589,879
Provisions	—	—	168,000	—	168,000
Current Liabilities	**8,839,038**	**—**	**387,000**	**—**	**9,226,038**
Provisions	—	—	38,000	—	38,000
Non-Current Liabilities	**—**	**—**	**38,000**	**—**	**38,000**
Net Assets	**7,994,445**	**3,373,783**	**572,000**	**(572,000)**	**12,248,228**
Share capital	1,623	3,373,783	50,581,000	(50,581,000)	4,255,406
Foreign currency translation reserve	(344,051)	—	47,000	(47,000)	(344,051)
Retained earnings	6,349,976	—	(50,056,000)	50,056,000	6,349,976
Non-controlling interests	1,986,897	—	—	—	1,986,897
Total Equity	**7,994,445**	**3,373,783**	**572,000**	**(572,000)**	**12,248,228**

Notes:

1. All amounts assume that there are 285,197,427 Shares on issue being the number on issue as at the date of this Booklet.

2. Assumes $1 million is raised under the Public Offer and the payment of expenses related to the Corporate Restructure and Acquisition of $120,000.

2. All amounts are $A'000 unless otherwise stated.

3. Does not take into account funds raised by the Public Offer.

6.8. Director related party disclosures

Other than as holders of securities in the Company, the Directors do not have any interests in the Corporate Restructure and Acquisition.

Details of the securities held by each Director are as follows:

Name	Shares	Options	Details of holdings
As at the date of this Booklet			
Stuart McGregor	2,536,333	Nil	Held by Stacam Pty Ltd, a related entity
Ben Reichel	2,354,083	210,000	Held personally

Name	Shares	Options	Details of holdings
Gerald Tan	27,350,000	16,250,000	Held personally and through Main Ace
Post the Corporate Restructure and Acquisition			
Stuart McGregor	126,817	63,408	Held by Stacam Pty Ltd, a related entity
Ben Reichel	117,704	66,352	Held personally
Gerald Tan	1,367,500	880,875	Held personally and through Main Ace
Benjamin Lim	261,724,250	Nil	Relevant interest as an Associate of Slim and Convent
Lim, Keong Yew	261,724,250	Nil	Relevant interest as an Associate of Slim and Convent
Mak, Siew Wei	Nil	Nil	No relevant interest

Note:

1. The Directors and New Directors will not participate in the Public Offer.
2. The Directors will participate in the Bonus Issue with respect to each Share they hold as at the Bonus Issue Record Date.

6.9. The Company is a disclosing entity

As a company listed on the ASX and a "disclosing entity" under the Act, the Company is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. The Company's most recent announcements are available from its website.

Further announcements concerning the Company will continue to be made available on the website after the date of this Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. The Company's files are available for inspection from ASX during normal business hours and are available on the website at www.asx.com.au.

The Company is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by the Company may be obtained, or inspected at, ASIC offices.

The following documents are available for inspection free of charge prior to the Annual General Meeting during normal business hours at Suite 2.05, 55 Miller Street, Pyrmont, NSW 2009:

- the Constitution;
- the Company's annual reports for the financial years;
- the Company’s interim reports for the 6 month periods;
- the Company’s public announcements.

The annual and interim reports and public announcements are also available at the Company's website at. http://www.twowaytv.com.au/.

7. Risk Factors

7.1. Overview

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the outcome of an investment in the Company. There can be no guarantees that the Company will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This Section 7 describes certain, but not all, risks Associated with an investment in the Company.

7.2. Risks Associated with the Company's existing business

The Company's existing business is subject to a number of risks, including:

- **Finance** – The Company may be required to find sources of finance to fund its activities. There is no guarantee that the Directors will be able to source equity or debt financing at suitable rates, or at all. Any inability to obtain funding will affect the business, financial condition and performance of the Company.

- **No profit to date** – The Company's existing business has incurred operating losses since its inception. No assurances can be given that the Company's existing business will achieve commercial viability.

- **Unforeseen expenditure risk** – Although the Company is not aware of any unforeseen future expenditure, any unforeseen expenditure is likely to adversely affect the financial position of the Company.

- **Insurance** – The Company endeavours to ensure that adequate insurance policies are in place at all times. However, there is a risk that insurance coverage will not adequate and that the Company is not insured against all possible losses.

Table 13 in Section 6.4 of the Independent's Expert Report sets out weaknesses and risks associated with the Company and its current business identified by the Independent Expert.

7.3. Risks Relating to the Company's business if the Corporate Restructure and Acquisition is approved

Post completion of the Corporate Restructure and Acquisition the Company's business could be materially and adversely affected by a number of risks, including:

- **Single casino risk –** Pending completion of the New Casino Project Donaco is dependent upon a single property for its cash flow. As a result, Donaco is and, post completion of the Corporate Reconstruction and Acquisition, the Company will be subject to greater risks than a gaming company with more operating properties.

- **Human Resources risk** – The Lao Cai business depends substantially on the continuing efforts of Donaco's and Lao Cai's senior management. Post completion of the Corporate Restructure and Acquisition the Company's business may be severely disrupted if their services are lost. The success of the Company will depend on its ability to attract and retain adequate qualified personnel.

- **Government and Regulation risk** – Conducting business in Vietnam and/or Lao Cai Province has certain political and economic risks that may lead to significant volatility and have a material adverse effect on results of operations. Business risks of this kind include:

    (i) Gaming is a highly regulated industry in Vietnam and/or Lao Cai Province and adverse changes or developments in gaming laws or regulations could be difficult to comply with or significantly increase costs, which could cause the JV Company to become unsuccessful.

(ii) There is a risk of the Chinese border being closed or day visas which currently facilitate Chinese tourism being cancelled as a result of a change in political leadership in either China or Vietnam.

(iii) The Vietnamese and/or Lao Cai local Government could grant additional rights to conduct gaming in the future, which could significantly increase competition in the Lao Cai Province which could decrease patronage to the Lao Cai International Hotel.

(iv) There is a limited labour supply in the Lao Cai Province. An increase in competition could cause labour costs to increase.

(v) The Licence (to operate the casino) expires in 2032. If the Licence cannot be extended the JV Company will be unable to operate casino gaming.

- **Casino winnings risk** – The winnings of the Lao Cai International Hotel patrons could exceed the casino winnings at particular times during our operations. Win rates for the Lao Cai International Hotel operations depend on a variety of factors, some beyond the control of the JV Company, Donaco or the Company. In addition, we note that all gaming business can be subject to cheating and counterfeiting.

- **Currency risk** – Gaming operations in Lao Cai Province could be adversely affected by restrictions on the export of the Renminbi and limitations of the Vietnamese dong exchange markets.

- **Constructions Risks** – The New Casino Project is be subject to significant development and construction risks, which could have a material adverse impact on construction and opening timetables, costs and the ability to complete the New Casino Project. Substantial cost increases or construction delays could prevent or delay the opening of the New Casino Project.

- **Competition -** The Lao Cai International Hotel faces competition from other casinos in Vietnam and elsewhere in Asia. It is possible that in the future the Lao Cai International Hotel may not be able to compete successfully and may lose or be unable to gain market share.

- **Money laundering risk** – Money laundering is a risk that is faced by the casino industry generally. While strict procedures and controls can be put in place to address such risk (such as obtaining suitable documents to identify customers and monitoring transactions at the Lao Cai casino). It is possible that third parties may attempt to launder money and that the Company is not able to detect or prevent such activities. In the event that such money laundering activities do take place the Company's reputation may be affected and the Company may be subject to penalties and sanctions, including the withdrawal of its gaming licences.

Section 3.7 of the Independent's Expert Report sets out the risk factors associated with the Lao Cai business identified by the Independent Expert.

7.4. Risks associated with the Corporate Restructure and Acquisition

If Resolutions 5 – 11 (inclusive) are approved at the AGM, the Company's Shares will be suspended from trading on the ASX until such time that the Company successfully complies with Chapters 1 and 2 of the Listing Rules.

There is a risk that ASX will not re-instate trading of the Company's securities on ASX.

If the Company does not meet the requirements of Chapters 1 and 2 of the Listing Rules to be re-instated to ASX, then the Consideration Shares and Bonus Options will not be issued, the Company will not acquire Donaco and the Public Offer will not go ahead and the Sale Agreement will terminate.

7.5. Risks Associated with holding Shares

Shareholders will continue to be exposed to certain risks through holding shares. These include the following:

- **Investment risk** - There are several types of investment risk that may affect your investment in the Company, including a decline in the market price of the Shares (the initial capital value may decrease especially if you are investing for the short term), the amount you receive as income may vary over time or the value of your investment may not keep pace with inflation. This includes the possibility that the Company may not be able to achieve the medium to long term capital growth objectives.

- **Suspension of trading of Shares on ASX** – ASX will suspend trading of Shares which means that, Shareholders will not be able to buy or sell Shares on ASX during the suspension period. See Section 7.4 for more details.

- **Economic conditions** - The operating and financial performance of the Company is influenced by a variety of general economic and business conditions including the level of inflation, international share markets, interest rates and exchange rates, government fiscal, monetary and regulatory policies and factors peculiar to the oil and gas sector. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the Company's business or financial situation.

- **Government** – Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and investor returns, in particular in highly regulated industries such as wagering and media. See Section 8.7 of the Independent's Expert Report for more details about risks associated with political in Vietnam.

8. Summary of Corporate Restructure and Acquisition Documents

8.1. Transaction Documents

This Section includes a summary of the material documents required to implement the Corporate Restructure and Acquisition.

On 24 August 2012, the Company first announced a proposal pursuant to which it would acquire a 75% stake in the JV Company in return for the issue of Consideration Shares. The merger implementation agreement summarised below reflects this deal.

Between the merger implementation agreement was first announced and the date the sale agreement (summarised below) was signed the form of the transaction has changed slightly although the outcome remains the same. Under the proposed Corporate Restructure and Acquisition the Company will acquire the 75% stake in the JV Company and the 75% stake in the through the acquisition of all of the issued share capital in Donaco.

8.2. Merger Implementation Deed

On 18 September 2012, the Company signed a binding Merger Implementation Deed with Donaco.

Under the Merger Implementation Deed, and subject to the satisfaction of certain conditions, the Company will acquire all of Donaco's 75% interest in Lao Cai, being the Lao Cai Interest. In return, the Company will issue 94.82% of its total number of Shares to Donaco. As noted above, after the Merger Implementation Deed was signed the parties agreed that the Company would acquire Donaco directly. For the reasons set out in Section 9 of this Booklet, the acquisition of Donaco and issue of Consideration Shares requires Shareholder approval.

The terms of the Merger Implementation Deed require the Company to undertake a consolidation of Shares (the Consolidation) and an option issue to its Shareholders (the Bonus Issue) prior to completion of the Donaco Acquisition. The Company's obligation to conduct the share consolidation will not become binding until such time as Donaco has completed due diligence and received approval from its board for the Transaction.

Under the Merger Implementation Deed, the Company and Donaco agreed to execute a binding subscription and sale agreement for the Donaco Acquisition. This agreement is summarised in Section 8.3 of this Booklet.

Under the Merger Implementation Deed, the Company agreed to:

- appoint an independent expert to prepare a report for Shareholders – this report is the Independent's Expert Report enclosed with this Booklet;
- provide a recommendation to Shareholders as to voting on the acquisition of Donaco – see Section 3.2 for details of the Director's recommendations; and
- convene a general meeting of Shareholders to approve the acquisition of Donaco.

8.3. Sale Agreement

On 9 October 2012, the Company entered into the Sale Agreement with Convent and Slim.

Under the Sale Agreement, subject to the satisfaction of certain conditions, the Company will acquire all of the issued share capital in Donaco from Convent and Slim. In consideration for the acquisition of Donaco, the Company will issue the Consideration Shares to Convent and Slim. The Consideration Shares will be split between Convent and Slim so that, immediately after completion of the Sale Agreement, Convent Fine will hold 48.36% and Slim Twinkle will hold 46.46% of the share capital of the Company (together, being 94.8% of the total share capital of the Company).

The Sale Agreement is conditional on (amongst others) the satisfaction of the conditions precedent under the Merger Implementation Deed, the passage of certain shareholder approvals and confirmation from the ASX that the Company has complied with Listing Rules 1 and 2.

At completion of the Sale Agreement, subject to shareholder approval, the Company will appoint Benjamin Lim Keong Hoe, Lim, Keong Yew and Mak, Siew Wei as Directors of the Company and will change the name of the Company to "Donaco International Limited".

9. Additional information

9.1. Introduction

This Section includes additional information that the Company considers is material to the decision on how to vote with respect to the Corporate Restructure and Acquisition.

9.2. Corporate Restructure and Acquisition Resolutions inter-conditional

Resolutions 5 – 11 are inter-conditional. This means that each of these Resolutions needs to be passed for the approval sought in respect of the Corporate Restructure and Acquisition to be effective.

Resolution 12 is conditional on Resolutions 5 – 11. This means, Resolutions 5 – 11 (inclusive) need to be passed for Resolution 12 to be put to the AGM.

9.3. Regulatory requirements

This Section summarises the Listing Rule and the Act requirements relevant to the Corporate Restructure and Acquisition.

Section 254H and Listing Rule 7.20

Section 254H of the Act provides that a company may, by a resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. The consolidation of the Company's existing share capital on a 20 to 1 basis requires approval under section 254H of the Act.

Listing Rule 7.1

Listing Rule 7.1 limits the capacity of a company to issue securities without the prior approval of its shareholders. In broad terms, Listing Rule 7.1 provides that a company may not, in a twelve month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period unless the issue is first approved by a majority of disinterested shareholders or the issue otherwise comes within one of the exceptions to Listing Rule 7.1.

The issue of new Shares under the Public Offer will exceed the 15% limit provided to the Company by Listing Rule 7.1. For this reason, the Company is seeking Shareholder approval for purposes of Listing Rule 7.1 to issue new Shares under the Public Offer.

Listing Rule 11.1

Listing Rule 11.1 requires that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must, if directed by ASX, get approval of holders of ordinary securities for the change to activities. ASX has indicated to the Company that, given the significant change in the nature and scale of the activities of the Company upon completion of the Corporate Restructure and Acquisition, it requires the Company to obtain the approval of its Shareholders.

For this reason, the Company is seeking Shareholder approval for the Company to acquire Donaco and change the nature and scale of its activities under ASX Listing Rule 11.1.

Item 7 Section 611 of the Act

Part 6.1 of the Act contains provisions known as the takeover provisions. These provisions prohibit any transaction that involves the acquisition of voting shares, or a relevant interest in voting shares, of a listed public company, if that acquisition results in a person's voting power in the company increasing to more than 20% (**Control Transaction**). In this instance, the acquisition of the shares in the Company by Convent and Slim is considered to be a Control Transaction.

Pursuant to item 7 of Section 611 of the Act, a company can approve a Control Transaction, which would normally be prohibited under section 606 of the Act, provided the shareholders of the company whose shares are being acquired (in this case, the Company) approve of the acquisition by resolution in general meeting (**Control Approval**).

Shareholder approval under Listing Rule 7.1 is not being sought for the proposed issue of Consideration Shares. This is in reliance on Exception 16 under Listing Rule 7.2, as the Company is seeking Control Approval under item 7 of section 611 of the Act for the issue of the shares.

9.4. Information required for the purpose of Item 7 of Section 611

Pursuant to Item 7 of Section 611 of the Act, certain information must be disclosed to shareholders for the purposes of the Control Approval. This section provides the required information:

- the person proposing to make the acquisition are Convent and Slim – see Section 5.1 and Section 5.2 for information about Convent and Slim and their Associates;
- The maximum extent of the increase in the voting power of Convent and Slim and their Associates is outlined in Sections 6.3 and 6.6;
- At completion of the Corporate Restructure and Acquisition (assuming 3,333,334 new Shares are issued under the Public Offer and no Options have been exercised between the date of this Booklet and the date of completion), Convent will hold 47.79% and Slim will hold 45.91% of the total number of Shares (together, being 93.70% of the total share capital of the Company). Section 6.6 for further details.
- If all necessary approvals and conditions for the Corporate Restructure and Acquisition are satisfied or waived (as applicable) it is expected that the Corporate Restructure and Acquisition will be completed within 3 months of passage of the Corporate Restructure and Acquisition Resolutions.

- The Independent Expert's Report concludes that the Corporate Restructure and Acquisition is fair and reasonable to the Shareholders.

- The Board unanimously recommends, in the absence of a superior proposal, that the Shareholders vote in favour of the Corporate Restructure and Acquisition Resolutions. Each Director of the Company intends to vote all shares he owns or controls in favour of all Corporate Restructure and Acquisition Resolutions, in the absence of a superior proposal.

- Other than the contracts disclosed in Section 8 of this Booklet, there are no other contracts or proposed contracts between the Company, Convent and Slim or any of their Associates.

9.5. Information required for the purpose of Listing Rule 7.20

The information set out below is required to be provided to Shareholders under the Listing Rules in respect to obtaining approval for the issue of Shares under Listing Rule 7.20:

- If the Consolidation is approved the consolidation will take effect from 21 December 2012.

- After completion of the Consolidation there will be 14,259,871 Shares and 7,979,102 Options (disregarding variations due to rounding).

- Under the Consolidation, all Shares and Options currently on issue will be consolidated on a 20 to 1 basis.

- Table 2 in Section 6.5 sets out the consolidated exercise price for the Options that will be the subject of the Consolidation.

- Where the consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share or Option, the fraction will be rounded down to the nearest whole number of Shares or Options (as applicable).

- If the Corporate Restructure and the Acquisition is approved, the Company will be subject to Listing Rule 11.1 and must re-comply with Chapters 1 and 2 of the Listing Rule. One of the conditions in Chapters 1 and 2 that the Company must satisfy is a minimum share price of 20 cents. The Consolidation is required for this purpose. Further details about the Consolidation are set out in Section 6.4.

- The Directors unanimously recommends that Shareholders vote in favour of the Consolidation. Each Director intends to vote all Shares controlled by him in favour of Consolidation.

9.6. Information required for the purpose of Listing Rule 11.1

The information set out below is required to be provided to Shareholders under the Listing Rules, including but not limited to Listing Rule 11.1.2, in respect to obtaining approval under Listing Rule 11.1 to change the nature and scale of its activities through the Donaco Acquisition:

- Provided the Shareholders approve the Corporate Restructure and Acquisition and pass Resolutions 5 – 11 (inclusive), the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules to obtain the re-quotation of its securities on ASX.

- Among other things, the provisions of Chapters 1 and 2 of the Listing Rules require the Company to:

  - ensure that all of the Company's Shares on issue after the Consolidation each have a price of not less than $0.20;

  - demonstrate that the Company has not less than 400 Shareholders, each holding at least $2,000 of Shares,

  - prepare an prospectus in accordance with the provisions of the Listing Rules;

  - demonstrate that it has an appropriate structure and appropriate operations;

  - satisfy either of the tests set down in the Listing Rules in relation to the Company's profitability or the Company's asset value; and

  - demonstrate that the New Directors are of good fame and character.

- The Company will not issue the Considerations Shares, the Bonus Options or any new Share under the Public Offer until the Company has received conditional confirmation from the ASX that, subject to compliance with conditions imposed by ASX, the Company will comply with Chapters 1 and 2 of the Listing Rules.

- In order to meet the re-listing requirements, the Company is proposing to consolidate its capital (Resolution 5) and undertake the Public Offer.

- There is a risk that the Company will be unable to comply with Chapters 1 and 2 of the Listing Rules. Should this occur, the Company's securities will not be able to be traded on the ASX until such time as those requirements can be met, if at all. See Section 7.4 for details of this risk.

9.7. Information required for the purpose of Listing Rule 7.1

The purpose of Resolution 10 is to seek the approval of Shareholders under Listing Rule 7.1 for the issue of new Shares under the Public Offer. The information set out below is required to be provided to Shareholders under the Listing Rules in respect to obtaining approval for the issue of new Shares under Listing Rule 7.1:

- The maximum number of new Shares to be issued if Resolution 10 is approved is 3,333,334 new Shares with an issue price of not less than $0.30. New Shares will be issued after completion of the Consolidation.

- The new Shares will be allotted to subscribers to the Public Offer, the identity of whom is not known at this point in time.

- If the Corporate Restructure and Acquisition proceeds, the new Shares will be issued to valid applicants within 15 Business Days of the Public Offer closing date (to be set out in the Prospectus that will be issued by the Company) and in any event, , no later than 3 months after the date of the AGM.

- New Shares to be issued under the Public Offer if the Corporate Restructure and Acquisition proceeds will have an issue price of not less than $0.30 and will be issued on the same terms and conditions Shares currently on issue in the Company.

- The funds will be raised from the issue of new Shares under the Public Offer will be applied to fund the working capital and expansion capital of the Company.

- The Directors, New Directors, Slim and Convent will not participate in the Public Offer.

- The Company will disregard any votes cast on Resolution 10 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of those persons. However, the Company need not disregard a vote if:

  - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

  - it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

9.8. Independent advice

Shareholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Corporate Restructure and Acquisition;

- the taxation implication for them if the Corporate Restructure and Acquisition is implemented;
- any other aspects of this Booklet.

9.9. Other Material Information

The Company will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of despatch of this Booklet and the date of the AGM

- a material statement in this Booklet is false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have the effect of any of the above.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, the Company may circulate and publish any supplementary document by:

- making an announcement to ASX; and/or
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to Shareholders at their registered address as shown in the Company Register; and/or
- posting a statement on the Company's corporate website, as the Company in its absolute discretion considers appropriate.

10. Glossary

The following terms used in this Booklet (including the Notice of Meeting in Appendix 1 to this Booklet) have the meanings given to them below, unless the context otherwise requires.

Act	Corporations Act 2001
AGM	Annual general meeting of the Company to be convened in respect of the Corporate Restructure and Acquisition on 19 December 2012 at 11:00am. The notice convening the Annual General Meeting is contained in Appendix 1 of this Booklet
Annual Report or 2012 Annual Report	means the annual financial report for the Company for the financial year ending 30 June 2012 prepared in accordance with the Act
ASIC	Australian Securities & Investment Commission
Associate	has the same meaning as in the Listing Rules
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conduct by it
Board	board of directors of the Company
Bonus Issue	means the issue of Bonus Options on the terms set out in this Booklet
Bonus Issue Record Date	is the record date for the Bonus Issue
Bonus Option	mean an option issued under the Bonus Issue
Company	Two Way Limited (ACN 007 424 777) of Suite 2.05 55 Miller Street Pyrmont Sydney NSW 2009
Consolidation	means the consolidation the subject of Resolution 5
Consideration Shares	the Shares issued to Convent and Slim
Constitution	the constitution of the Company
Convent	means Convent Fine Limited, a company incorporated under the laws of the British Virgin Islands and, prior to completion of the Corporate Restructure and Acquisition, a shareholder of Donaco
Corporate Restructure and Acquisition	means the Consolidation, the Bonus Issue, the Donaco Acquisition, the issue of Consideration Shares and the Public Offer
Directors	the current directors of the Company
Donaco	Donaco Singapore Pte Ltd of 14-2, Jalan 1/109E Desa Business Park, Taman Desa, 58100 Kuala Lumpur, Malaysia
Donaco Acquisition	means the acquisition of 100% of this issued share capital in Donaco.
Donaco Information	The information about the JV Company, Donaco, Slim and Convent contained in Sections 4 and 5 of this Booklet.
Explanatory Memorandum	this explanatory memorandum dated 19 November 2012 in relation to the AGM and Corporate Restructure and Acquisition
Independent Expert	Leadenhall Corporate Advisory Pty Limited (ACN 114 534 619)
Independent Expert's Report	the report of the Independent Expert expressing an opinion on the Corporate Restructure and Acquisition. A copy of the Independent Expert's Report is enclosed with this Booklet
JV Company	Lao Cai International Hotel Joint Venture Company

Lao Cai Interest	means: ➢ 75% of the ownership rights in Lao Cai International Hotel Joint Venture Company (**JV Company**); and ➢ 75% stake in the licence under which JV Company operates the Lao Cai International Hotel, an exclusive casino and hotel located in Lao Cai Province, Vietnam.
Listing Rules	the listing rules of ASX
Main Ace	Main Ace Investment Limited
Merger Implementation Deed	the merger implementation deed between the Company and Donaco dated 18 September 2012
New Casino Project	Is the new casino Project defined in Section 4.3
New Holders	Convent Fine Limited and Slim Twinkle Limited the two shareholders in Donaco
Notice of Meeting	the notice for the Annual General Meeting dated 19 November 2012, as set out in Appendix 1 of this Booklet
Proposed Merged Entity	entity which will be created following the Corporate Restructure and Acquisition
Prospectus	the prospectus to be issued by the Company with respect to the Public Offer
Proxy Form	the Proxy Form enclosed with this Booklet
Public Offer	the issue of new Shares, each with an issue price of not less than \$0.30, under a prospectus issued by the Company in accordance with the Corporations Act (to raise \$1 million)
Registry	Boardroom Pty Limited , GPO Box 3993, Sydney NSW 2001
Remuneration Report	means remuneration report that forms part of the Company's Annual Report
Resolutions	the resolutions set out in the Notice of Meeting
Sale Agreement	the Share Sale and Subscription Agreement between the Company and Convent and Slim dated 9 October 2012
Shares	ordinary shares in the capital of the Company
Shareholder	a registered holder of Shares
Shareholders	shareholders of the Company
Slim	means Slim Twinkle Limited, a company incorporated under the laws of the British Virgin Islands and, prior to completion of the Corporate Restructure and Acquisition, a shareholder of Donaco

Appendix 1 – Notice of Meeting

Two Way Limited
(ACN 007 424 777)

Notice of Meeting

for the Annual General Meeting of Shareholders

To be held at 11:00am (Sydney time) on 19 December 2012 at Four Points by Sheraton Hotel, 161 Sussex Street Sydney with registration commencing at 10:30am.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. An Independent Expert's Report is also an appendix to the Explanatory Memorandum. The Explanatory Memorandum and its appendices have been prepared to assist Shareholders in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed Proxy Form without delay and ensure it is received by the Company's Registry by no later than 11:00 am on Monday, 17 December 2012. Refer section 8 for methods for lodging the completed Proxy Form.

1. Items of Business

The business of the meeting is to consider the following proposed resolutions.

1. **Financial Statement and Reports Resolution**

> *"To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and the Auditor for the financial year ended 30 June 2012."*

Section 250R of the Act is relevant to this resolution.

2. **Remuneration Report Non Binding Resolution**

To consider and, if thought fit, to pass the following ordinary resolution:

> "*That the Remuneration Report as set out in the 2012 Annual Report be adopted*."

Section 250R(2) of the Act is relevant to Resolution 2.

3. **Election of Directors Resolution**

To consider and, if thought fit, to pass the following ordinary resolution:

> "*That Benedict Paul Reichel, a Director retiring in accordance with the Constitution, being eligible, is re-elected as a Director of the Company*."

Rule 12.4 of the Constitution and Listing Rule 14.4 are relevant to Resolution 3.

4. **Resolution Approving Previous Investments**

To consider and, if thought fit, to pass the following ordinary resolution:

> "*That for the purposes of Listing Rule 7.4 of the Listing Rules, and for all other purposes, approval is given for the previous issues of new fully paid ordinary shares in the Company to investors, as follows:*
>
> *(a) 15,000,000 ordinary shares issued on 29 June 2012; and*
>
> *(b) 16,666,667 ordinary shares issued on 18 September 2012,*
>
> *on the terms more fully described in the Explanatory Memorandum accompanying and forming part of this Notice of Meeting*."

Listing Rule 7.4 is relevant to Resolution 4.

5. **Consolidation Resolution**

To consider and, if thought fit, to pass the following ordinary resolution:

> "*That, conditional on the passage of Resolutions 6 - 11 (inclusive), the Consolidation be approved*."

Section 254 H of the Act and Listing Rule 7.20 are relevant to Resolution 5.

6. **Resolution Approving the Acquisition of Donaco (ASX Listing Rule 11.1)**

> "*That, conditional on the passage of Resolutions 5 and 7 - 11 (inclusive), the significant change in the nature and scale of the Company's activities (by the acquisition by the Company of 100% of the share capital in Donaco Singapore Pte Ltd in consideration for the issue of the Consideration Shares on the terms set out in the Share Sale and Subscription Agreement and as outlined in the explanatory memorandum accompanying this notice of general meeting, is authorised and approved*."

Listing Rule 11.1 is relevant to Resolution 6.

7. **Control Approval Resolution**

To consider and, if thought fit, to pass the following ordinary resolution

> *"That, conditional on the passage of Resolutions 5 - 6 and 8 - 11 (inclusive) and for the purposes of item 7 of section 611 of the Act, on the terms set out in the Share Sale and Subscription Agreement and as outlined in the Company's explanatory memorandum accompanying this notice of general meeting, approval is given for the issue of the Consideration Shares to Convent Fine and Slim Twinkle."*

Section 611 Item 7 of Act is relevant to Resolution 7.

8. **Resolution appointing Benjamin Lim Keong Hoe as director**

To consider and, if thought fit, to pass the following ordinary resolution

> *"That, conditional on the passage of Resolutions 5 - 7 and 9 - 11 (inclusive), Benjamin Lim Keong Hoe be elected as a Director of the Company with effect from completion of the Corporate Restructure and Acquisition."*

Clause 12.9 of the Constitution is relevant to Resolution 8.

9. **Resolution appointing Lim, Keong Yew as director**

To consider and, if thought fit, to pass the following ordinary resolution

> *"That, conditional on the passage of Resolutions 5 - 8 and 11 (inclusive), Lim, Keong Yew be elected as a Director of the Company with effect from completion of the Corporate Restructure and Acquisition."*

Clause 12.9 of the Constitution is relevant to Resolution 9.

10. **Resolution appointing Mak, Siew Wei as director**

To consider and, if thought fit, to pass the following ordinary resolution

> *"That, conditional on the passage of Resolutions 5 - 9 (inclusive) and Resolution 11, Mak, Siew Wei be elected as a Director of the Company with effect from completion of the Corporate Restructure and Acquisition."*

Clause 12.9 of the Constitution is relevant to Resolution 10.

11. **Resolution approving the issue of New Shares**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> *That, conditional on the passage of Resolutions 5 – 11 (inclusive), the issue of Shares with an issue price of not less than $0.30 to investors pursuant to a prospectus to be prepared by the Company in accordance with the requirements of Chapter 6D of the Corporations Act, to raise up to $1 million on the terms set out in this Booklet is approved for all purposes.*

Without limitation, Listing Rule 7.1 is relevant to Resolution 11.

12. **Resolution regarding the Change of Company name**

To consider and, if thought fit, to pass the following special resolution

> *"That, conditional on the passage of Resolutions 5 - 11, the name of the Company be changed from "Two Way Limited" to "Donaco International Limited".*

Section 157 of the Act is relevant to Resolution 12.

2. Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

3. Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Annual General Meeting, units will be taken to be held by the persons who are the registered holders at 11:00am (Sydney time) on Monday, 17 December 2012. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting restrictions and exclusions in respect of the Resolutions are set out below for each resolution.

4. Voting Restrictions

The following voting exclusions apply pursuant to the Act and the Listing Rules.

- The Company will disregard any votes cast on Resolutions 6 and 7 by or on behalf of Convent, Slim and their respective Associates.
- The Company will disregard any votes cast on Resolution 11 by a person who may participate in the Public Offer and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of those persons.

However, the Company need not disregard any of the above mentioned votes if the vote is cast by a person as proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Important Notes on the Resolutions

Shareholders should carefully consider the enclosed Independent Expert’s Report prepared by the Independent Expert for the purposes of considering the Acquisition Resolutions. The Independent Expert concludes that the proposed Corporate Restructure and Acquisition is fair and reasonable to the Shareholders of the Company.

The Board recommends unanimously that all shareholders vote in favour of all resolutions, on the basis set out in the enclosed Explanatory Memorandum. In relation to the Resolution 6 and 7, this recommendation is made in the absence of a superior proposal.

6. How to vote

Shareholders entitled to vote at the AGM may vote:

- by attending the meeting and voting in person; or
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this Notice. A proxy may be an individual or a body corporate.

7. Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Annual General Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Registry before 11:00am (Sydney time) on Monday, 17 December 2012 to the Company.

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Annual General Meeting to be held at Four Points by Sheraton Hotel, 161 Sussex Street Sydney on 19 December 2012 commencing at 11:00am (Sydney time).

- A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

- died;
- became mentally incapacitated;
- revoked the proxy or power; or
- transferred the Shares in respect of which the vote was cast,

unless the Company received written notification of the death, mental incapacity, revocation or transfer before the meeting or adjourned meeting.

Voting by proxy

- Shareholders wishing to vote by proxy at this meeting must:
    - complete and sign or validly authenticate the Proxy Form, which is enclosed with this Booklet; and
    - deliver the signed and completed Proxy Form to the Company by 11:00am (Sydney time) on Monday, 17 December 2012 in accordance with the instructions below.
- A person appointed as a proxy may be an individual or a body corporate.

8. Submitting proxy votes

Shareholders wishing to submit proxy votes for the Annual General Meeting must return the enclosed Proxy Form to the Company in any of the following ways:

- by post at:

    GPO Box 3993, Sydney NSW 2001

  or by hand deliver:

    Share Registry – Boardroom Pty Ltd, Level 7, 207 Kent Street, Sydney NSW 2000

  or by facsimile to:

    +61 2 9290 9655

Note: proxies may not be returned by email nor is internet voting available.

9. Notes

Notes for proxies

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on that Shareholder's behalf.
2. A proxy need not be a Shareholder.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.
4. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.

5 An appointment of a proxy may specify the way the proxy is to vote on a particular resolution. If it does:

- The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
- If the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands.

6. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:

   - if the proxy is the chair - the proxy must vote on a poll and must vote in the way directed; and

   - if the proxy is not the chair - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.

7. If a proxy appointment is signed or validly authenticated by the Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one of more Directors or the Company Secretary.

   If:

   - a Shareholder nominates the Chairman of the meeting as the Shareholder's proxy; or

   - the Chairman is to act as proxy if a proxy appointment is signed by a Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

   then the person acting as Chairman in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of business.

8. Proxy appointments in favour of the Chairman of the meeting, the Company Secretary or any Director which do not contain a direction will be voted in support of the Corporate Restructure and Acquisition resolutions (in the absence of a superior proposal prior to the date of the meeting).

Corporate representatives

1. To vote in person at the Annual General Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.

2. To vote by corporate representative at the meeting, a corporate Shareholder or proxy should obtain an Appointment of Corporate Representative Form from the Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the meeting.

3. The appointment of a representative may set out restrictions on the representative's powers.

4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

5. The Chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board

Rointon Nugara
Company Secretary
Two Way Limited
19 November 2012

LEADENHALL
corporate advisory

TWO WAY LIMITED

Proposed Acquisition of Donaco Singapore Pte Ltd

Independent Expert's Report
and Financial Services Guide

9 November 2012

Valuations and Transaction Specialists
Office@leadenhall.com.au
www.leadenhall.com.au
ABN 11 114 534 619

9 November 2012

The Directors
Two Way Limited
Suite 2.05, 55 Miller Street
Pyrmont NSW 2009

Dear Directors,

Independent Expert's Report for Two Way Limited

1. Introduction

Two Way Limited ("**Two Way**") is a public company listed on the Australian Securities Exchange ("**ASX**") that develops interactive media and gambling applications for mobile, internet, television and internet protocol television ("**IPTV**") platforms. Two Way has not generated a profit since its listing in 2004. Its board has therefore been looking for ways to restructure the company to build scale, generate profit and provide a return for shareholders.

Donaco Singapore Pte Ltd ("**Donaco**") is a Singaporean company that is controlled by the Lim family, which also controls the Genting group of companies that owns and operates hotels and casinos worldwide. Donaco owns a 75% interest in the Vietnam based Lao Cai International Hotel ("**Lao Cai Hotel**"). The property has 34 rooms, a restaurant, a bar, eight gaming tables, 24 slot machines (with a further 12 currently being installed) and a health centre. The other 25% of the Lao Cai Hotel is owned by Sapa Petrol Tourism Joint Stock Company ("**Sapa Tourism**"), a state-owned corporation of the Vietnamese Government.

Two Way has agreed to acquire 100% of Donaco from the Lim family for 5.2 billion new Two Way shares ("**The Proposed Transaction**"). The Lim family expects that Donaco will have no assets or liabilities other than those associated with its 75% interest in Lao Cai Hotel before the transaction takes place.

Further details on the terms of the Proposed Transaction are provided in Section 1 of this report.

2. Purpose of the Report

Two Way has engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report ("**IER**") to evaluate whether the Proposed Transaction is fair and reasonable to current shareholders of Two Way ("**Shareholders**"). The IER is to accompany the notice of meeting that will be sent to Shareholders regarding the Proposed Transaction. Our report cannot be used for any other purpose unless Leadenhall has provided written consent. We are not responsible to Two Way, or any other third party, whether for our negligence or otherwise, if this report is used by any other party or for any other purpose.

Further details on the purpose of this report are provided in Section 2.1 of this report.

3. Basis of Evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- assessed whether the Proposed Transaction is fair by determining whether the value of the effective consideration offered is equal to, or greater than, our assessed Fair Market Value of Two Way; and
- assessed it as reasonable if it is fair, or despite not being fair, the expected benefits to Shareholders outweigh the disadvantages that may result from the Proposed Transaction.

4. Summary and Conclusion

The Proposed Transaction is Fair

The Proposed Transaction is fair because the value of the Effective Consideration offered is significantly above the range of the value of Two Way.

Value of Two Way on a standalone basis

We have assessed the value of a Two Way share before the Proposed Transaction, on a control basis, to be in the range of $2.5 million to $2.7 million (or 0.83 cents to 0.88 cents per share). This excludes any special value to a specific acquirer which may be able to achieve synergies. We have estimated the Fair Market Value of Two Way using the capitalisation of future maintainable earnings method and adding the value of surplus assets. In applying this methodology, we have estimated the value of Two Way by capitalising its maintainable earnings using an appropriate multiple, including a premium for control. We have also considered the reasonableness of this value by reference to recent trading in Two Way shares. Further details of our valuation of Two Way are provided in Section 8 of this report.

Value of the Effective Consideration Offered

The Effective Consideration offered to Shareholders will be equal to a 5.2% minority interest in the Proposed Merged Entity, plus options to subscribe for new Two Way shares. The Proposed Merged Entity will consist of Two Way's existing interactive gaming business plus 100% of Donaco. As it is expected that Donaco will not have any existing operations, liabilities or assets other than its investment in 75% of Lao Cai Hotel, the value of Donaco in the Proposed Merged Entity is represented by 75% of the value of Lao Cai Hotel. The components of effective consideration are therefore:

Table 1: Components of Effective consideration

	Low	High
Value of 100% of Lao Cai on a minority basis ($'000)	66,667	73,333
Donaco interest in Lao Cai	75%	75%
Value of Donaco on a minority basis ($'000)	50,000	55,000
Value of Two Way's business on a minority basis ($'000)	563	675
Two Way's surplus assets ($'000)	750	750
Value of Proposed Merged Entity on a minority basis ($'000)	51,313	56,452
Number of Two Way shares after the Proposed Transaction (million)	5,537	5,537
Value per share (cents)	0.93	1.02
Option value per share (cents)	0.36	0.36
Value of Effective Consideration (cents)	1.29	1.38

Source: Leadenhall analysis

We have applied the capitalisation of future maintainable earnings and discounted cash flow methodology in determining the value of Lao Cai Hotel. In applying the capitalisation of future maintainable earnings methodology, we have adopted an EBIT multiple of 7.0 to 8.0 and an EBITDA multiple of 6.0 to 7.0 which resulted in a value of $62 million to $77 million. In selecting a suitable multiple for the valuation of Lao Cai Hotel, we have analysed multiples implied by market trading of minority holdings in comparable companies.

In applying the discounted cash flow methodology, we applied a post-tax discount rate in the range of 24% to 27% to discount projected after tax cash flows to determine their present value. This yielded a value of $68 million to $80 million, after applying a discount for lack of control of 25%.

As a result of the analysis discussed above, we selected a value for 100% of Lao Cai Hotel of $67 million to $73 million on a minority basis. The 75% interest held by Donaco was therefore valued at $50 million to $55 million.

In determining the value of the Effective Consideration, we have added the value of a Two Way share after the Proposed Transaction, to the value of the options to be issued to Shareholders. The value of the options was calculated using the Black Scholes option pricing model, which resulted in a value of 0.36 cents per share.

Based on this analysis, we have assessed the value per share of Effective Consideration offered to be in the range of 1.29 cents to 1.38 cents. Further details of our valuation of the Effective Consideration are provided in Section 10 of this report.

Conclusion on Fairness

We set out below a comparison of our assessed Fair Market Value of Two Way with our assessed Fair Market Value of the Effective Consideration offered.

Table 2: Comparison of the Effective Consideration offered with the value of Two Way

	Low	High
Fair Market Value per issued share in Two Way (cents)	0.83	0.88
Fair Market Value of the Effective Consideration per share (cents)	1.29	1.38

Source: Leadenhall analysis

Since the value of the Effective Consideration offered is significantly above the range of the value of Two Way, the Proposed Transaction is fair to Shareholders.

The Proposed Transaction is Reasonable

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages from the perspective of Shareholders. We have therefore considered the following advantages and disadvantages to Shareholders in assessing the reasonableness of the Proposed Transaction.

Advantages of the Proposed Transaction

We set out below the main advantages to Shareholders of approving the Proposed Transaction:

- **Increased operating business –** the Proposed Merged Entity will provide Two Way with a much larger operating business to contribute to the costs of maintaining a listed company, as currently Two Way's operating business is too small to cover these costs in isolation.
- **Additional growth opportunities –** the Proposed Merged Entity will have a number of opportunities to leverage off the existing business of Two Way and Donaco, and the contacts of the Lim family; examples including on-line casinos or expanding Two Way's IPTV offering to Asia.
- **Increased liquidity –** the Proposed Merged Entity is likely to have a market capitalisation significantly in excess of the current market capitalisation of Two Way. This may attract greater analyst coverage and may enhance the profile of the Proposed Merged Entity and therefore should result in increased liquidity and greater trading depth than Two Way on a standalone basis.

- **Two Way's size –** Two Way has not recorded a profit for the past several years and is not expected to in the current financial year, because its businesses are too small to support the costs of maintaining a stock exchange listing. To date Two Way has been supported by equity raisings. Without a significant transaction, such as the Proposed Transaction or additional capital raisings (which are likely to be dilutive to Shareholders), Two Way's future appears uncertain.

Disadvantages of the Proposed Transaction

The main disadvantages to Shareholders of the Proposed Transaction are summarised below:

- **Exposure to additional risks –** there are additional risks the Shareholders of Two Way will be exposed to, through the acquisition of Donaco and their investment in Lao Cai Hotel; examples including political/sovereign risks and currency risks.
- **Loss of control –** after the Proposed Transaction, the Lim Family will own 94.8% of the Proposed Merged Entity and therefore become a controlling shareholder group with the ability to control the assets, the strategic direction of the company and the decision of when to pay dividends. There is a risk the Lim Family will not always act in the best interest of Shareholders.
- **Indemnity from major shareholders –** Two Way has been indemnified against potential liabilities in Donaco by the two British Virgin Island based companies that are selling Donaco. Those companies will have no assets other than Two Way shares to meet any liabilities that arise. It is therefore possible that those companies would be forced to sell their Two Way shares to cover unexpected liabilities in Donaco. This could put temporary downward pressure on Two Way's share price.
- **Alternative options and their likelihood of occurring –** the directors of Two Way have advised us that while no formal alternative offers have been received, there have been various informal discussions with other parties interested in potential transactions with Two Way. By approving the Proposed Transaction it is less likely that Shareholders would be able to benefit from one of these possible transactions. However, in the absence of a superior transaction, Shareholders are unlikely to realise their shares in Two Way for an amount in excess of the Effective Consideration in the foreseeable future.

Conclusion on reasonableness

Since the Proposed Transaction is fair it is also reasonable.

Opinion

The Proposed Transaction is fair and reasonable to Shareholders. Therefore the proposed acquisition of a 94.8% interest in the Proposed Merged Entity by the Lim family is also fair and reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt the shareholder should consult an independent financial adviser.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

Richard Norris
Senior Adviser

Hamish Blair
Director

Note: All amounts stated in this report are Australian dollars unless otherwise stated.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**ours**" as appropriate") has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide;
- remuneration that we and/or our employees and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to:

- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis and set out in the report that we have been engaged to provide. Leadenhall is entitled to receive a fixed fee of $30,250 (incl. GST) for preparing this report.

Except for the fees referred to above, neither Leadenhall, nor any of its Directors, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
Level 1, 31 Franklin Street
Adelaide SA 5000

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("**FOS**"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3

Melbourne VIC 3001
Telephone: 1300 780 808
Email: info@fos.org.au

Compensation arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

9 November 2012

Contents

1. Terms of the Proposed Transaction

1.1. Background

Two Way is a listed Australian company that develops interactive media and gambling applications for mobile, internet, television and IPTV platforms. Two Way has not generated a profit since its listing in 2004. Its board has therefore been looking for ways to restructure the company to build scale, generate profit and provide a return for shareholders.

Donaco is a Singaporean company that is controlled by the Lim family, which also controls the Genting group of companies which is involved in hotels and casinos worldwide. Donaco owns a 75% interest in the Vietnam based Lao Cai International Hotel. The property has 34 rooms, a restaurant, a bar, eight gaming tables, 24 slot machines and a health centre. The other 25% of the Lao Cai Hotel is owned by Sapa Tourism, a state-owned corporation of the Vietnamese Government.

On 24 August 2012, Two Way announced that it had entered into a heads of agreement with Donaco for the acquisition of Donaco's shares in Lao Cai Hotel in exchange for 5.2 billion new shares in Two Way. Subsequently the parties agreed to revise the terms of the transaction. Two Way has now agreed to acquire 100% of Donaco from the Lim family for 5.2 billion new Two Way shares. The vendors of Donaco expect that Donaco will have no assets or liabilities other than those associated with its 75% interest in Lao Cai Hotel before the transaction completes (and have provided Two Way with limited indemnities to this effect). The Proposed Transaction is subject to a number of conditions including:

- Satisfactory due diligence by both parties;
- Donaco board and Two Way shareholder approval;
- Required regulatory approval (including the ASX); and
- No material adverse changes to either Two Way or Lao Cai Hotel's business.

1.2. Proposed Consideration

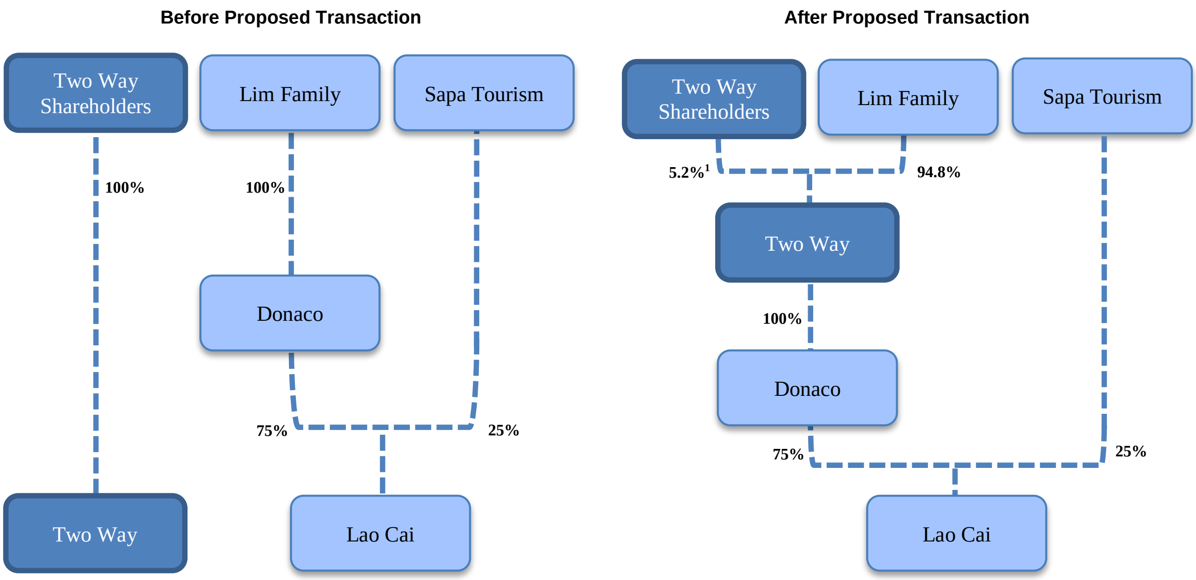
If the Proposed Transaction is approved, Two Way will acquire Donaco by issuing new shares to Donaco's owners, such that Donaco's current owners will own 94.8% of the Proposed Merged Entity after the issue. Two Way will also issue options to current shareholders on the Company's register at the day the register is closed for voting. Existing shareholders will receive one option for every two shares held with an exercise price of 1.5 cents (consistent with the current share price of Two Way), and a life of two years.

The Effective Consideration to Shareholders will therefore be equal to a 5.2% minority interest in the Proposed Merged Entity plus options to subscribe for new Two Way shares. The Proposed Merged Entity will consist of Two Way's existing interactive gaming business plus Donaco.

1.3. Impact of the Proposed Transaction on Corporate Structure

The existing and proposed corporate structures of Two Way and Donaco are outlined below.

Figure 1: Impact on Corporate Structure of the Proposed Transaction



Source: Leadenhall Analysis

Note:

1. 7.83% on a fully diluted basis, after considering options to be issued to Shareholders.

2. Scope of the Report

2.1. Purpose of the Report

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**Section 606**"), except in certain circumstances. One of the exceptions to Section 606 is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of Section 611 of the Corporations Act ("**Item 7**").

As described in Section 1, if the Proposed Transaction is approved, the Lim family will hold more than 20% of the shares outstanding in Two Way. The approval of the Proposed Transaction by Shareholders is therefore being sought at a general meeting. This report is to accompany the notice of meeting and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person or for any other purpose.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG 74 states that the directors of the target company should provide members with an independent expert report or a detailed directors' report on the Proposed Transaction. This report has therefore been prepared to satisfy the requirement of RG 74.

2.2. Basis of Evaluation

In determining how to evaluate the Proposed Transaction we have considered the substance of the transaction rather than its legal form. As the Lim Family will become the majority shareholder of Two Way should the transaction be approved, we consider the Proposed Transaction to effectively be a takeover of Two Way. *Regulatory Guide 111: Content of expert reports* ("**RG111**") issued by the ASIC requires an independent expert to evaluate 'control transactions' as if they were a takeover offer. RG 111 requires a separate assessment of whether a takeover offer is 'fair' and whether it is 'reasonable'. We have therefore considered the concepts of "fairness" and "reasonableness" separately as discussed below.

Fairness

RG 111 defines a takeover offer as being fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. This comparison must be made assuming a 100% interest in the target company. Accordingly, Leadenhall has assessed whether the Proposed Transaction is fair by comparing the value of Two Way to the value of the Effective Consideration. In this case the Effective Consideration is a 5.2% share of the Proposed Merged Entity after the Proposed Transaction is completed, plus options to subscribe for new Two Way shares. This represents what Shareholders would own should the Proposed Transaction occur. We have assessed the values of Two Way and the Proposed Merged Entity at Fair Market Value, which is defined by the International Glossary of Business Valuation Terms as:

> *The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*

This definition of Fair Market Value is consistent with the definition in RG 111 at paragraph 57.

Special value is defined as the amount a specific purchaser is willing to pay in excess of Fair Market Value. Such specific purchasers may be willing to pay a premium over Fair Market Value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies, these synergies should be included in Fair Market Value. Special value is typically not considered in forming an opinion on the Fair Market Value of an asset and our valuations of Two Way and the Proposed Merged Entity do not include any special value.

Reasonableness

In accordance with RG 111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG 111:

- the Lim family has no interest in Two Way at present;
- the significant shareholding blocks in Two Way;
- the liquidity of the market in Two Way's shares;
- any special value of Two Way to the Lim family;
- the likely market price of Two Way shares if the Proposed Transaction is rejected; and
- the value of Two Way to an alternative bidder and likelihood of an alternative offer.

We have also considered the other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3. Individual Investors' Particular Circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole and have not considered its effect on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser.

2.4. Limitations and Reliance on Information

Leadenhall's opinion is based on current economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over a relatively short period of time. Any such changes subsequent to the issue of this report could change our opinion. In preparing this report we have considered the information set out in Appendix 2. We have undertaken limited analysis and enquiry in relation to this information. However, our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards. This report should be read in conjunction with the declarations outlined in Appendix 6.

3. Profile of the Vietnamese Casino Industry

3.1. The Global Gambling Industry

According to provisional figures released by the Global Betting and Gambling Consultants ("**GBGC**") on 7 February 2012, gambling activities generated US$419 billion in revenues across the world in 2011. This was a 5.6% increase on revenue from the prior year. GBGC's Director Doreen Lorien Pilling stated 'GBGC was forecasting global gambling revenues to reach US$500 billion by 2014', an increase of almost 20% from 2011.

Gambling involves staking money on uncertain events driven by chance. The two broad categories of the gambling industry are defined as either wagering or gaming activities.

- Wagering – involves placing a bet on the outcome of a race or other form of event such as:
  - Thoroughbred, harness and greyhound races
  - Sporting events
  - Political elections

- Gaming – involves playing games of chance for money and broadly includes all non-wagering gambling activities such as:
  - Gaming machines
  - Casinos
  - Lotteries

The main characteristic of a wager that separates it from a gaming activity is the existence of an opportunity for skill to be exercised to improve the chances of winning, whereas the outcome of a gaming activity is predominantly random.

Major global gambling companies include Lottomatica (Italy), Tabcorp (Australia) and William Hill (UK). Casinos and lotteries each account for about 30% of the worldwide gambling industry. Other popular forms of gaming and wagering include gaming machines outside casinos (20%), horse racing (5%) and sports betting (5%).

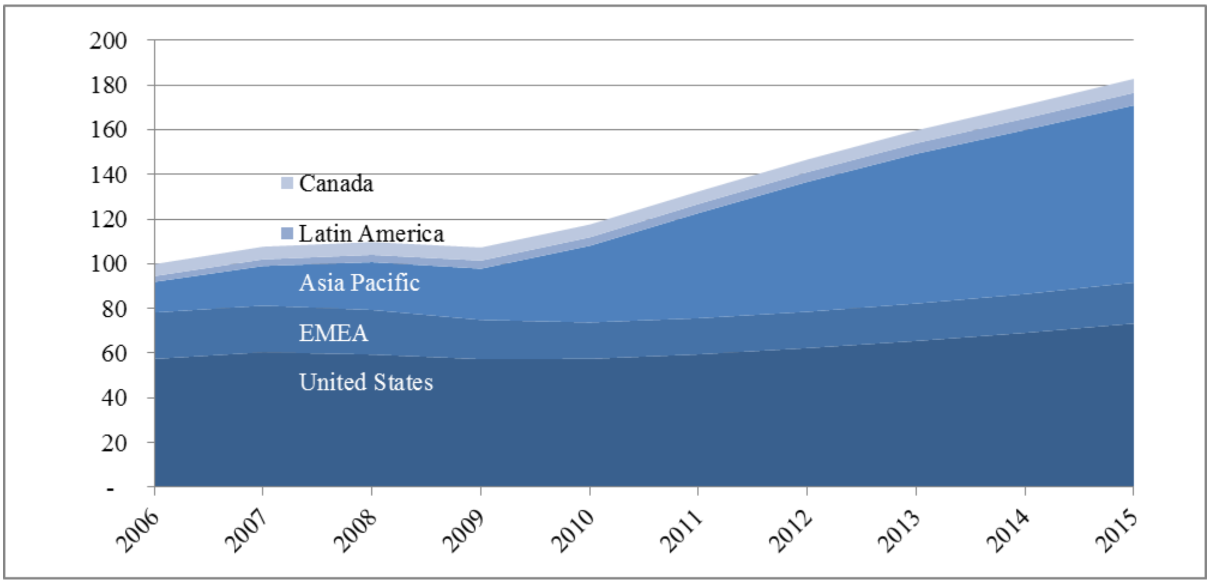
Before the Global Financial Crisis ("**GFC**"), the global gaming industry was setting growth records. From 2004 to 2008, gross gaming revenues increased 24% to US$358 billion. The subsequent uncertainty and the weakness of the recovery in many countries has slowed or stopped the growth of many gaming markets, in particular the US and Europe.

3.2. Global Casino Industry

Donaco operates in the commercial casino segment within the overall gaming industry. Casino operators provide a venue for clients to play games of chance, where the odds of winning favour the 'house'. Casinos offer table games operated by croupiers; such as roulette, baccarat, blackjack, craps and Tai Sai; or electronic gaming machines.

The largest casino operators are Caesars Entertainment Corporation, Las Vegas Sands Corporation, MGM Resorts International, SJM Holdings Limited and the Genting group of companies. Global casino gaming revenue is expected to grow at an annual compound rate of 9.2% from 2010 to 2015, rising from $117.6 billion to $182.8 billion. This growth, however, is not likely to be uniform, with the strongest growth expected in the Asia Pacific region. This is fuelled by improving economic conditions, increased foreign tourists, new casinos and a change in the attitude of regulators. As set out in the chart below, a significant part of the future growth of the industry is driven by the Asia Pacific region.

Figure 2: Growth projections in casino revenue (US$ billion)



Source: Global Gaming Outlook – The casino and online gaming market to 2015, PWC, December 2011

3.3. Development of Casinos in Asia

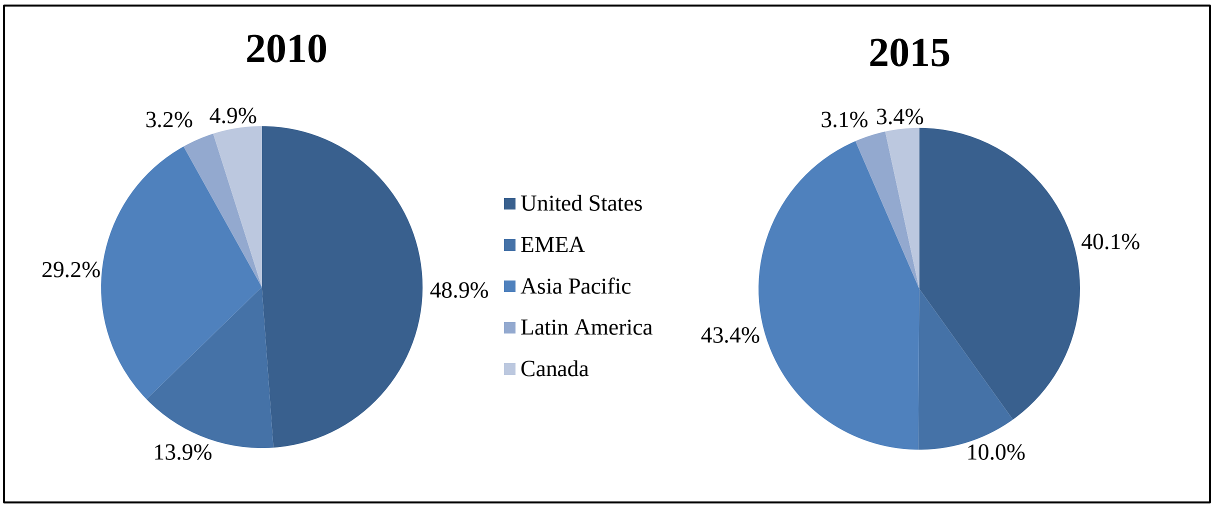
Casinos have existed in Asia for over 150 years. In an attempt to generate revenues for the government, gambling was legalised in Macau in 1847. Despite concerns about the future of Macau after the secession from the Portuguese in 1999, there were no significant changes to gambling policy. Macau's casino gross revenue rose 12.2% year on year in June 2012. Its gaming revenues are now five times bigger than those of Las Vegas.

The first recognized integrated resort in recent times was developed in the early 1980's when Genting built a casino in Malaysia with a variety of leisure and entertainment facilities. More recently, Singapore's Resorts World Sentosa and Marina Bay Sands commenced operations in 2010 and earned combined revenues of US$4 billion in their first full year of operating, 2011. More importantly, from a government perspective, Singapore casinos paid about US$0.9 billion in tax in 2011.

The multiplier effects on other parts of the economy are also significant. It is estimated that gaming in Singapore has increased tourism by 20%. In other countries in the region like Cambodia and Vietnam, the government is taking a closer look at gaming as a catalyst to drive tourism. It could be a differentiating factor in the highly competitive tourist economy. Most countries in the region see tourism as a crucial step up the development ladder from cheap export-oriented manufacturing.

As the Asian macro-economy has expanded over the last several decades, so too has consumer discretionary income. After growing by 7.2% in 2009, casino revenues from the region leapt by 49.7% in 2010, driven by new capacity in Macau and Singapore. It is expected that Asian casino revenues will continue to grow by almost 40% in 2012. Growth in the Asian region is expected to taper to around 8% per annum by 2015, but by then the current surge is likely to have fundamentally reshaped the landscape of the global industry. The region accounted for 29.2% of revenues in 2010; by 2015 it is expected to account for over 40% of total global revenues, just ahead of the US with approximately 40%. The following graph shows the origin of casino revenue by geographical location for 2010, compared with expectations for 2015.

Figure 3: Change in contribution of regional casino revenues



Source: Global Gaming Outlook – The casino and online gaming market to 2015, PWC, December 2011

3.4. History of Casinos in Vietnam

Until 2003, except for the state-run lottery, gambling of any kind was illegal in Vietnam. Thereafter the government allowed a few five-star resorts to run small-scale and low-profile casino or electric gambling to cater to foreigners only. Vietnamese citizens are, however, banned from entering these casinos. Due to the communist rule in Vietnam it is unlikely that this restriction will be waived anytime soon, although financial incentives from additional taxation may impact this.

In 2003 the Lao Cai International Hotel opened what is believed to be the first casino in a communist country. However, the Vietnamese government continued to struggle to balance its ideological views of gambling with the potential financial benefits of increased tourism and tax revenues.

Following the Lao Cai International Hotel, several other small casinos were built in Vietnam, most of them in major cities such as Hanoi and Ho Chi Minh City. Any four-star (and above) hotel is permitted to have a casino with slot machines and electronic table games. There is no true count of the number of casinos in operation although estimates indicate they may total around 70 for the whole country.

In 2008 Prime Minister Nguyen Tan Dung approved a Las Vegas-style casino resort. The MGM Grand Ho Tram is the first component of the proposed US$4.2 billion Ho Tram Strip. The MGM Grand Ho Tram, situated about 80 miles (128.7 kilometres) from Ho Chi Minh City, is currently under construction and due for completion in 2013. Five other casino-style resorts have been licensed across the country since the MGM Grand Ho Tram was approved.

3.5. Planned Casino Developments

The planned investments in the country portend a significant increase in future competition for casino players visiting Vietnam. If the planned projects are completed, it could change the scale and scope of the casino industry in Vietnam.

Table 3: Planned development in Vietnam

Development	Investment	Location	Details	Casino operations
Happy Valley	$ 2 billion	Outside HCM city	Theme park	Rumoured to include a gaming component
Flamboyant Island	N.A.	60Km SE of Hanoi	Hotel	Casino managed by Casinos Austria
Genting	$ 4 billion	Quang Nam	Gaming resort	Joint venture with Vina Capital
Phu Quoc Island	$ 4 billion	South Coast	Casino	Yet to finalise investors / operators

Source: Ben Lee, Vetting Vietnam, Global Gaming Business Magazine, Vol 11, No 4, Apr 2012

3.6. Critical Success Factors

Government Policy

Like China, Vietnam does not allow its citizens to gamble within the country. Would-be punters are forced into accepting a casino junket, where gamblers are transported to an area where legalized gambling is available. They are booked into a hotel-casino at the junket company's expense in exchange for a percentage of the gamblers' turnover from the casino. However, gambling is believed to be fairly common amongst the Vietnamese people through various means including:

- crossing the border to gamble at Cambodian casinos;
- participating in illegal online lotteries; or
- using illegal bookmakers.

It has been argued that by legalising gambling the government would earn the revenue that it loses out to illegal gambling operators. In recent times the Vietnamese economy has also been suffering from a high rate of inflation and an underperforming banking sector. The government hopes to improve the situation through a wide range of reforms generating more revenue, and casinos seem an attractive option. The government has already indicated that it aims to increase the contribution to the GDP from lotteries.

Infrastructure

A country needs to provide infra-structure in line with its development goals. For example, the new railway that connects Macau with Guangzhou has significantly reduced travel time and boosted tourist and gaming traffic from mainland China to Macau. Vietnam has transportation agreements in place with China that have facilitated the building of expressways, but to succeed on a scale similar to Singapore and Macau continued investment will be needed. The recent completion of an express highway has reduced travel time from Kunming (the capital of Yunnan) to the Lao Cai International Hotel from 7 hours to 4 hours.

3.7. Risk Factors

Political Uncertainty

The investment certificates for these projects are issued by the provincial governments, which can be overturned at any point for any reason. Examples include the Novotel in Thong Nhat Park, Hanoi, for which construction was halted indefinitely after a year due to a public outcry over the environmental impact the hotel would have on the park grounds; and the cancellation of a US$9.8 billion joint steel project between Vinashin, a Vietnamese state shipping company, and Malaysian steel giant Lion Group. The contract was cancelled due to Government claims that investors did not fulfil commitments stated in the investment license, however representatives from Lion Group maintained the company did not receive any notifications from the Vietnamese government.

Currency Fluctuations and Regulations

The high volatility exhibited by the Vietnamese Dong poses a risk to international investors; however this risk can be mitigated through the conduct of Vietnamese casino operations in foreign currencies. For example, Lao Cai Hotel's gaming activities take place in Chinese Renminbi, a historically stable currency; therefore the risk exposure of investors is the stability of the Chinese Renminbi, as opposed to the Vietnamese Dong.

According to Vietnamese regulations, both residents and non-residents can hold bank accounts in any currency. Foreign currency may be remitted overseas, although certain registration and/or tax requirements may need to be met.

Competition

It is not yet clear whether all of the planned casinos in the region can be viable, even if the government were to eventually allow locals to gamble. Neighbouring countries like Cambodia and Thailand are also expanding casino offerings, for example Entertainment Gaming Asia announced that it has commenced construction of a gaming centre in Cambodia. As new casinos are introduced in the region, the competitive landscape will continue to change, and it is not certain if and when saturation will be reached.

Online Gambling

The disruptive effects of technology should also be considered. Internet gambling was growing at a rapid pace before it was banned in many jurisdictions, including the largest market, the USA, as well as Australia. If continuing social acceptance or monetary pressures cause the easing of government objections to internet gambling; online gambling could offer healthy competition to casinos. Operating with lower cost structures, online gambling operators may be in a position to offer better returns to gamblers.

Economic Trends

Economic trends continue to be the main underlying driver of casino revenues, through their impact on job growth and disposable income. The Asia Pacific region has remained relatively insulated from the economic malaise weighing on the United States and much of Europe. Any downturn of the overall economic sentiment in the Asia Pacific region is likely to have an adverse impact on discretionary spending and in turn on gaming revenues.

4. Profile of Donaco

4.1. Overview

Prior to the Proposed Transaction, Donaco will have no significant assets or liabilities, other than its investment in Lao Cai Hotel. As a result, we have not included an analysis of Donaco in our report, and instead have included a detailed profile of Lao Cai Hotel.

Lao Cai Hotel owns and operates the Lao Cai International Hotel and Casino in Lao Cai, Vietnam. The principal source of revenue is the operation of an international standard casino and the operation of a 34 room hotel, with rooms often provided to patrons on a complimentary basis. Due to gambling restrictions in Vietnam, the casino is reserved for foreign customers.

The casino offers eight gaming tables with a minimum wager of RMB200 (approximately AU$30), and a maximum wager of RMB 100,000 (approximately AU$15,000) providing Baccarat and Tai Sai. There are an additional ten tables used for staff training purposes.

Baccarat is a card game that is popular with high rollers, possibly due to the relatively low house edge of around 1%. In baccarat, two hands are played; one referred to as player and the other as banker, with players betting on whether the outcome will be 'player win', 'banker win' or 'tie'.

Tai Sai (also known as Sic Bo) is a game in which three dice are rolled. Players then bet on various outcomes such as:

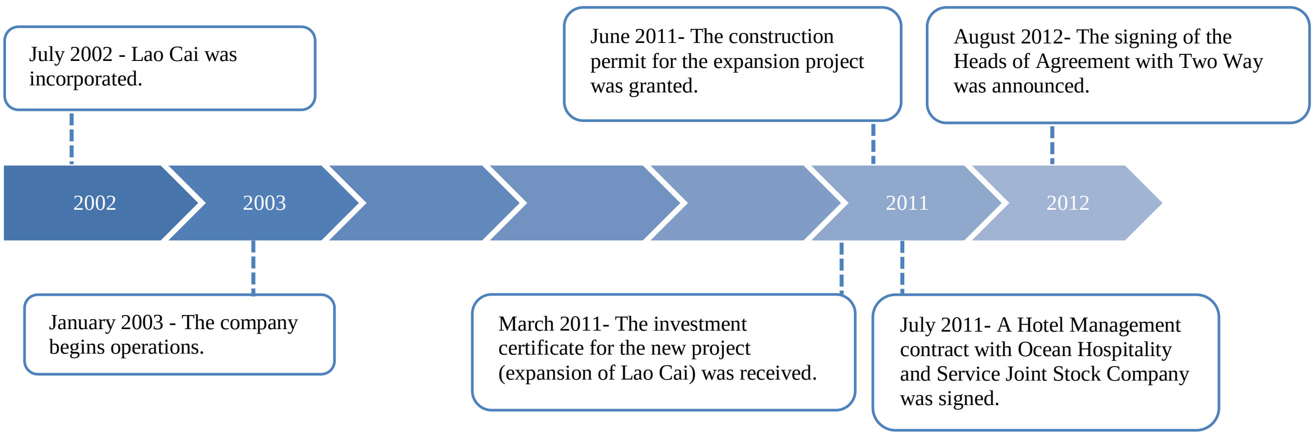
- an odd or even total (excluding a triple i.e. all three dice are the same);
- a total of 11 or higher (excluding a triple);
- a total of ten or less (excluding a triple);
- a specific total score; or
- a specific triple.

The house edge for Tai Sai is 2.8% or higher, depending on the nature of bets placed.

The casino also has 24 electronic gaming machines ("**EGM**") from Aristocrat, Weiki, and IGT with 12 new machines on order. The licence permits up to 150 EGMs in total. Other facilities include a business centre, concierge services and wellness facilities including a spa, sauna and massage parlour. The company is one of the largest tax contributors to the province of Lao Cai and has a significant impact on the local economy.

4.2. History

Figure 4: History of Lao Cai Hotel



Source: Donaco

4.3. Location

The hotel is located in Lao Cai city in north-eastern Vietnam, which borders the Yunnan Province of China. Gambling is prohibited for Vietnamese and the hotel primarily targets international visitors, especially those from China. Yunnan has an estimated population of 45.9 million with 6.4 million residing in the capital, Kunming. The hotel is located a short distance from the international border. With the creation of the expressway from Kunming to Lao Cai, travel time has reduced from 7 hours to 4 hours. The nearest competing casino is in Ha Long Bay, 450 kilometres away to the south-west.

Figure 5: Location of Lao Cai Hotel

Source: Google Maps

As a result of its location, 99% of Lao Cai Hotel's guests are Chinese. Approximately 60% are considered high rollers, who check in AU$100,000 or more per visit.

4.4. Junket Operators

Junket operators provide a significant part of the company's revenue. A junket operator is similar to an organised tour operator. Gamblers are booked into a hotel-casino at the junket company's expense in exchange for a commission of the gamblers' turnover at the casino. To minimise risks to the casino, the junket operators have to put up a deposit with the hotel. Any credit risks pertaining to the players are therefore borne by the junket operator. Lao Cai Hotel currently has arrangements with 22 junket operators.

4.5. Expansion Project

The company recently received permission to expand the scope of operations and is in the process of constructing a new four star hotel and entertainment complex over 12 storeys and two basements. This would provide an additional 428 rooms. The company estimates the total investment for the expansion to be in the region of US$40 million. The new facilities are expected to be operational at the beginning of the year 2014. Disruptions to the current casino will be minimal, as the new complex is located over one kilometre away from the existing casino. As part of the expansion, the hotel intends to offer a more inclusive entertainment and recreation experience.

4.6. Capital Structure and Shareholders

Donaco

Donaco is a Singapore registered company with investments in Singapore, Malaysia, Vietnam, Cambodia, China and Thailand. Donaco is involved in the gaming, entertainment and trading industries. Donaco is associated with the Lim family which founded the Genting Group that owns casinos in Malaysia, the Philippines, Singapore, the UK and the USA.

Table 4: Donaco Capital Structure

	Shares	%
Convent Fine Limited	1,530	51
Slim Twinkle Limited	1,470	49
Total	**3,000**	**100**

Source: Donaco

Convent Fine Limited and Slim Twinkle Limited are British Virgin Islands based companies. We understand that these companies have no assets or liabilities other than their holding in Donaco and are 100% owned by members of the Lim family.

Lao Cai Hotel

Lao Cai Hotel was incorporated in Vietnam as a joint venture for 30 years under an Investment Licence issued by the Ministry of Planning and Investment. The first licence was issued in July 2002, and was subsequently amended in August 2003 and February 2009. The capital contributions by Lao Cai Hotel's shareholders were as follows:

Table 5: Lao Cai Hotel Capital Structure

	USD	%
Donaco Singapore Pte Ltd	1,350,000	75
Sapa Petrol Tourism Joint Stock Company	450,000	25
Total	**1,800,000**	**100**

Source: Donaco

Sapa Tourism is an entity associated with the local Government of the Lao Cai Hotel Province. The company has interests in Travel services, infrastructure and real estate investment, and financial investment.

4.7. Management and Personnel

Donaco

The directors and key management personnel of Donaco include the following:

Table 6: Directors and key management personnel of Donaco

Name and Position	Experience
Siew, Wei Mak	Business Development Manager of Marvic International (NY) Ltd. from 1998 to 2000. Independent Non-Executive Director of Jotech Holdings Bhd since August 2006, Nakamichi Corp. Bhd since August 2008 and Av Ventures Corp. Bhd since April 2006. Mr. Mak also holds a Bachelor Degree in Management Information Systems.
Lim, Keong Yew	Mr. Lim has a Bachelor of Science Degree in Computer Science from Queen Mary and Westfield College, University of London. He is currently the managing director and chief executive officer of Donaco, Malahon Securities Limited and is a principal of the Slingshot Group of Companies.
Benjamin Lim Keong Hoe	Mr. Lim has a Bachelor Degree in International Business with Design Management from Regent Business School, United Kingdom. He is a Director of Donaco as well as a property developer in Genting Development Sdn Bhd, Malaysia.

Source: Donaco

Lao Cai Hotel

The directors and key management personnel of Lao Cai Hotel include the following:

Table 7: Directors and key management personnel of Lao Cai Hotel

Name and Position	Experience
Mr Tam Iam Howi General Director	Mr Howi has been the General Director of Lao Cai Hotel since August 2010. He has completed a diploma of Financial Accounting from Tunku Abdul Rahman College (Malaysia), is a fellow of the Association of Chartered Certified Accountants (UK) and is a registered accountant of The Malaysian Institute of Accountants. He previously worked with Genting Bhd and Resorts World Bhd in internal audit and accounting roles; Golden Star Video Sdn Bhd as Finance Manager; South China Strategies Sdn Bhd as Assistant General Manager and Rapid Pile Sdn Bhd as Company Accountant.
Mr Tran Quoc Hung Deputy General Director	Mr Hung graduated from the Accounting and Finance University of Hanoi. After graduation, he joined the Lao Cai Hotel Import & Export Company (State Government owned) as an Accountant and was subsequently promoted to Chief Accountant. He then joined the Lao Cai Hotel Tourist Company, also owned by the State Government company overseeing the overall accounting function operation. He joined Lao Cai Hotel in 2003 as Chief Accountant before being promoted to Deputy General Director in 2006.
Mr Chew Hock Seng Deputy General Director - Operations	Mr Seng started his career with Genting Group Malaysia and has assumed numerous roles in the Casino Operation such as project planning, performance analysis, floor expansion, staff training and general management. He joined Lao Cai Hotel in May 2011.

Source: Donaco

4.8. Competitive Position of Lao Cai Hotel

The table below sets out a strengths, weaknesses, opportunities and threats analysis ("**SWOT**") for Lao Cai Hotel.

Table 8: SWOT Analysis of Lao Cai Hotel

Strengths	Weaknesses
• Established track record in Vietnam. • Borders Yunnan province (China) with a population of 45.7 million. • In 2007, Yunnan and Lao Cai Hotel's transportation ministries signed agreements that expedite the movement of passengers across borders. • Agreements between China and Vietnam have facilitated the building of four expressways that will help integrate road networks. The recent completion of an express highway has reduced travel time from Kunming (the capital of Yunnan) to Lao Cai from 7 hours to 4 hours. • The nearest competitor is in Ha Long Bay (almost 500 km away). Moreover, no other licenses are expected to be granted to anyone else in the area in the foreseeable future.	• Domestic restrictions – Generally, Vietnam does not allow its citizens to gamble. Revenue is dependent on foreign high rollers, especially from China. • 'Lifestyle-crimping' regulations under current Vietnamese law could prove discouraging. For instance, couples wishing to share a room must provide proof of marriage if one of them is a Vietnamese citizen. • Foreign currency laws may restrict moving funds in and out of Vietnam.
Opportunities	**Threats**
• There are indications that the government may be flexible on other gaming areas. Rumours persist that the government may legalise sports gambling to limit the influence of underground gambling syndicates. • Overseas expansion opportunities – The company could leverage on its expertise in South East Asia and expand overseas into other regions. • The major shareholder group (Donaco) has expertise in online casino operations. This can be leveraged to expand the service offering (regulations permitting). • It is possible that China will be more relaxed about citizens and party members visiting Vietnam after the selection of the new Politburo members at the 18^{th} National Congress of the Communist Party of China in October 2012. • Mengzi, Honghe, a city in the Yunnan region of China, is currently in the process of constructing a new airport. The proximity of Mengzi to Lao Cai, being approximately an hour's drive, may therefore potentially increase patronage at Lao Cai Hotel due to ease of accessibility to the hotel.	• Vietnam is a communist ruled country. There is a risk of change in regulatory requirements. Specifically, the investment certificates for these projects are issued by the provincial governments, which can be overturned by the central government. • Any geopolitical issue may hinder the flow of high rollers from China, adversely affecting revenue. The Paracel and Spratly islands in the South China Sea could become a flashpoint. • Competition within the region. Fiscal concerns could compel more governments in the region to adopt a more welcoming approach to casinos. As new casinos are introduced in the region, the competitive landscape will continue to change. • If the restrictions currently in place on internet gambling in many parts of the world reduce, either due to social acceptance or monetary pressures, the segment could offer increased competition to casinos.

Source: Leadenhall analysis

4.9. Financial Performance

We set out below Lao Cai Hotel's audited financial performance for FY09 to FY11 in accordance with Vietnamese Accounting Standards, systems and prevailing regulations.

Table 9: Lao Cai Hotel's Audited Financial Performance

For the Year Ended 31 December	2009 VND Billion (Actual)	2010 VND Billion (Actual)	2011 VND Billion (Actual)
Revenue	61.4	69.8	207.2
Cost of Sales	(6.3)	(5.3)	(9.4)
Gross Profit	**55.1**	**64.6**	**197.7**
Operating Expenses	(25.1)	(32.6)	(46.0)
EBIT	**30.0**	**32.0**	**151.7**
Finance Income	3.3	5.9	25.0
Other Net Income	0.1	0.0	(0.1)
Profit Before Tax	**33.5**	**38.0**	**176.7**
Corporate Tax	(5.8)	(9.6)	(44.3)
Profit After Tax	**27.6**	**28.4**	**132.3**
Gross Margin %	*89.7%*	*92.6%*	*95.4%*
EBIT Margin %	*48.9%*	*45.8%*	*73.2%*

Source: Donaco
Notes: EBIT – Earnings before interest and taxation
Totals may not add due to rounding
The financial statements were prepared in accordance with the Vietnamese Accounting System and have been audited by Kreston ACA Vietnam Auditing Company Limited, a member of Kreston International. Lao Cai Hotel has prepared a reconciliation of its reported result to IFRS and we note that there were no material differences.

For every dollar wagered, referred to as the 'drop', the majority is returned to the player, with a portion going to the 'house' as commission. This commission is the amount reported as revenue in the financial statements of companies in the gambling industry. It is effectively the portion of the total amount turned over by players that is retained by the casino. In relation to the above comparative financials for Lao Cai Hotel, revenue increased significantly in 2011, largely due to the new highway from Kunming significantly reducing travel times to Lao Cai and therefore increasing patronage. In FY12, Lao Cai Hotel management projects that revenue will grow by 30% from the levels seen in FY11. This appears conservative with revenues increasing by 38.3% in the six months to June 2012, as compared with the previous corresponding period.

Cost of Sales include restaurant and hotel related expenses such as food and beverages, housekeeping and laundry supplies, etc. The cost of sales has increased by almost 150% from the period 2009 to 2011. The increase is related to the increase in patronage as discussed above, however is not to the same magnitude as the increase in revenue, as the expenses incurred are not always directly related to revenue. Expenses such as hotel housekeeping and laundry are fixed and therefore independent of the level of patronage at the hotel.

Operating expenses include salaries and wages, electricity, table maintenance costs, rent, etc. These expenses have almost doubled from 2009 to 2011. These expenses are a mixture of variable and fixed costs, and therefore may or may not be directly related to patronage. Expenses such as decks of cards, and salaries and wages have increased on account of the increased patronage mentioned previously; however rent and electricity, for the most part, are independent of patronage levels and therefore the increase in these operating expenses is of a lesser magnitude than that of revenue.

4.10. Financial Position

The audited statements of financial position of Lao Cai Hotel as at 31 December 2010 and 2011 are summarised in the table below.

Table 10: Lao Cai Hotel's Statement of Financial Position in VND

As at 31 December	2010 VND Billion (Actual)	2011 VND Billion (Actual)
Assets		
Cash and Short Term Financial Investments	120.9	236.9
Receivables	2.0	28.6
Other Current Assets	2.6	4.5
Property, Plant & Equipment	25.0	73.7
Other Non-Current Assets	1.8	3.4
Total Assets	**152.4**	**347.1**
Liabilities		
Accounts Payable	0.8	2.6
Short Term Loans	23.8	1.0
Other Current Liabilities	52.9	168.0
Long Term Liabilities	0.3	0.2
Total Liabilities	**77.8**	**171.8**
Net Assets	**74.6**	**175.3**
Shareholders' Equity		
Share Capital	27.7	27.7
Foreign Exchange Reserves	(0.9)	0.5
Retained Earnings	47.8	147.1
Total Shareholders' Equity	**74.6**	**175.3**

Source: Donaco

Note: Totals may not add due to rounding

In relation to Lao Cai Hotel's financial position, we note that a significant portion of the assets are held as cash and short term investments. Owing to the high frequency of cash turnover in the gaming industry, casinos are required to hold large amounts to ensure liquidity. As revenue increases, the company is required to hold larger amounts of cash.

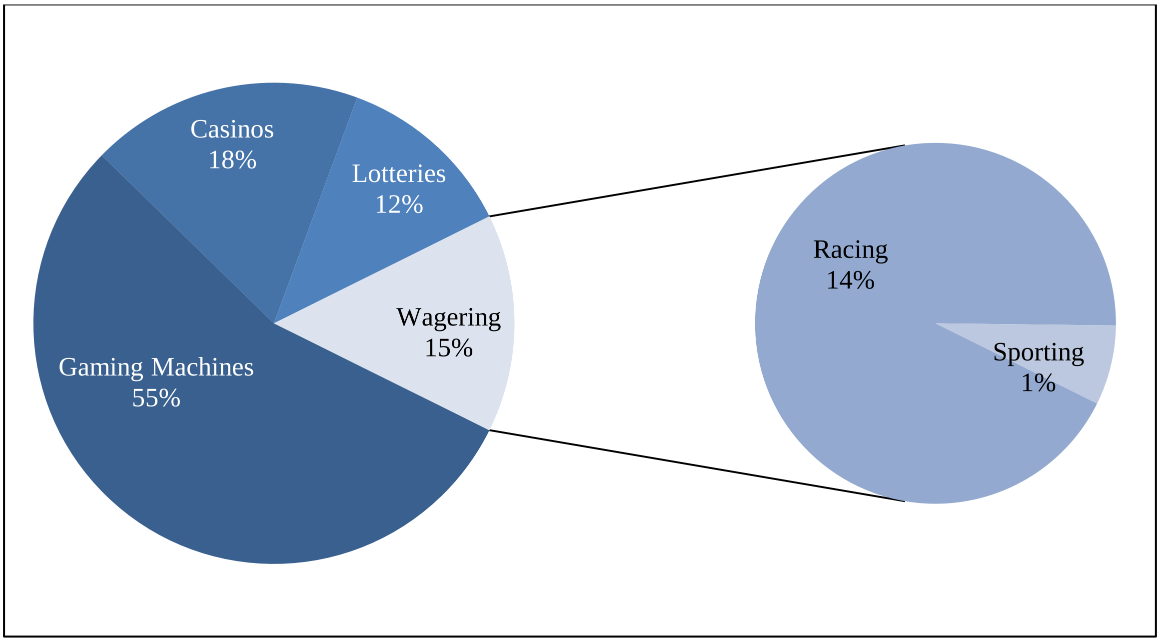
Property, plant & equipment has increased significantly on account of the commencement of the expansion project. Significant investments were also made in motor vehicles (used to transport customers from the border to the hotel) to keep up with the larger number of international visitors from China.

5. Profile of the Australian Wagering Industry

5.1. Overview

According to the Australian Government Productivity Commission in their 2010 Inquiry Report into the Gambling Industry (27th edition), approximately $19 billion was wagered by 'punters' on Australian gambling products in 2008-09. Of this amount, approximately 55% was spent on gaming machines, with the second largest sector being expenditure in casinos, at 18%. Wagering accounted for 15% of revenues. This distribution is represented graphically below:

Figure 6: Australian Gambling Net Revenue Sources



Source: Australian Gambling Statistics, 27th Edition

The wagering sub sector of the industry is comprised of businesses that provide totalisator and fixed odds betting, whilst excluding casino and lottery operations. The wagering industry in Australia is predominantly made up of wagers placed on thoroughbred, harness or greyhound races and sporting events. Events contributing to the Australian wagering industry can physically be held in another country, however the odds must be supplied by and the wager placed with a Totalisator Agency Board ("**TAB**") or bookmaker licensed to an Australian State.

Two Way's operations fall within the wagering sub sector of the gambling industry, as their main products facilitate the wagering and betting services provided by TABs, licensed bookmakers and betting exchanges.

According to reports from IBISWorld, revenue generated by the wagering industry in the 2011-12 year was $3.5 billion, an increase of 4% from the prior year.

5.2. Products

Totalisators (or Parimutuel Betting)

Players purchase 'units' in a continuously increasing 'pool' (the totalisator) and the winnings are paid to players in proportion to the amount of units wagered. The odds received in a totalisator pool vary dependent on the eventual size of the pool and the number of winners the pool is required to be divided by. The TAB will deduct a portion of the total pool for their costs, commission and related taxes payable, before dividing and dispersing the remainder to winners in the form of dividends; therefore the TAB does not take on any significant risk against the punters, and the TAB revenue depends on the size of the pool or total amount wagered. TAB agencies operate in every state/territory under individual state government laws which establish statutory bodies such as Racing and Wagering Western Australia ("**RWWA**"), and the publicly listed companies Tabcorp Holdings Ltd ("**Tabcorp**") and Tatts Group Limited ("**Tatts**").

In sophisticated computer totalisator systems, displays provide punters with a reliable guide as to the approximate dividends they would receive, on the basis of the bets placed up until that point in time, until the commencement of the race.

Economies of scale are required for the mechanics of a totalisator pool to work, due to larger pools effectively lowering the costs of wagering. The exclusive licenses granted in each state allow TABs to achieve the economies of scale required for totalisator pools to work effectively.

The most common types of totalisator bets include win, place, each-way, quinella, trifecta and first4, however in recent times these bets have evolved to include bets such as the 'Revolving Banker', a variant of the trifecta. 'Flexi' bets enable punters to increase the number of selections in a bet, without increasing the cost of the bet.

Totalisator bets can be placed on-course, or through authorised off-course TAB outlets such as PubTABs and ClubTABs, or via the telephone and internet.

Fixed Odds Betting

Players place a bet and are quoted odds they will receive if they are successful, irrespective of the size of the eventual pool. The price is agreed at the time the bet is sold. This is more high risk for the operator as they could potentially make a loss on any event they cover. Fixed odds betting services are offered by on-course bookmakers, corporate bookmakers and the TAB, subject to state regulations.

Bookmakers are registered by an association or cooperative. Bookmakers tend to offer better odds than TABs and their main clientele are usually larger gambling punters who are better informed and seek to obtain better odds than those offered by TABs.

Bookmakers are generally also permitted to take wagers on derivatives of fixed odds betting, such as bets on the "starting price" or "top fluctuation" of a particular outcome. Both results are calculated as a composite price of a predetermined bookmaker ring, where the payout is based on odds displayed by the bookmaker with whom the wager was directly contracted.

5.3. Key Players

The TABs remain by far the largest providers of wagering services in Australia, with Tabcorp and Tatts having a virtual duopoly over the industry, with a combined market share of 68.4% as reported in the July 2012 IBISWorld report on the horse and sports betting industry.

Brief company overviews for these two companies are provided below:

Tabcorp Holdings Ltd ("Tabcorp")

Market Share: 49.6%

Industry Brand Names: TAB Victoria, TAB NSW, Luxbet.com, TAB Sportsbet

Tabcorp engages in the provision of leisure and entertainment services in Australia, with operations across gaming activities and the provision of wagering services. Tabcorp holds the wagering licenses in both Victoria and New South Wales, and offers online betting services to NSW and Victorian residents through their brand, Sportsbet. In September 2008, Tabcorp launched Luxbet.com; a racing and sports corporate bookmaking service provided online and by telephone, licensed in the Northern Territory.

In July 2012, The State Government of Victoria announced its agreement to enter into a new 12 year license with Tabcorp to conduct parimutuel and fixed odds betting, operate the off-course retail network in Victoria and also operate its first licensed betting exchange.

Results from Tabcorp's 2012 Annual Report show a strong performance by Tabcorp's wagering segment; with wagering EBIT up 10% to $242 million, and online wagering turnover up 14.5% to $2.2 billion, excluding the Northern Territory based bookmaking business.

Tatts Group Limited ("Tatts")

Market Share: 18.8%

Industry Brand Names: TattsBet, UNiTAB, Maxgaming, Talarius

Tatts engages in the provision of gambling services predominantly in Australia. Tatts offers:

- totalisator and fixed odds betting services on racing and sporting events in Queensland, South Australia, the Northern Territory, and Tasmania;
- the company's Talarius division is involved in gaming operations in the United Kingdom; and
- Tatts has agreements in place to conduct lotteries in four States and Territories across Australia.

In 2006, UNiTAB Limited was merged with Tattersalls Limited; later rebranded as the current trading company name of Tatts Group Limited. UNiTAB owns the TABs in Queensland, the Northern Territory and South Australia, as well as gaming machine monitoring services in Queensland, the Northern Territory, and New South Wales, under the Maxgaming brand. The wholesale and retail TAB operator in Tasmania, Tote Tasmania, was acquired by Tatts in December 2011.

Tatts' 2012 preliminary report, released to the ASX on 23 August, reported $623 million in revenue generated by TattsBet, an increase of 5.1% when compared with the 2011 financial year, as well as an increase in total race wagering of 3.9%.

5.4. Distribution

The provision of wagering services by TABs and Bookmakers is via one of the following four distribution channels:

- On-course Bookmakers and TABs;
- Off-course TABs;
- Telephone; and
- Internet.

On-course Bookmakers and TABs

This sector is comprised of the provision of wagering services physically on site at racing events, by both TABs and Bookmakers. The decline in turnover experienced in this distribution channel in recent years is a result of easier access to other forms of betting such as telephone, off-course TABs and online; as well as general declines in the number of attendees at race events.

Off-course TABs

This sector is comprised of agencies or branches that operate as stand-alone units, or part of a hotel or club, known as PubTABs and ClubTABs. The increasing number of these forms of off-course TABs has enhanced the accessibility of these services for punters and enticed customers away from the traditional forms of on-course bookmakers and TABs.

Telephone

Punters also have the option of placing bets via telephone, and therefore removing the need to be physically present at a TAB. In recent years, there has been an increase in the number of corporate bookmakers licensed in the Northern Territory due to the significantly lower cost of acquiring a licence when compared to other states. Increases in revenue derived from this distribution channel are due to the accessibility of placing bets as the majority of service providers are open 24 hours a day, as well as the fact "In-play" betting via telephone is legal in Australia. "In-play" betting refers to the punters' ability to place a bet on an event after it has commenced. This form of betting is popular in sporting events due to the longer timeframe over which the event is usually held.

Internet

This segment includes wagers placed over the internet, as well as through IPTV services. Revenue generated through these platforms is increasing strongly, primarily due to the relaxing of government regulations surrounding wagering services provided over the internet. In May 2012, a review of the Interactive Gambling Act 2001 ("**IGA**") conducted by the Australian Federal Government suggested allowing Australian-based websites to offer "In-play" sports betting over the internet. This would be a revolution in the online wagering industry of Australia, and allows an additional medium for punters to place bets on sporting events after the commencement of a game, in addition to the only forms currently allowed under the IGA; via telephone and in-person. The recommendations in this review have not been implemented as at the date of this report.

Online wagering and sports betting also provides punters with greater convenience than physical venues, and is even more accessible due to the increasing levels of broadband penetration and the use of internet enabled smart phones.

Betting Exchanges

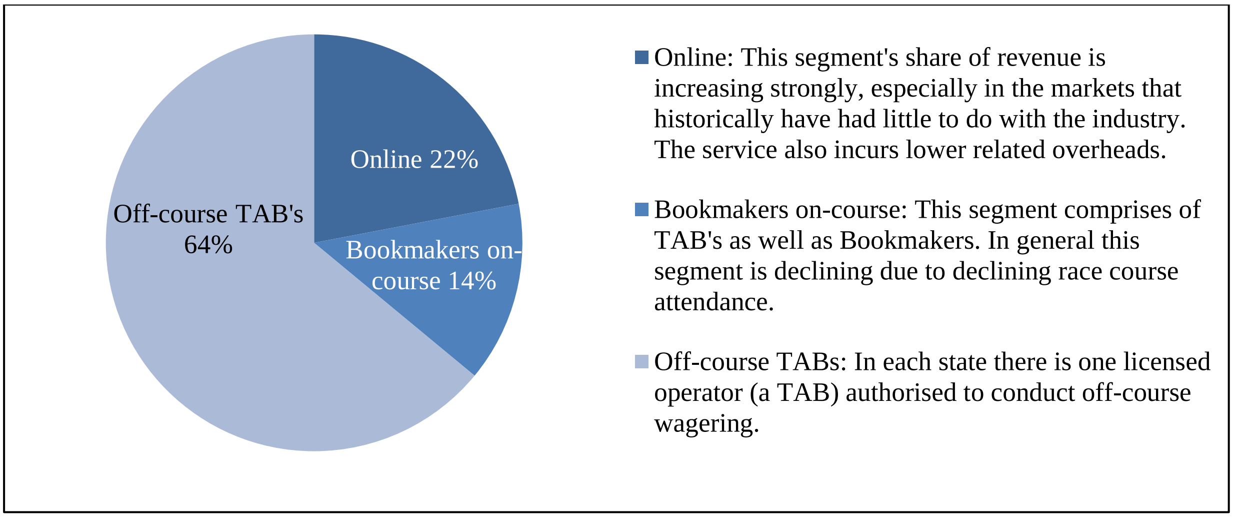
Betting exchanges operate on a wagering model based on the same principal as the stock exchange. A betting exchange is an online marketplace where punters bet at odds set by other punters, rather than the 'house', bringing together people with directly opposing views. Due to the absence of a bookmaker or TAB, the result is more favourable odds for the punter.

Up until August 2012, Betfair Australia, a 50:50 joint venture between Betfair Group PLC ("**Betfair Group**") and Crown Limited and operating on a national level throughout Australia, was the only licensed betting exchange in Australia. Currently, Tabcorp is the only other entity licensed to conduct a betting exchange in Victoria. Betfair Group's 2012 Annual Report highlighted a 21% increase in revenue generated through Betfair Australia's operations, driven predominantly by a strong performance in the racing sector.

Betfair Australia has recently been unsuccessful in an appeal to the High Court of Australia against Racing New South Wales' ("**RNSW**") decision to charge a fee of 1.5% of wagering turnover on all NSW races. Racing Victoria has since announced its intention to implement a similar fee of between 1.5% and 2.0% based on turnover, applicable to all races held in Victoria. As per Betfair Group's 2012 Annual Report, the company is actively seeking to have the product fee payable calculation changed to be based on revenue (the amount charged as commission), as opposed to turnover (the total amount wagered), as they do not believe Betfair Australia would be profitable under the current terms.

The below graph represents the portion of wagering revenue generated in the 2010-11 year, split according to distribution channel:

Figure 7: Wagering revenue generated per distribution channel



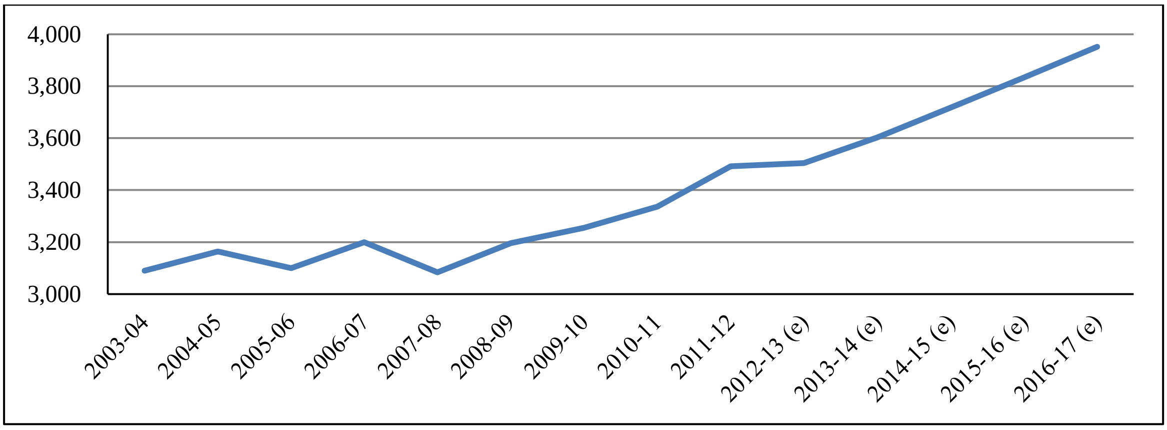
Source: IBISWorld Industry Report, July 2012

5.5. Demand

The overall wagering industry is in the mature stage of its lifecycle, with some sectors of the industry in decline whilst others have the potential to enter stages of new growth. According to reports from IBISWorld, a lower number of race course attendees has resulted in declining revenue generated by on-course bookmakers.

In contrast to this, the overall industry has been assisted by the growing interest in online wagering and sports betting.

Figure 8: Total wagering revenue ($ millions)



Source: IBISWorld
*(e) represents estimated figures from IBISWorld

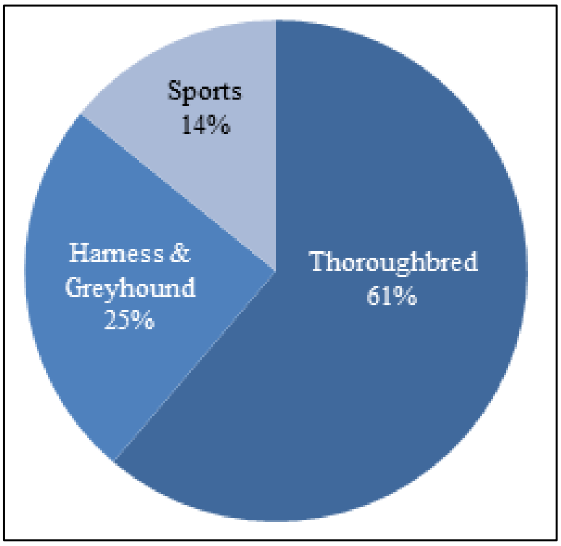
As is evident above, revenue generated from wagering services has significantly increased since 2007. A primary driver of revenue applicable to all forms of racing and sports betting, is the ease of accessing a wager service provider. The easing of government regulations surrounding the mediums through which wagering services are able to be provided, as well as the development of new interactive betting applications, have significantly contributed to the increased demand and revenue generated in the industry.

The linkage of products to digital media in recent years, such as televisions and the internet, has increased the appeal of wagering services to a younger generation of punters, as well as generating increased exposure to individuals who lack the time to physically place bets on-course or off-course, and those who are geographically isolated.

Thoroughbred horse races contribute the highest amount of revenue to the wagering industry, as is evident in the adjacent graph showing the proportion of turnover generated in the 2010-11 year by category. As 61% of total wagering turnover relates to thoroughbred race events, the performance of the industry is heavily reliant on the performance of events such as the Spring and Autumn Racing Carnivals. These events can be quite seasonal and unpredictable in nature, as was the case in the 2011-12 year, evident in Figure 8 above, when unusually wet weather resulted in poor revenue figures from the Spring Racing Carnival.

The trough seen in the 2007-08 year in the above graph is primarily due to the equine influenza outbreak, which impacted the Australian Racing Industry as all thoroughbred and harness horse races in NSW were required to be stopped for three months during the peak of the Spring Racing Carnival.

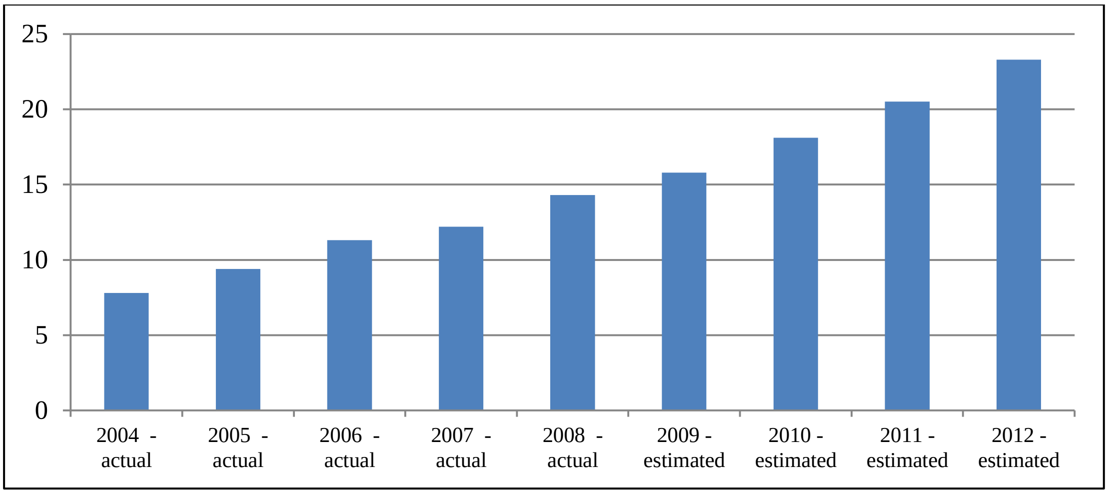
Figure 9: Australian Wagering Turnover 2010-11



Source: Australian Racing Fact Book 2011

Sports betting is the fastest growing area of gambling in most western countries. Predictions from the GBGC estimate the number of global interactive/ online active sports betting accounts will reach numbers of more than 23 million in 2012, at an increasing rate of approximately 14% a year.

Figure 10: Active Sports Betting Online / Interactive Accounts (millions)



Source: GBGC, Interactive Gambling Dataset, dated September 2009

A report prepared by the Boston Consulting Group for Racing NSW in July 2008, identified the key drivers of the popularity of sports betting to include:

- Its relative novelty, as growth is closely linked to the increased sports coverage on pay TV;
- Generation Y is the fastest-growing segment of the population and is keenest on sports betting (average age of sports bettors is about 10 years younger than race wagers);
- Range of sports events is extremely broad and international (rapid growth in number of games staged);
- The proliferation of sports betting sites which are often treated more leniently by regulators than online gaming (mainly casino games); and
- Offers a large variety of wagers – final result, margin, events within a game (first player to score).

The greater demand generated by these relatively new sectors of the wagering industry are the main drivers of the increasing revenue figures estimated by industry experts referenced above.

5.6. Regulation

Government regulations greatly impact the industry's performance, as decisions regarding policies relating to the provision of wagering services as well as relating to the tax levels influence revenues generated.

In Australia, wagering regulation is generally controlled at a state and territory government level. The TABs have entered into various commercial arrangements with their respective state racing industry bodies and governments, which specify that a proportion of the wagering share is to be distributed to the relevant state government in the form of taxes, and to the racing industry in the form of product and program fees.

The IGA states it is an offence to provide certain interactive gambling services to customers physically located in Australia. Under the IGA, all online gambling services, as well as "In-play" betting services over the internet, are prohibited to be provided to Australian customers, regardless of the county the service provider resides in. The IGA also makes it an offence to advertise prohibited interactive gambling services in Australia.

All other forms or wagering, including telephone betting, wagering on horse, harness or greyhound races, sporting events or any other event is excluded from the act and is therefore legally allowed to be provided by services providers.

There are differing views on the effectiveness of the current IGA, as whilst it is an offense by the company providing the prohibited interactive gambling service, it is not an offence for Australian customers to access and use the prohibited service or for an Australian based-company to provide prohibited services to users in other countries.

The IGA was reviewed by the Department of Broadband, Communications and the Digital Economy ("DBCDE") with a recommendation to deregulate certain online gambling activities, such as "In-play" betting. The recommendations made by the DBCDE have not been implemented at the date of this report.

The basis for the calculation of taxes payable by wagering service providers can have a great impact on the industry, exemplified by the current dispute between Betfair Australia and RNSW referenced previously. In recent years, taxes on bookmakers have been significantly reduced or abolished to ensure the survival of the industry segment.

6. Profile of Two Way

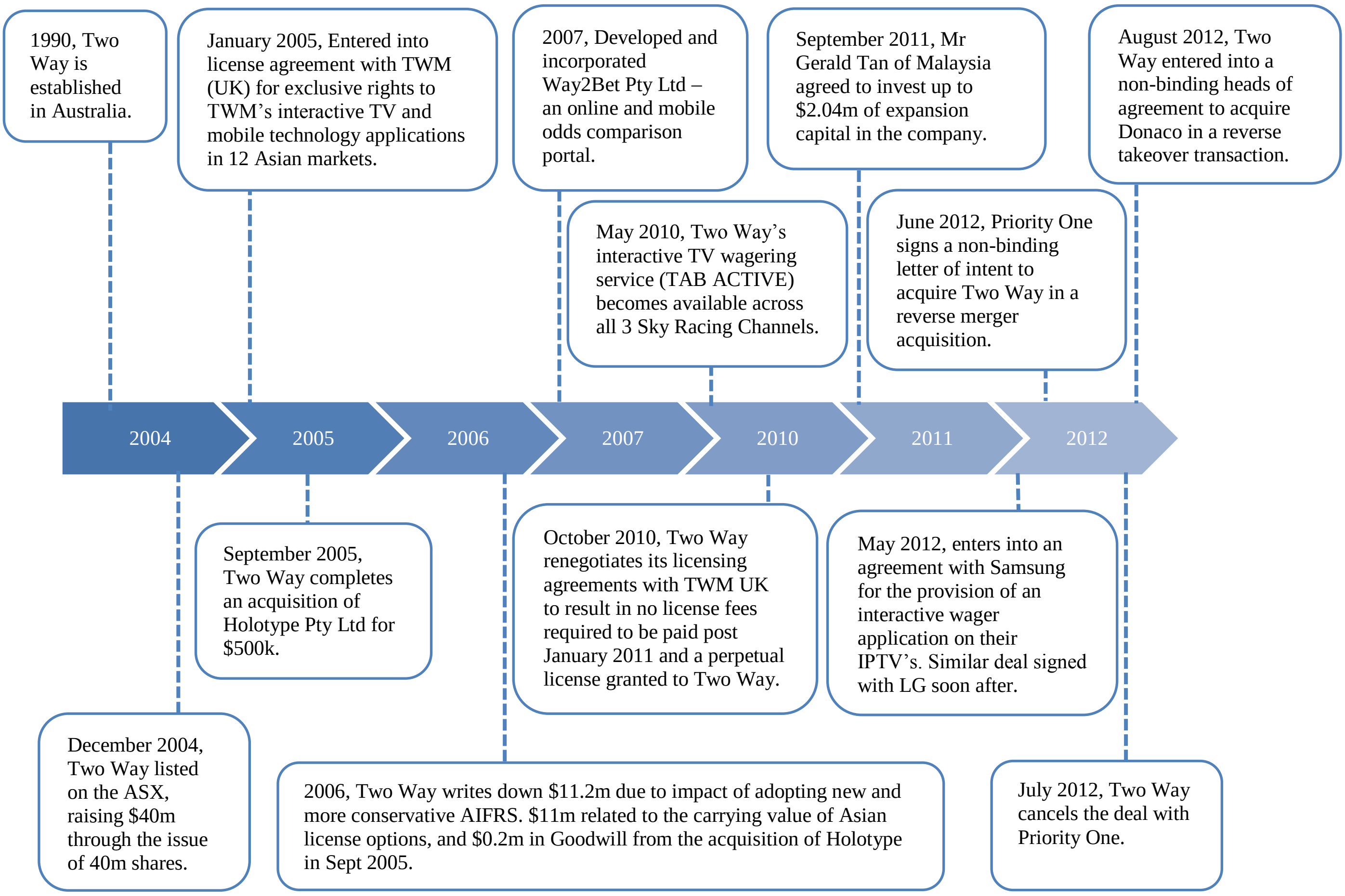
Two Way is an Australian listed company that creates, develops and builds advanced interactive media and gambling applications for mobile, internet, TV and IPTV platforms. Two Way was formed in 1990 and was subsequently listed on the Australian Stock Exchange in December 2004.

Two Way's main achievements to date include the development of TAB ACTIVE; an interactive TV wagering service accessible in all mainland Australian States through the Foxtel and Optus TV platforms, as well as 'Way2Bet'; an online and mobile portal offering an extensive range of information resources to help punters bet more knowledgably.

Two Way's products are currently being deployed by leading wagering and interactive TV operators in Australia and New Zealand, with clients including; Tabcorp, Racing and Wagering Western Australia, TattsBet, Centrebet, IAS Bet, Luxbet, Sportingbet, Betfair, Optus TV, LG, Samsung and Sky New Zealand.

6.1. History

Figure 11: History of Two Way



Source: Leadenhall analysis and Two Way management

6.2. Key Products

A summary of Two Way's key products and their features is included below.

TAB ACTIVE

Two Way's interactive TV wagering service is available in all mainland states on the Foxtel and Optus TV platforms and contributes approximately two thirds of Two Way's revenue. Two Way has exclusive rights, and is the only company to offer a live betting service that links into the betting engines of multiple TABs (Tabcorp, TattsBet and RWWA).

TAB ACTIVE offers advanced betting features and related information while utilising the 'red button' on the Foxtel remote. The service provides TAB account users the ability to place bets on most horse and greyhound races, including all bet types - from straight win / place to more exotic bets. Other features include full form guides, account history, deposit funds, race list and start times, totalisator and fixed odds betting and multi-channel switching across all Sky Racing channels (1, 2 and World).

Two Way earns a percentage of all revenue generated through wagers placed via the TAB ACTIVE service. The greatest costs associated with the service relate to telecommunications and point of presence expenses which are fully absorbed by Two Way.

Way2Bet

Two Way's leading online and mobile odds comparison portal for racing and sports betting, accounts for approximately a quarter of Two Way's revenue. Two Way's flagship sites of www.way2bet.com.au and www.way2bet.mobi focus on providing punters a resource with which to place the most well informed bets possible.

The main feature of the site is the ability for punters to compare the best odds available for all major Australian corporate bookmakers on any event or market whether it is horse racing, sports, entertainment or politics.

The site also provides a host of other features including: free form guides, best bets, racing and sports reviews, tipping competitions, the latest racing and sports news, free bookie bets offered to new punters and Blackbook notification, which allows punters to follow their favourite team, horse or dog and receive notification of scheduled events.

When new players create a betting account with TABs and Bookmakers through the Way2Bet online and mobile portals, Two Way earns a percentage of the revenue generated on the account for its active life. Revenue is also generated through advertising space available on the Way2Bet portals. The main expenses incurred with the provision of Way2Bet are maintenance costs to keep the site competitive.

Scorcher

A free multi-sport live mobile phone app, in conjunction with the Australian radio station Triple M. Scorcher is currently one of the only available apps in the market place to combine live scores, news, and real-time betting odds from Australia's top four sports – AFL, Cricket, Rugby League and Rugby Union.

Since its release to the market in August 2012, Scorcher has ranked in the top 10 sporting apps in the iTunes store.

Scorcher is powered by Way2Bet and provides a link for users to access it directly on their mobiles through the app, whilst also advertising the site and creating brand awareness.

Two Way was paid for the initial creation of Scorcher by Southern Cross Media, Triple M's parent entity. Although no ongoing direct revenue is generated from the provision of the Scorcher application besides maintenance fees received from Southern Cross Media, revenue is captured indirectly when players create accounts via the Way2Bet link available in Scorcher. Costs incurred with the maintenance of Scorcher relate mainly to keeping the application up to date with current features and technologies to remain competitive.

IPTV Wagering Applications

Two Way has recently entered into binding contracts with both Samsung and LG, in conjunction with Betfair Australia and SportingBet Australia, for the development of IPTV applications for their range of internet-enabled TV's, smartphones, tablets, Blu-ray players, home theatre systems and other consumer products. Under the contract terms, Two Way will develop Betfair Australia and SportingBet Australia applications that will be available on new Samsung and LG IPTV's.

Although not a high revenue generating service for Two Way currently, these markets are expected to grow considerably in the future and therefore may result in significant potential revenues.

The revenue and cost model for these IPTV wagering applications is similar to the TAB ACTIVE service, whereby Two Way receives no upfront payment for the creation of the application; however a portion of all revenue generated through the app is rewarded to Two Way.

In addition to the key products described above, Two way is also involved in the development of interactive television games (iTV Games) and enhanced TV applications. In the New Zealand market Two Way has created a range of single and multiplayer iTV Games, including trivia, word and puzzle games, to result in a library that contains tens of thousands of questions and answers, and ever changing puzzles. In the 2012 financial year, revenue from the provision of these games represented 11% of total revenue generated by Two Way.

Two Way specialises in the bespoke development of interactive enhanced TV applications for the specific requirements of customers. These applications can include features such as interactive chat and voting, TV game shows interaction, sports fantasy games and interactive trivia or puzzle games. Examples of applications previously built and deployed include: UKTV's Supernova, Frasier Marathon, Music Max Trivia, Transformers Game, Australia's Next Top Model Chat Application and Music Max Chat Application.

6.3. Management and Personnel

The key management personnel of Two Way include:

Table 11: Key management personnel of Two Way

Key Management Personnel	Experience
Rointon Nugara CFO and Company Secretary	Rointon has been with Two Way since January 2005. He holds a Bachelor of Business (Accounting) and is a qualified CPA. Rointon has 23 years of experience in finance and accounting, having commenced his career at Arthur Young (later Ernst & Young), before moving to Sterling Winthrop Pharmaceuticals as Company Accountant. He then spent 7 years at Optus in various positions, culminating in the role of Commercial Manager in the Optus Business division. Prior to joining Two Way, Rointon held the position of Planning and Analysis Manager at Foxtel.
Grant Kean General Manager Products and Services	Grant began his career with Two Way in 2000 as Commercial Manager. Over the past 12 years he has held various operational positions including Operations Manager, Head of Wagering and Commercial Manager. Grant played an integral role in the process of Two Way listing on the ASX in 2004 along with providing his vast experience in conceptualising, designing and deploying Two Way's key products such as TAB ACTIVE and Way2bet.
Fabian Magrini Chief Technology Officer	Fabian joined Two Way in 2005 as the principle Software Architect after the company he co-founded, Holotype, was acquired by Two Way. He holds a Bachelor of Science (Computer Science) and a Bachelor of Law Degree from the University of New South Wales. From 1999 to 2005 he was the Chief Software Architect and co-founder of Holotype, a new media company specialising in the development of interactive TV technology and systems. In 2006 he became the Head of Technical and Development at Two Way, a role which was transitioned to CTO in 2008. Fabian has more than 10 years' experience in a leadership role in software development and project delivery and an extensive background in emerging technologies.

Source: Two Way

The board of Two Way is comprised of the following members:

Table 12: Board members of Two Way

Board member	Experience
Stuart McGregor Chairman	Stuart McGregor was educated at Melbourne University and the London School of Business Administration, gaining degrees in Commerce and Law. He also completed a Masters of Business Administration. Over the last 30 years, Stuart has had a wide-ranging, active involvement across the Asian Region. In business, he has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Ltd in Tasmania and Managing Director of San Miguel Brewery Hong Kong Ltd; a publicly listed Hong Kong based company with subsidiary businesses in China. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Federal Government and as Chief Executive of the Tasmanian Government's economic development agency. Mr McGregor was formerly a director of Primelife Limited from 1 December 2001 to 31 March 2004.
Benedict Paul Reichel Non-Executive Director	Ben Reichel is a company director and advisor in the media, gaming and technology sectors, with more than twenty years' experience in major Australian listed public companies and law firms. Ben held the position of Chief Executive Officer and Managing Director of the Company from July 2007 to January 2012, at which point he stepped down to pursue the next phase of his career. During his tenure he improved the Company's bottom line by 85%. Ben also previously held positions of Chief Operating Officer, General Counsel and Company Secretary. Before joining Two Way, Ben held positions as General Counsel of Tab Limited, and of racing broadcaster Sky Channel Pty Limited. He has also held a number of executive positions at Publishing and Broadcasting Limited. Ben was educated at the University of Sydney and the University of California, Berkeley. He holds a Bachelor of Arts, Bachelor of Laws with First Class Honours and Master of Laws with First Class Honours.
Gerald Nicholas Eng Hoe Tan Non-Executive Director	Gerald Tan is a serial entrepreneur who has founded numerous companies in the digital and interactive media space. Gerald is the Managing Partner of Nuetree Capital, with over 19 years of experience on both the sell and buy side of the venture capital and private equity business. Prior to joining Nuetree, Gerald was the Group Managing Director and Co-Founder of Phoenix Investment Global Limited, a leading pan-Asian interactive new media company. Phoenix was a regional leader in interactive TV solutions as well as branded content creation, with exclusive partnerships with Chelsea Football Club. Prior to Phoenix, he founded N-Visio Ltd, an interactive television technologies company that developed Asia's first real time 3-D interactive TV system. This solution was used extensively in Malaysia, Indonesia and China. Gerald has a Bachelor of Economics from the University of Western Australia and an MBA from the Graduate School of Business, The University of Sydney.

Source: Two Way

6.4. Competitive Position of Two Way

The table below sets out a SWOT analysis for Two Way.

Table 13: SWOT Analysis of Two Way

Strengths	Weaknesses
• Listed status on the ASX. • Experienced and qualified staff, with current management team each having at least seven years' experience with the company. • Relationship with Triple M through the development and launch of the Scorcher mobile phone app. The success of the app provides significant exposure of the Way2Bet portal direct to Two Way's target market.	• Poor cash position and ongoing losses. • Currently running at a minimum operating cost threshold provides limited opportunities to further reduce operating costs if required. • The inability to appropriately market the TAB ACTIVE feature through the Foxtel channels due to the hold Tabcorp has over the medium.
Opportunities	**Threats**
• Potential to renegotiate more favourable terms with Tabcorp for the use of TAB ACTIVE, as the current contract is approaching expiration. • A significant increase in market share would be gained if the TAB ACTIVE service was made available on Austar. • The potential revenue to be generated through the expected growth of the IPTV market due to current contracts in place with Samsung and LG. • The possibility of the legalisation of online in-play betting upon reviews of the IGA would increase the participants in Two Way's market and demand for their products. • The revenue model for Way2Bet allows for potential exponential growth as more accounts are created through its service.	• The current position of Two Way puts them in a weak negotiating position when upcoming contracts are due to be renegotiated. The terms of the arrangement with Tabcorp allows Tabcorp to automatically gain rights to the TAB ACTIVE service in NSW and Victoria, should Two Way not be able to continue its business operations. • The potential deregulation of the online gaming industry will make the industry more attractive to competitors and will therefore result in a higher level of competition which may require commissions to be reduced by Two Way in order to gain contracts.

Source: Two Way Management and Leadenhall analysis

6.5. Financial Performance

The financial performance of Two Way for the years ended 30 June 2010 to 2012 is summarised below:

Table 14: Consolidated statement of comprehensive income for Two Way

For the Year Ended 30 June	2010 AUD ($'000's) (Audited)	2011 AUD ($'000's) (Audited)	2012 AUD ($'000's) (Audited)
Revenue	1,656	1,568	1,349
Employee Benefits Expense	(1,567)	(1,518)	(1,628)
Professional & Consulting Fees	(160)	(192)	(242)
License Fees	(194)	(284)	-
Marketing & Promotions	(219)	(70)	(222)
Telecommunications & Hosting	(379)	(423)	(430)
Administration Expenses	(76)	(57)	(44)
Other Expense from Ordinary Activities	(206)	(250)	(252)
Impairment of Assets	(1,589)	-	-
EBITDA	**(2,733)**	**(1,225)**	**(1,470)**
Normalised EBITDA	**(1,144)**	**(1,225)**	**(1,470)**
Depreciation & Amortisation	(335)	(28)	(20)
EBIT	**(3,068)**	**(1,253)**	**(1,490)**
Normalised EBIT	**(1,479)**	**(1,253)**	**(1,490)**
Interest Income	41	28	13
Income Tax Expense Attributable to Subsidiary	(23)	(11)	(13)
R&D Tax Offset	-	207	202
Total Comprehensive Loss for the Year	**(3,050)**	**(1,029)**	**(1,288)**
Statistics			
Sales Growth	17%	-5%	-14%
Basic and Diluted Loss per Share (cents)	(1.68)	(0.51)	(0.55)

Source: Two Way 2011 Annual Report and Two Way 2012 Annual Report

Financial statements prepared in accordance with the Australian equivalent to international financial reporting standards ("AIFRS")

EBITDA - Earnings before Interest, Tax, Depreciation & Amortisation

EBIT - Earnings before Interest Tax

Normalised EBITDA & EBIT - Adjusted for a number of non-recurring items relating to gain/loss on FX and impairment.

In relation to the above financial performance, we note that Two Way has operated at a loss for the past three consecutive financial years.

Revenue has declined in the 2012 financial year when compared with FY10 and FY11. This is due to a general decline in revenue generated through the interactive TV wagering services provided by Two Way in the form of TAB ACTIVE. In addition to this, developmental work generated approximately $110k of revenue in the 2011 financial year, compared with only $8k in the 2012 year. This revenue stream consists of the development of one off interactive applications tailored for specific customers' requirements. The inconsistent nature of this type of work therefore results in fluctuating revenue. Large development projects in the 2011 financial year include the addition of fixed odds betting capabilities through TAB Active for Tabcorp, as well as interactive chatting applications developed for Australia's Next Top Model and MTV.

In FY10, Two Way recorded an impairment loss of approximately $1.6 million in relation to the write off of the carrying value of prepaid wagering fees upon the commercial launch of the TAB ACTIVE service on 28 April 2008. This asset was previously amortised on a straight line basis over the term of the TAB ACTIVE agreement, which expires in April 2013. The write down of this asset to zero in FY10 therefore resulted in lower amortisation expenses from FY11 onwards.

Professional and consulting fees, as well as marketing and promotions expenses were considerably higher in FY12 due to an aggressive marketing campaign run by Two Way in relation to the 2011 Spring Carnival horse racing season. Although relating revenue was not realised due to a wet season as well as a small outbreak of equine flu, Two Way incurred approximately $150k in additional marketing expenses, as well as almost $100k in marketing consultancy fees. We understand that these marketing initiatives will not be repeated going forward.

There were no license fees paid in the 2012 financial year, which will continue going forwards due to Two Way's renegotiation of their licensing agreement with Two Way Media (UK), which resulted in savings of approximately $250k per annum.

The R&D tax offset evident in the 2011 and 2012 financial years relates to a cash refund available to small companies who have incurred eligible R&D expenditure in the previous financial year.

6.6. Financial Position

The financial position of Two Way as at 30 June 2010 to 2012 is summarised below:

Table 15: Consolidated statement of financial position for Two Way

As at 30 June	2010 AUD ($'000's) (Audited)	20 11 AUD ($'000's) (Audited)	20 12 AUD ($'000's) (Audited)
Current Assets			
Cash	743	235	426
Receivables	161	137	128
Short Term Investments	-	-	401
Other	54	39	36
Total Current Assets	**957**	**411**	**992**
Non-Current Assets			
Property, Plant & Equipment	46	24	6
Total Non-Current Assets	**46**	**24**	**6**
Total Assets	**1,003**	**435**	**997**
Current Liabilities			
Payables	244	150	219
Provisions	165	220	168
Total Current Liabilities	**409**	**370**	**387**
Non-Current Liabilities			
Provisions	73	42	38
Total Non-Current Liabilities	**73**	**42**	**38**
Total Liabilities	**482**	**412**	**425**
Net Assets	**521**	**23**	**572**
Equity			
Contributed Equity	48,220	48,744	50,581
Reserves	81	51	47
Accumulated Losses	(47,781)	(49,772)	(50,056)
Total Equity	**521**	**23**	**572**

Source: Two Way 2011 Annual Report and Two Way 2012 Annual Report
Financial statements prepared in accordance with the Australian equivalent to international financial reporting standards ("AIFRS")

The high cash balance at 30 June 2012 is due to proceeds from equity raising activities by Two Way which resulted in $300k received from Beez Investment Pty Limited on 29 June 2012, in exchange for 15 million shares of Two Way.

Short Term Investments in the 2012 financial year relates to a binding share subscription agreement Two Way entered into with Priority One Network Group Limited ("**PON**") in December 2011. Per the conditions of the agreement, as at 30 June 2012 Two Way had received $300k in cash from PON as well as 1,337,281 PON shares, with a total value of $401,184, at 30 cents per share. The significant increase in net assets from June 2011 is due to the capital raised from PON as detailed above. On 18 September 2012, Two Way successfully completed a further capital raising of $250k through a placement of 16,666,667 shares at an issued price of 1.5 cents a share.

As at 30 June 2012, Two Way has $701,184 of unissued shares as part of contributed equity, representing 17,529,614 shares at 4 cents each to be issued to PON. These shares are not due to be issued to PON until their successful listing on the ASX, which is scheduled to be within the next few months.

6.7. Capital Structure and Shareholders

As at 18 September 2012, Two Way had the following securities on issue:

- 285,197,427 fully paid ordinary shares listed on the ASX;
- 942,840 options issued to employees with exercise prices ranging from 1.8 to 3.8 cents, of which 104,760 will lapse on the 1st of each month up until 1 June 2013; and
- 16,250,000 options issued to Main Ace, exercisable at 2.8 cents with expiry dates between January and March 2015.

A requirement of Main Ace's investment in Two Way was the appointment of a Director to the Board of Two Way. Their current choice of Director is Gerald Tan, as referenced above under Section 6.3.

The following table lists Two Way's top 10 shareholders for securities listed on the ASX as at 19 September 2012.

Table 16: Top 10 Shareholders of Two Way

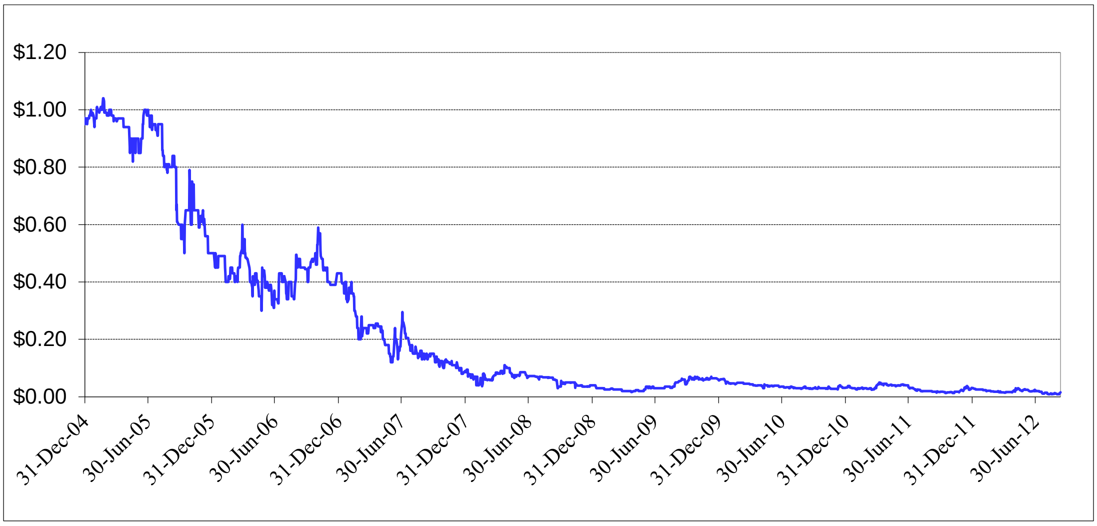
Shareholder	Number of shares (000)	% holding
Main Ace Investment Limited	20,000	7.0%
HSBC Custody Nominees (Australia) Limited	19,773	6.9%
Ebanc Com Pty Ltd <Ward Family A/C>	17,700	6.2%
GFI Investments Pty Ltd <Ward Super Fund A/C>	14,529	5.1%
Ms Helen Mei Sim Leong	7,567	2.7%
DMG & Partners Securities Pte Ltd <Clients A/C>	7,350	2.6%
Samuel Hewlings Chisholm	6,675	2.3%
Tamily Pty Ltd <Joske Superfund A/C>	6,100	2.1%
Appwam Pty Ltd	6,000	2.1%
Glenluce Properties Pty Limited <Glenclue Prop Sfund>	4,778	1.7%
Total for top 10	**110,471**	**40.1%**

Source: Two Way's management

6.8. Share Price Performance

As is evident in the following graph, Two Way's shares initially traded at $1 per share. Two Way's inability to turn a profit, combined with numerous going concern doubts raised by auditors resulted in a steady decline in share price, with a closing price at the end of the 2012 financial year of 2 cents per share.

Figure 12: Historical closing share price of Two Way (Dec 2004 – Sept 2012)



Source: Capital IQ

7. Valuation Methodology

7.1. Available Valuation Methodologies

To estimate the Fair Market Value of Two Way and the Proposed Merged Entity, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods;
- analysis of share market trading; and
- industry specific rules of thumb.

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 3: Valuation Methodologies.

7.2. Selection of Valuation Methodologies – Two Way

In selecting an appropriate valuation methodology to value Two Way, we have considered the following factors:

- To date Two Way has been unable to record a profit. Its internal budget for the current financial year is also for a loss;
- Two Way has a small operating business that would be profitable on a stand-alone basis if it was not supporting the compliance and administration costs of being a listed entity. In the absence of an alternative transaction, Two Way could sell this business and then use the listed shell for a backdoor listing;
- Two Way's Board and management have prepared a forecast for Two Way on a standalone basis reflecting the expected improvement in its financial results over the medium term due to the anticipated growth of its TABACTIVE and Way2Bet services. This projects a small profit after corporate expenses in FY14; and
- While Two Way shares are traded on the ASX in an informed market, there is limited liquidity in the stock, meaning the share price may not be a good indication of the underlying value of a Two Way share. Further, we note that Two Way has been involved in discussions with potential merger partners for some time, thus the share price may be influenced by expectations of a corporate transaction.

Accordingly we are of the opinion that the most appropriate methodology to value Two Way is the capitalisation of earnings method.

7.3. Selection of Valuation Methodologies – the Proposed Merged Entity

The Proposed Merged Entity will effectively consist of Two Way's existing business and a 75% interest in Lao Cai Hotel. The value of the 75% interest in Lao Cai Hotel should be added to the value of Two Way to determine the value of the Proposed Merged Entity. In selecting an appropriate valuation methodology to value Lao Cai Hotel, we have considered the following factors:

- Lao Cai Hotel's existing property is well established and generating positive earnings;
- There are a sufficient number of listed casino businesses to calculate market trading multiples for comparison to Lao Cai Hotel;
- Lao Cai Hotel's licence has a significant remaining term and may be renewed at the end of that period;
- The new property in Lao Cai is only partly built, with approximately US$10 million having been spent to date out of an estimated total cost of US$40 million, thus it is uncertain what impact it will have on future profits and cash flows; and
- There have been no recent transactions in Lao Cai Hotel shares.

Accordingly we are of the opinion that the most appropriate methodologies to value Lao Cai Hotel are the capitalisation of maintainable earnings and a discounted cash flow analysis.

8. Valuation of Two Way

We have valued Two Way on a controlling basis to reflect the fact that Two Way shareholders are giving up control of the company.

We have chosen to apply the capitalisation of maintainable earnings methodology as our primary valuation methodology in determining the fair market value of Two Way. We have also compared the outcome to recent share market trading as a cross check.

Under the capitalisation of maintainable earnings method, fair market value is estimated by capitalising future earnings using an appropriate multiple, adding the value of surplus non-revenue generating assets, deducting net debt, and applying a premium for control. In order to estimate the fair market value of Two Way, we have considered the following:

- an estimate of future maintainable earnings;
- an appropriate earnings multiple;
- the value of any surplus assets;
- the level of net debt outstanding; and
- an appropriate premium for control.

The determination of these inputs is discussed in the following sections.

8.1. Future Maintainable Earnings

The first step in the valuation process is to determine the measure of earnings to be capitalised for valuation purposes. We have selected EBIT as appropriate measures for Two Way because:

- earnings multiples based on EBIT are not affected by different financing structures and effective tax rates which impact multiples of net profit after tax;
- multiples of EBIT allow for differences in capital intensity between otherwise similar companies, which are ignored by multiples of EBITDA; and
- there is limited data on suitable multiples for businesses as small as Two Way and the data that is available is based on EBIT multiples.

Two Way's management team has analysed the company's costs between corporate overheads related to maintaining a listed company, and costs that relate directly to the operating business. Based on this analysis the normalised EBIT for the operating business in FY2013 is estimated at between $250,000 and $300,000. We have discussed the basis of these estimates with management and consider them to be reasonable for the purpose of determining future maintainable EBIT.

8.2. Capitalisation Multiple

Two Way's operating businesses are far smaller than comparable listed companies. Thus it is not appropriate to use multiples from comparable companies to evaluate Two Way. We have therefore considered multiples paid for business of a similar size to Two Way's businesses. In particular we have referred to the BizExchange Index of Australian Private Business Values - June Quarter 2012. As shown below:

Table 17: EBIT multiples for businesses with turnover of $1million to $5 million

Sector	Low (times)	Average (times)	High (times)
Manufacturing	1.24	2.47	4.02
Wholesale Trade	0.78	2.56	5.35
Retail Trade	0.86	2.12	4.45
Accommodation, Cafes and Restaurants	0.88	2.23	4.11
Transport and Storage	1.27	1.68	2.91
Property and Business Services	1.40	2.97	5.29

Source: The BizExchange Index, June 2012

Of the sectors listed, we consider the property and business services sector to be the closest match for Two Way's business. The average EBIT multiple paid for business in this sector with turnover similar to that of Two Way was 2.97 times on a controlling basis. To value Two Way's operating business, we have therefore selected a multiple of 3.0 times EBIT on a controlling basis.

8.3. Surplus Assets

Surplus assets are assets held by the company that do not contribute to its maintainable earnings. We have identified the following surplus assets of Two Way.

Priority One Investment

Two Way holds 1,337,281 PON shares that are recorded at a value of $0.30 per share. We understand that PON is seeking a listing on the ASX, with a proposed listing price of $0.30 a share and that the price of $0.30 is also supported by an independent valuation. We have reviewed the independent valuation but note it is not clear how the expert has reached its conclusion, and in particular the report does not present details of the cash flow forecasts upon which the conclusion is based. We have been unable to obtain a copy of those forecasts.

The valuation is also premised on a discount rate that is lower than one would anticipate for an early stage speculative business such as Priority One. However, the risk to Shareholders in approving the deal is that they give up more value than they will receive. We have therefore adopted the valuation of $0.30 per PON share, which is at the upper end of what we consider to be reasonable. This values Two Way's interest in PON at $400,000.

Listed Shell

As well as the assets presented in its financial statements, the other significant asset of Two Way is its stock exchange listing on the ASX, which provides shareholder value as a vehicle for a back-door listing, particularly if the company was to sell its operating business. Based on recent discussions we have had with stock brokers and insolvency professionals, we understand the typical value for a listed shell company is in the range of $0.5 million to $1.5 million. We have assessed the value of Two Way's shell to be $1 million, towards the middle of this range, as its listing does not have any distinguishing features or restrictions, and therefore we consider its value to be around the average of what is evident in the market.

As a cross-check to our valuation conclusion we have considered the costs that would be saved by using Two Way for a back-door listing, compared to undertaking an initial public offering ("**IPO**"). The cost of an IPO depends on a number of factors, including the nature of the business, the amount of capital raised and the state of the market at the time of the IPO. Various surveys report on the cost of an IPO, including a report by Ernst & Young which suggests a range of 4% to 7% for IPOs of $20 million to $40 million with a higher percentage at the lower end, due to the fixed costs associated with an IPO. This implies a rather broad range of costs, from $0.8 million to $2.8 million. This range is consistent with our assessment of the shell value of Two Way.

8.4. Net Debt

Two Way has no debt. Its cash balance is currently in the region of $380,000. We have treated $350,000 of this as surplus cash as the company is expected to have a cash outflow of approximately $30,000 during October, from which point it is management's expectation that Two Way will be cash flow positive.

8.5. Premium for Control

A premium for control can be defined as an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a premium for control depends on the valuation methodology and approach adopted. As the multiples used in the BizExchange data are based on control transactions they therefore incorporate any premium for control paid in the relevant transactions. Thus no further adjustment is required.

8.6. Valuation conclusion

Our assessed value of a Two Way share, based on the analysis above, is 0.83 cents to 0.88 cents, as set out in the following table:

Table 18: Valuation of Two Way

	($'000) Low	($'000) High
Future Maintainable EBIT	250	300
Earnings Multiple	3.0	3.0
Enterprise Value	**750**	**900**
Listed Shell	1,000	1,000
PON Shares	400	400
Surplus Cash	350	350
Equity Value (on a control basis)	**2,500**	**2,650**
Shares on issue	302,727	302,727
Value per share (cents)	0.83	0.88

Source: Leadenhall Analysis

The number of shares included in the calculation above is comprised of the 285,197,427 fully paid ordinary shares listed on the ASX, as well as the 17,529,614 unissued shares due to be issued to PON. These shares are to be issued to PON should PON achieve a listing on the ASX. As we have assumed PON will be able to list at 30 cents per share in assessing the value of PON shares held by Two Way we have also assumed Two Way will issue these additional shares to PON.

Two Way also has 17,088,080 options over unissued shares currently on issue, with exercise prices between 1.8 cents and 3.8 cents. In order to value the outstanding shares of Two Way it is necessary to deduct the fair market value of the outstanding options from the total equity value. However, we note that:

- 16,250,000 of these options have an exercise price of 2.8 cents and will expire before March 2015. Compared to our assessed value for Two Way, these options are significantly out of the money and their value is therefore negligible.
- The remaining 838,080 options have exercise prices between 1.8 and 3.8 cents, however with the maximum life of these options being to 30 June 2013, their relatively short life also results in a negligible value.

Therefore we have not adjusted the equity value to take into account the value of the outstanding options.

8.7. Comparison to Share Market Trading

The estimated value per share based on the above calculation is within the range of 0.83 cents to 0.88 cents. This is below the current share trading price of 1.9 cents. We consider that this outcome is acceptable because:

- The calculation above does not include the value shareholders place on the opportunities the agreement entered into with Donaco provides for the direction of Two Way's operations, and the stronger position it puts the company in for the negotiation of new business opportunities and contracts. However, this information is known to potential investors in Two Way shares and is therefore likely to be reflected in the current share price.
- The value for Two Way in our calculation above reflects the fact that the company owns business operations that are too small to support the compliance costs of being a listed entity, and there are limited prospects for the business on a standalone basis. Upon completion of the Proposed Transaction, the associated compliance costs will be spread across a wider range of business operations and will therefore significantly reduce the costs applied against Two Way's existing revenue.
- Two Way's market capitalisation is too small for institutional investors to be able to consider investing in Two Way and there is very limited liquidity in the stock.
- There is also no research coverage, thus the share price evident in the market may not be a reflection of the stock's true value.
- The share price appears to be responding to recent media articles regarding the Lim Family's investment in Two Way.

9. Valuation of Donaco

9.1. Background

If the Proposed Transaction is approved Shareholders will own a 5.2% interest in the Proposed Merged Entity, consisting of Two Way's existing operations plus Donaco. As Donaco will not have any operations, liabilities or assets other than its investment in 75% of Lao Cai Hotel, the value of Donaco in the Proposed Merged Entity is represented by 75% of the value of Lao Cai Hotel. The following sections therefore value Donaco's 75% interest in Lao Cai Hotel under the capitalisation of future maintainable earnings and discounted cash flow methods.

9.2. Capitalisation of Future Maintainable Earnings

As discussed in Section 8.1, the capitalisation of future maintainable earnings method requires consideration of the following:

- an estimate of future maintainable earnings;
- an appropriate earnings multiple;
- the value of any surplus assets;
- the level of net debt outstanding; and
- an appropriate premium for control.

The determination of these inputs is discussed in the following sections.

Future Maintainable Earnings

The first step in the valuation process is to determine the measure of earnings to be capitalised for valuation purposes. We have selected EBIT and EBITDA as appropriate measures for Lao Cai Hotel because:

- earnings multiples based on EBIT and EBITDA are not affected by different financing structures and effective tax rates which impact multiples of net profit after tax;
- these earnings measures also reflect operating expenses that are ignored by revenue multiples;
- multiples of EBIT allow for differences in capital intensity between otherwise similar companies; and
- multiples of EBITDA are not affected by depreciation and amortisation accounting policies.

The below table exhibits Lao Cai Hotel's normalised historical EBITDA and EBIT for FY10 and FY11, as well as the forecast result for FY12.

Table 19: Normalised EBITDA and EBIT for Lao Cai Hotel

Year Ended	31 Dec 10 VND Billion (Actual)	31 Dec 11 VND Billion (Actual)	31 Dec 12 VND Billion (Forecast)	FME VND Billion (Forecast)
Normalised EBITDA	37.7	154.2	189.9	189.9
Normalised EBIT	32.0	151.7	184.4	184.4

Source: Lao Cai Hotel's audited 2011 financial statements and management forecast

EBIT and EBITDA have been normalised to remove foreign exchange gains

We have estimated future maintainable EBITDA and EBIT to be 189.9 VND and 184.4 VND respectively. In determining a level of future maintainable earnings, we have considered the following:

- the use of forecast results is consistent with our approach in determining a suitable multiple, as comparable companies multiples were also based on forecasts; and
- the forecast figures above reflect the most up to date financial estimates available at the time of this report and we consider them to be representative of expected future earnings.

Capitalisation Multiple

To determine the fair market value of Lao Cai Hotel's business it is necessary to determine an appropriate earnings multiple. In determining this multiple, we have identified multiples implied in the market prices of companies with similar activities to Lao Cai Hotel that are publicly traded, as set out in the table below:

Table 20: Trading Multiples for Comparable Companies

		Market	EBITDA Multiple		EBIT Multiple	
	Location of	Capitalisation	Historical	Current	Historical	Current
Company	Operations	(AUD mllions)	FY11	FY12	FY11	FY12
Reef Casino Trust	Australia	118	7.5x	7.9x	10.1x	11.1x
NagaCorp Ltd.	Cambodia	1,110	9.7x	7.8x	11.3x	9.0x
Grand Korea Leisure Co., Ltd.	South Korea	1,634	10.3x	8.8x	11.8x	9.8x
SKYCITY Entertainment Group Ltd.	New Zealand	1,764	9.9x	9.6x	13.1x	12.7x
Echo Entertainment Group Limited	Australia	3,187	9.6x	16.5x	12.3x	29.5x
Kangwon Land Corp.	South Korea	4,159	6.9x	7.1x	7.8x	8.1x
Genting Malaysia Berhad	Global	6,220	7.5x	6.8x	8.9x	8.1x
MGM China Holdings Limited	Macau	6,249	10.3x	9.5x	12.2x	11.3x
Crown Limited	Australia	6,730	12.2x	11.5x	18.4x	16.4x
Melco Crown Entertainment Limited	Macau	6,802	10.4x	9.5x	18.5x	17.0x
SJM Holdings Limited	Macau	11,528	12.0x	10.1x	14.4x	11.9x
Galaxy Entertainment Group Limited	Macau	12,920	22.7x	11.5x	31.8x	15.2x
Wynn Macau Ltd.	Macau	13,155	14.6x	12.9x	17.0x	14.9x
Genting Singapore PLC	Asia, Europe	13,412	9.2x	10.1x	11.4x	13.4x
Sands China Ltd.	Macau	28,607	21.4x	16.0x	26.3x	21.6x
Minimum			**6.9x**	**6.8x**	**7.8x**	**8.1x**
Maximum			**22.7x**	**16.5x**	**31.8x**	**29.5x**
Mean			**11.6x**	**10.4x**	**15.0x**	**14.0x**
Median			**10.3x**	**9.6x**	**12.3x**	**12.7x**

Source: Capital IQ

The Market Capitalisation is at 20 September 2012

In addition to the trading multiples of comparable companies listed above, we have also considered transactions of similar companies; however we have not identified any transactions in recent history that would be indicative of a suitable multiple to be used for Lao Cai Hotel. Similar transactions that arose before the GFC are not a suitable indication of a comparable multiple due to the aversion to risk evident in the current market, resulting in higher compensation demanded by investors for the perceived extra risk, and lower multiples for post GFC transactions.

In selecting an EBITDA and EBIT multiple for Lao Cai Hotel we have considered the following:

- The minimum current EBITDA multiple for a listed company set out in Table 20 is 6.8 times and the average current trading multiple is 9.6 times. The minimum current EBIT multiple for a listed company set out in Table 20 is 8.1 times and the average current trading multiple is 12.7 times. These trading multiples are generally from companies that are significantly larger than Lao Cai Hotel. Large companies usually attract significantly higher multiples than small companies, all else being equal.
- Revenue is currently generated via only one source, being the operations of the Lao Cai Hotel. Although construction is in progress for a secondary hotel and casino, its location is within 2 km of the existing Lao Cai Hotel. This therefore exposes Shareholders to higher risk than many of the companies in the above table, as revenue is generated from a single geographical location. The EBITDA and EBIT multiples relating to these companies are therefore expected to be higher than that of Lao Cai Hotel's as the range of products and services these companies offer reduces the risk to shareholders.
- Companies based in Macau are exempt from paying corporate tax on gaming income, as they pay a gaming tax of 40% which is incorporated into the calculation of EBITDA; therefore Macau operators generally trade at higher EBITDA and EBIT multiples than companies operating in alternative countries. Of our selected comparable companies listed above the following have operations primarily based in Macau:

Table 21: EBIT and EBITDA multiples for Macau based casinos

Casino	EBITDA (times)	EBIT (times)
MGM China Holdings Limited	9.5x	11.3x
Melco Crown Entertainment Limited	9.5x	17.0x
SJM Holdings Limited	10.1x	11.9x
Galaxy Entertainment Group Ltd	11.5x	15.2x
Wynn Macau Ltd	12.9x	14.9x
Sands China Ltd	16.0x	21.6x

Source: Capital IQ

The Market Capitalisation is at 20 September 2012

Due to Lao Cai Hotel's operations being based within Vietnam with a 25% corporate tax, we would expect its EBIT and EBITDA multiple to be significantly lower than the companies listed above.

- The construction of the secondary hotel is a major new development for Lao Cai Hotel. The uncertainty relating to the completion of the project and the related revenues therefore increases the risk to Shareholders.
- The higher political uncertainty in the Vietnamese area due to the investment certificates for casinos being issued by the provincial governments, which could be overturned, results in higher risk to investors than casinos operating in geographical locations such as Australia. As discussed in Appendix 5, the country risk premium for Vietnam is higher than some of these other locations, which would reduce the multiple.
- Lao Cai Hotel is expected to experience considerable growth in revenue upon completion of the new hotel, which has the capacity to service up to three times as many patrons as the existing Lao Cai Hotel.
- Of the comparable companies listed above, Lao Cai Hotel's operations are most similar to those of Nagacorp Ltd. Nagacorp Ltd owns and operates a hotel casino entertainment complex based in Cambodia, with the majority of its revenue generated from Chinese foreigners due to it being illegal for locals to gamble. In 2011, Nagacorp engaged an independent third party to perform a review of the investment risks of Cambodia, the findings of which revealed risks of investing in Cambodia were comparable to Vietnam (5.51 vs 5.28 respectively, with 10 being the highest possible perceived risk). Taking into account the size of Nagacorp Ltd, which is capable of housing up to 15 times as many patrons as Lao Cai Hotel, and with almost 10 times more tables; we would therefore expect Lao Cai Hotel's EBIT and EBITDA multiples to be lower than the multiples for Nagacorp Ltd presented above in Table 20.

As a result of these factors, the following multiples have been selected:

Table 22: Selected multiple

	Low	High
EBITDA	6.0x	7.0x
EBIT	7.0x	8.0x

Source: Leadenhall Analysis

Surplus Assets

Lao Cai Hotel is currently constructing a second casino which is approximately 25% complete as at the date of this report. To date approximately US$10m (or 208,702 million VND) has been spent on this property. This property is expected to earn at least an adequate return on capital, thus its value should be no lower than the amount spent. This value is fully reflected in the discounted cash flow valuation set out below, however, for the purpose of the capitalisation of earnings approach we have added the US$10m spent to date as a surplus asset.

Net Debt

Lao Cai Hotel currently does not have any debt on its balance sheet.

In general, casinos require large cash balances to be kept on site to generate operating income, as players need to be able to cash out if they win. Further, Lao Cai Hotel intends to distribute any surplus cash held by way of a dividend before the Proposed Transaction takes place.

Accordingly we have not made any adjustment for net debt or surplus cash.

Premium for Control

Due to the existing Shareholders of Two Way effectively acquiring a 5.2% minority interest in the Proposed Merged Entity, we have chosen to value Lao Cai Hotel on a minority interest basis. In selecting a suitable multiple for the valuation of Lao Cai Hotel, we have analysed multiples based on market trading of minority holdings in the comparable companies. Therefore no further adjustment is required to reflect the lack of control.

Valuation Conclusion

Table 23: Capitalisation of Future Maintainable Earnings Method

	EBITDA (billion VND)		EBIT (billion VND)	
	Low	High	Low	High
Future Maintainable Earnings	189.9	189.9	184.4	184.4
Earnings Multiple	6.0	7.0	7.0	8.0
Enterprise Value	1,139.4	1,329.3	1,290.8	1,475.2
Surplus Assets	208.7	208.7	208.7	208.7
Net Debt	-	-	-	-
Equity Value (on a minority basis)	1,348.1	1,538.0	1,499.5	1,683.9

Source: Leadenhall Analysis

9.3. Discounted Cash Flow

In order to determine the value of Lao Cai Hotel using the discounted cash flow method, we are required to consider the following:

- an analysis of projected cash flows;
- the determination of an appropriate discount rate; and
- a discount for lack of control.

These are discussed below.

Projected cash flows

The directors of Lao Cai Hotel have prepared a detailed budget for the year to 31 December 2012. They have also prepared detailed plans in relation to the expected capital costs and future income from the expansion project. Leadenhall has discussed the assumptions behind these plans with Donaco's management and considered the risks associated with achieving them in order to assess the likelihood of them being achieved. We have then prepared a financial model based on these assumptions. The key assumptions adopted in the preparation of our projected cash flows are discussed below.

General

- There will not be any regulatory or political changes which would restrict movement of people from China to Vietnam; or any other external events impacting on the casino business.
- Lao Cai Hotel's current licence has a finite life of 20 years. We note there is a possibility of licence renewal at the end of this period. However, we have not included this possibility in our analysis.
- A Special Consumption Tax amounting to 20% of gross revenues from the casino, restaurant and hotel operations will continue to be payable.

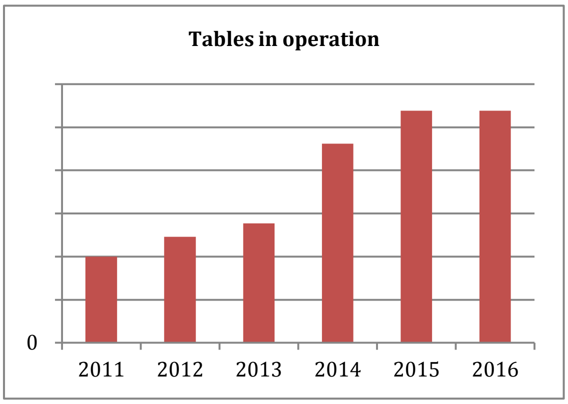
Existing site

- Revenue for 2012 will be 25% higher than for 2011, based on the 2012 budget.
- Selling expenses are expected to grow in line with of revenues while general and administration expenses grow at 7.5%, in line with expected inflation.

Expansion project

- The expansion project will be completed at a total capital cost of approximately $40 million, of which $10 million has already been spent. It is expected to be completed by the end of 2013.
- From 2014 the expansion project will generate additional revenue based on the projected number of tables and revenue per table. Details of the number of tables and revenue per table are commercially sensitive and thus are not disclosed in this report. However, the following figure highlights the expected increases graphically:

Figure 13: Key revenue assumptions for Lao Cai Hotel

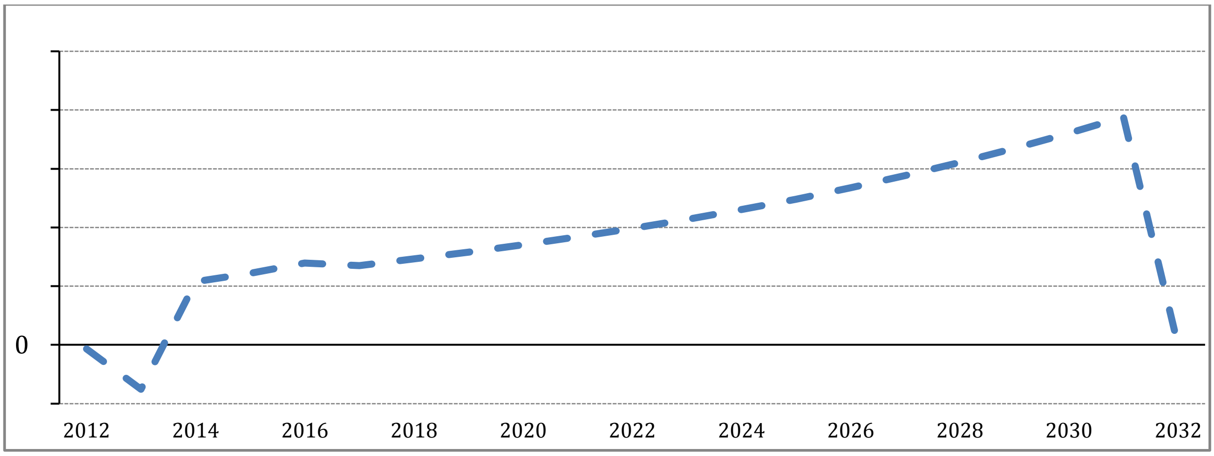


Source: Donaco

- The new facility is expected to reach capacity by 2016. Thereafter revenue will grow at the long term Chinese economic growth rate, estimated to be 7.5%.
- Selling expenses will increase approximately in line with revenue.

The projected cash flow profile based on these assumptions is as shown in the following figure.

Figure 14: Projected cash flows of Lao Cai Hotel



Source: Leadenhall analysis

Reasonableness of assumptions

We have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention to suggest that the assumptions on which the projections are based have not been prepared on a reasonable basis.

Discount Rate

To determine the Fair Market Value of Lao Cai Hotel, it is necessary to determine an appropriate discount rate to apply to the projected cash flows. A discount rate is applied which discounts future earnings based on the level of risk in the business and the degree of risk in achieving the forecasts. As set out in Appendix 5 we have determined discount rates in the range from 24% to 27% to apply to Lao Cai Hotel's forecast cash flows before interest but after tax.

Based on the assumptions set out above, this discount rate gives a present value of the after tax cash flows is in the range from VND 2.0 trillion to VND 2.3 trillion on a control basis.

Discount for Lack of Control

In order to estimate the value of a minority interest, it is necessary to apply a discount for lack of control to the value of a 100% interest in the business. This discount takes into account the lack of control that a minority interest has in the affairs of the company. In determining an appropriate discount to value a 5.2% interest in the Proposed Merged Entity we have considered the following:

- Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control and generally ranges between 15% and 30%;
- given the high capital expenditures to be incurred during 2012 and 2013 it is unlikely that the company will pay a dividend in the near future. A lack of dividend will lead to a relatively high discount for lack of control; and
- 94.8% of the Proposed Merged Entity will be held by one controlling shareholder.

Having regard to the empirical evidence, and the specific factors in relation to the Proposed Merged Entity, in our opinion a discount for lack of control towards the upper end of the range is appropriate. We are of the view that a discount of 25% is required to be deducted from the 100% value for Lao Cai Hotel to calculate the pro-rata value for a 5.2% interest in Lao Cai Hotel on a minority basis.

Valuation Conclusion

Based on the analysis above, in order to determine the value of Lao Cai Hotel to the minority shareholders in Two Way, we have assessed the 100% value of Lao Cai Hotel on a minority basis to be in the range of VND$1.5 trillion to VND$1.8 trillion as set out below.

Table 24: Calculation of Equity Value

	Currency	Low VND Bn	High VND Bn
Value of forecast cash flows (FY12 to FY31)	VND	1,983	2,338
Equity Value of Lao Cai Hotel (100% on a controlling basis)	**VND**	**1,983**	**2,338**
Less: discount for lack of control – 25%	VND	(496)	(585)
Equity Value of Lao Cai Hotel (100% on a minority basis)	**VND**	**1,487**	**1,754**

Source: Leadenhall analysis

9.4. Conclusion on Value of Donaco on a Minority Basis

The equity value of Donaco is represented by the value of a 75% interest in Lao Cai Hotel on a minority basis. This valuation, based on the capitalisation of future maintainable earnings and discounted cash flow methods is summarised below:

Table 25: Calculation of Equity Value of Donaco

		Low	High
Equity Value of Lao Cai (100% on a minority basis):			
Capitalisation of future maintainable earnings method	Bn VND	1,348	1,684
Discounted cash flow method	Bn VND	1,487	1,754
Selected Equity Value of Lao Cai	Bn VND	**1,450**	**1,650**
Value of Donaco Stake (75% share on a minority basis)	Bn VND	1,088	1,238
FX Conversion Rate (VND:AUD)		21,775	21,775
Value of Donaco Stake (75% share on a minority basis)	(AUD$'000s)	49,943	56,831
Selected value of Donaco	**(AUD$'000s)**	**50,000**	**55,000**

Source: Leadenhall analysis

We have translated the assessed value of Donaco from Vietnamese Dong ("**VND**") to Australian dollars ("**AUD**") at the spot rate of VND 21,755 published by the Reserve Bank of Australia as at 27 September 2012.

10. Valuation of the Effective Consideration

10.1. Background

If the Proposed Transaction is approved, Two Way will acquire Donaco by issuing new shares, such that the Lim family will own 94.8% of the Proposed Merged Entity after the issue. Two Way will also issue options to current shareholders on the Company's register at the day the register is closed for voting. Existing shareholders will receive one option for every two shares held with an exercise price of 1.5 cents and a life of two years.

The Effective Consideration to Shareholders will therefore be equal to a 5.2% minority interest in the Proposed Merged Entity plus options to subscribe for new Two Way shares. The Proposed Merged Entity will consist of the business of Two Way plus Donaco.

10.2. Share Value

Table 26: Calculation of the value per share of the Proposed Merged Entity

		Low ('000s)	High ('000s)
Equity Value of Donaco	**9.4**	50,000	55,000
Value of Two Way's business (on a minority basis)	**10.2.1**	563	675
Two Way's surplus assets	**10.2.2**	750	750
Total Value		**51,313**	**56,425**
Number of Shares	**10.2.3**	5,537,185	5,537,185
Value per Share (cents)		**0.93**	**1.02**

Source: Leadenhall analysis

10.2.1 Value of Two Way's business on a Minority Basis

As mentioned in Section 8, the value of Two Way calculated previously was on a control basis. Due to Shareholders owning a 5.2% interest in the Proposed Merged Entity after the Proposed Transaction is completed, we are required to apply a discount for lack of control to the value of Two Way in order to determine its value on a minority basis. The factors considered in determining an appropriate discount to apply to value the resulting 5.2% interest in the Proposed Merged Entity are outlined in Section 9.3. We are of the view that a discount of 25% is required to be deducted from the 100% value for Two Way's business to calculate the value on a minority basis.

Table 27: Calculation of Value of Two Way's business on a Minority Basis

		($'000) Low	($'000) High
Value of Two Way's business (on a control basis)	**8.6**	750	900
Less: discount for lack of control – 25%		(188)	(225)
Value of Two Way's business (on a minority basis)		**563**	**675**

Source: Leadenhall analysis

10.2.2 Two Way's surplus assets

We believe that once the Proposed transaction has been completed Two Way will lose its value as a potential shell company. Thus in valuing the surplus assets for the Proposed Merged Entity this component of Two Way's surplus assets has been excluded.

10.2.3 Number of Shares

Number of shares is calculated as 302.7 million existing Two Way shares, including shares yet to be issued to PON, plus 5.2 billion shares to be issued to the Lim family as part of the Proposed Transaction.

10.3. Option Value

We valued the options that will form part of the Effective Consideration given to Shareholders using the Black Scholes option pricing model, which derives the value of an option from the value of the asset over which the option is held. The Black Scholes method requires the following inputs:

- the time to maturity of the option;
- the current spot price of the underlying asset;
- the exercise price of the option;
- the prevailing risk free rate;
- the volatility of returns of the underlying asset; and
- the expected dividend yield.

In relation to the options issued as part of the Effective Consideration, Leadenhall has used the following inputs:

- time to maturity is two years, as per the terms of the Merger Implementation Agreement;
- current spot price for the underlying asset is 2.0 cents, based on the current market trading price of a Two Way share;
- exercise price of 1.5 cents, as per the terms of the options stated in the Merger Implementation Agreement;
- risk free rate of 3.19%, based on the 10 year Australian Government Bond rate as per the RBA;
- volatility of 35%, based on the average two year volatility for the comparable companies identified in Table 20 for which data was available; and
- a dividend yield of 0%, considering Two Way has never paid a dividend in the past and it is unlikely for a dividend to be paid during the life of the options.

This resulted in the following value calculated for the options that will form part of the Effective Consideration given to Shareholders if the Proposed Transaction is approved:

Table 28: Derivation of Option Value

	Cents
Option Value	0.71
Options per Share	0.50
Total Value per Share	0.36

Source: Leadenhall analysis

10.4. Conclusion

Based on our calculations above, the value of the effective consideration is therefore the following:

Table 29: Value per Share of the Effective Consideration

		Cents Low	Cents High
Value per Share of Proposed Merged Entity	**Table 26**	0.93	1.02
Value of Option per Share	**Table 28**	0.36	0.36
Total Value per Share		**1.29**	**1.38**

Source: Leadenhall analysis

11. Evaluation

11.1. Fairness

In order to assess whether the Proposed Transaction is fair we have compared our assessed Fair Market Value of a Two Way share (on a control basis) with our assessment of the Fair Market Value of the Effective Consideration offered, as set out in Table 30 below.

Table 30: Comparison of the Effective Consideration to the Value of Two Way

		Low (cents)	High (cents)
Fair Market Value per issued share in Two Way	(Section 8.1)	0.83	0.88
Fair Market Value of the Effective Consideration per share	(Section 10.4)	1.29	1.38

Source: Leadenhall analysis

Since the value of the Effective Consideration offered is significantly above the range of the value of a Two Way share, the Proposed Transaction is fair to Shareholders.

11.2. Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

We set out below the main advantages to Shareholders of approving the Proposed Transaction:

The Proposed Merged Entity will have a much larger operating business

On a standalone basis Two Way's operating businesses generate a small profit, but this is more than offset by the compliance and administration costs of maintaining a listed company, an expense of approximately $500k a year. The company is therefore likely to continue to record losses if a transformational transaction such as the Proposed Transaction is not completed. The acquisition of a 75% interest in Lao Cai Hotel would provide Two Way with a much larger operating business to contribute to the costs of maintaining a listed company.

Additional growth opportunities

The Proposed Merged Entity will have a number of potential opportunities to leverage off the existing businesses of Two Way and Lao Cai Hotel, and the contacts of the Lim family. Examples include on-line casinos, expanding Two Way's IPTV offering to Asia and building or acquiring casinos in other Asian countries. These opportunities have not been factored into our valuation as they are somewhat uncertain and may require additional investment.

Increased liquidity in Two Way shares

The Proposed Merged Entity is likely to have a market capitalisation significantly in excess of the current market capitalisation of Two Way. The increased market capitalisation of the Proposed Merged Entity may attract greater analyst coverage which would enhance the profile of the Proposed Merged Entity with institutional investors. These factors could result in increased liquidity and greater trading depth than Two Way would have on a standalone basis, provided Donaco is prepared to have its ownership interest diluted, or Two Way raises additional equity.

Two Way's existing businesses are very small

To date Two Way has not been able to record a profit. It is also not expected to do so in the current financial year. This is partly due to Two Way's operating businesses being too small to support the costs of maintaining a listed entity. Two Way has therefore been supported by capital raisings to remain solvent. It is not certain that Two Way will be able to continue to raise to capital as and when needed in the future. Thus, without a major transaction, such as the Proposed Transaction, Two Way's future as a stand-alone entity is uncertain. This uncertainty is highlighted in the audit opinion of William Buck, dated 26 September 2012, which states that "*the ability of the consolidated entity to continue as a going concern is dependent upon the consolidated entity successfully completing the Merger Implementation Deed with Donaco.*"

Disadvantages

We set out below the main disadvantages to Shareholders of approving the Proposed Transaction:

The business risks of the Proposed Merged Entity are different from those of Two Way

Two Way is currently an Australian based company offering services to the wagering industry. As a Vietnamese casino, the risk profile of Lao Cai Hotel is somewhat different. For example an investment in Lao Cai Hotel would expose Shareholders to political/sovereign risks, currency risks and the possibility of losing large bets; none of which Shareholders are currently exposed to.

Shareholders will lose control of Two Way to one controlling shareholder

After the Proposed Transaction, Donaco will own 94.8% of the Proposed Merged Entity and therefore become the controlling shareholder with the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. Shareholders will lose control over the operations of the Proposed Merged Entity to Donaco, which may not always act in the best interest of Shareholders.

Indemnity from Donaco vendors

Two Way initially agreed to buy Donaco's 75% interest in Lao Cai Hotel. However, due to difficulties in transferring the relevant licenses to Two Way on a timely basis, Two Way has instead agreed to acquire Donaco. The vendors of Donaco, two British Virgin Islands based companies, have agreed to remove all assets and liabilities from Donaco other than its 75% interest in Lao Cai Hotel. Further, the vendors of Donaco have indemnified Two Way against any potential liabilities in Donaco.

We understand that the vendors of Donaco have no assets or liabilities other than their shares in Donaco, thus if the Proposed Transaction is approved they will only hold shares in Two Way. It is possible that at some stage after the Proposed Transaction is completed a liability relating to before the Proposed Transaction could be discovered by Donaco. In such a situation the vendors of Donaco would be forced to sell their Two Way shares to cover such a liability. This could put temporary downward pressure on Two Way's share price.

Alternative options and their likelihood of occurring

The directors of Two Way have advised us that while no formal alternative offers have been received, there have been various informal discussions with other parties interested in potential transactions with Two Way. By approving the Proposed Transaction it is less likely that Shareholders would be able to benefit from one of these possible transactions. However, in the absence of a superior transaction, Shareholders are unlikely to realise their shares in Two Way for an amount in excess of the Effective Consideration in the foreseeable future.

Conclusion on Reasonableness

Since the Proposed Transaction is fair it is also reasonable.

11.3. Opinion

The Proposed Transaction is fair and reasonable to Shareholders. Therefore the proposed acquisition of a 94.8% interest in the Proposed Merged Entity by the Lim family is also fair and reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

Appendix 1: Glossary

Table 31: Glossary

Term	Meaning
AIFRS	Australian equivalent to international financial reporting
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian Dollar
Betfair Group	Betfair Group PLC
CAPM	Capital Asset Pricing Model
Corporations Act	The Corporations Act 2001
DBCDE	Department of Broadband, Communications and the Digital Economy
Donaco	Donaco Singapore Pte Ltd
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Effective Consideration	The effective consideration to Two Way's shareholders will be equal to a 5.2% minority interest in the Proposed Merged Entity, which will consist of the business of Two Way plus Donaco
EGM	Electronic Gaming Machine
Fair Market Value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
GBCG	Global Betting and Gambling Consultants
GFC	Global Financial Crisis
IGA	Interactive Gambling Act 2001
IPO	Initial public offering
IPTV	Internet Protocol Television
Item 7	Item 7 of Section 611 of the Corporations Act
Lao Cai Hotel	Lao Cai International Hotel
K_e	Cost of Equity
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
M&A	Mergers and acquisitions
NPAT	Net profit after tax
P / E	Price to Equity
PBT	Profit before tax
PON	Priority One Network Group Limited
Proposed Merged Entity	The merged entity between Two Way and Donaco after the Proposed Transaction
Proposed Transaction	Two Way's offer to acquire Donaco
RBA	Reserve Bank of Australia
R&D	Research and development
RG74	Regulatory Guide 74: Acquisitions Approved by Members
RG111	Regulatory Guide 111: Content of Expert Reports
RNSW	Racing New South Wales
RWWA	Racing and Wagering Western Australia
TAB	Totalisator Agency Board

Term	Meaning
Tabcorp	Tabcorp Holdings Ltd
Tatts	Tatts Group Limited
Two Way	Two Way Limited
Section 606	Section 606 of the Corporations Act 2001
Shareholders	Current shareholders of Two Way
SWOT	Strengths, weaknesses, opportunities and threats
US	United States of America
USD	US Dollar
VND	Vietnamese Dong
WACC	Weighted Average Cost of Capital

Appendix 2: Sources of Information

In preparing this report we have had access to the following principal sources of information:

- AFR Magazine, Aug 31 2012; Just don't mention the C word
- Bloomberg (www.bloomberg.com)
- Capital IQ
- Casino Enterprise Management, May 2012; Gaming in Asia (www.casinoenterprisemanagement.com)
- Chan, S. S., 2000; Publications Centre, University of Macau; The Macau Economy.
- Deloitte, 2012; International Tax Vietnam Highlights 2012, www.deloitte.com
- Dobie K., 2012; SmartCompany.com, May 30 2012; Raising the stakes: Competition from Asian Casinos will shape the industry's future
- Einhorn B., 2011; BusinessWeek , Oct 20 2011, Asia embraces the Casino Economy
- Ernst and Young, 2011; The 2011 Global Gaming Bulletin
- Finance Asia, July 2012; Page 18, Asia in numbers
- Gambling Information about Macau (http://www.gamblinginfo.com/60_Guide_Macau.htm)
- Hookway, J. and Vu T.K., 2012; The Wall Street Journal, Mar 5, 2012; Vietnam Plans to Legalize Sports Gambling,
- IBISworld, May 2012, Global Casinos & Online Gambling: Market Research Report,
- Interactive Gambling Act 2001 (*Australian Legislation*)
- John K. D., 2012; Asia Times, Apr 19, 2012; Vietnam edges towards casino capitalism
- Jonathan Galaviz, 2012; UNLV Gaming Research & Review Journal, Vol. 16, Issue 1; The Boomerang Effect
- Karambelkar A., 2012; Mainstream Weekly, Vol. L, No. 27, June 23 2012; Legalising Gambling: Is Vietnam Prepared?
- Lee B., 2012; Ben Lee, Global Gaming Business Magazine, Vol. 11, No 4, Apr 2012; Vetting Vietnam
- Look at Vietnam website (www.lookatvietnam.com)
- Nagacorp Corporate website (www.nagacorp.com)
- PWC, December 2011; Global Gaming Outlook – The casino and online gaming market to 2015
- SIRCA Risk Measurement Service
- The Internet Gambling Prohibition Act (IGPA), 1999 ; subsequently modified and attached to the SAFE Port Act as Unlawful Internet Gambling Enforcement Act of 2006 (*U.S. Legislation*)
- Transparency International Country Corruption Perceptions Index 2011 (www.transparency.org)
- Vietnam Investment Review (www.vir.com.vn/news)
- Vietnews, February 24 2011; Vietnam axes Vinashin steel project with Malaysia (www.dztimes.net)

In addition, we have had discussions and correspondence with certain directors and executives of Two Way and Donaco, in relation to the above information and to current operations and prospects.

Appendix 3: Valuation Methodologies

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods;
- analysis of share market trading; and
- industry specific rules of thumb.

The selection of an appropriate valuation method to estimate Fair Market Value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the Explicit Forecast Period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of future earnings approach. However, it may not be appropriate if:

- reliable forecasts of cash flow are not available and cannot be determined; or
- there is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset / cost approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

Appendix 4: Comparable Entities

Crown Limited

Crown Limited operates in the gaming and entertainment industry primarily in Australia. It owns and operates two integrated resorts, including Crown Entertainment Complex in Melbourne and Burswood Entertainment Complex in Perth. The company's Crown Entertainment Complex comprises 2,500 electronic gaming machines and approval to operate 500 table games; as well as three hotels offering approximately 1,600 rooms. Its Burswood Entertainment Complex includes approval to operate 2,000 gaming machines and 220 table games; 2 hotels; 22 restaurants and bars; a nightclub; a convention centre; 2,300 seat Burswood theatre; 20,000 seat Burswood dome; a day spa; and retail outlets. The company also owns and operates the Aspinalls Club, a high end casino in London. In addition, Crown holds interests in casino/hotel properties in Macau, which include the City of Dreams, Altira Macau, and Mocha Clubs; and owns a portfolio of gaming investments comprising an online betting exchange, four casinos in Nevada and Western Pennsylvania, and a casino business in the United Kingdom. The company is based in Southbank, Australia.

Echo Entertainment Group Limited

Echo Entertainment Group Limited provides leisure and entertainment services in Australia. It offers services related to casino gambling, entertainment, and hospitality. The company operates The Star casino in Sydney; the Jupiters hotels and casinos in Queensland; and the Treasury casino and hotel in Brisbane. It also manages the Gold Coast convention and exhibition centre, as well as holds interests in and manages the Townsville entertainment and convention centre in Queensland. The company is based in Brisbane, Australia.

Galaxy Entertainment Group Limited

Galaxy Entertainment Group Limited, an investment holding company, operates in the gaming and entertainment industry in Macau. It operates casino games of chance or games of other forms; and provides hospitality and related services. The company also manufactures, distributes, and sells construction materials, such as concrete pipes and piles, asphalt, ready mixed concrete, concrete products, aggregates, and slag in Hong Kong, Macau, and Mainland China. In addition, it engages in quarrying, equipment leasing, property investment and holding, aircraft owning, financing, and trading activities, as well as provides project management, hotel management, and quality assurance services. The company is based in Central, Hong Kong.

Genting Malaysia Berhad

Genting Malaysia Berhad engages in the tourist resort business primarily in Malaysia, the United Kingdom, and the United States. The company offers leisure and hospitality services, which comprise gaming, hotel, entertainment, and amusement. It is also involved in the operation of casinos; land and property development, investment, and management; timeshare ownership scheme; tours and travel related services; and provision of sales and marketing services, and information technology related services. In addition, the company provides training, cable car, offshore financing, property upkeep, management, IT consultancy, and tour and travel related services; develops software; and owns and operates aircrafts, golf resorts, casinos, and a video lottery facility. Further, it engages in the sale and letting of land, property, premises, and apartment units; Karaoke business; condotel and hotel business; show agent business; and operation of travel agency. The company is headquartered in Kuala Lumpur, Malaysia. Genting Malaysia Berhad is a subsidiary of Genting Berhad.

Genting Singapore PLC

Genting Singapore PLC, an investment holding company, engages in the development and operation of integrated resorts. It operates casinos; hotels with approximately 1500 rooms; approximately 22 beach villas; and a marine life park. The company is also involved in the provision of sales and marketing support services to leisure and hospitality related businesses; online gaming operations; and the food street business; with operations in Europe and the Asia Pacific. The company was incorporated in 1984 and is headquartered in Singapore. Genting Singapore PLC is a subsidiary of Genting Overseas Holdings Limited.

Grand Korea Leisure Co., Ltd.

Grand Korea Leisure Co., Ltd. engages in the operation of casinos in South Korea. It operates Seven Luck casino, a foreigners-exclusive casino. The company was founded in 2005 and is based in Seoul, South Korea. Grand Korea Leisure Co., Ltd. is a subsidiary of Korea Tourism Organization.

Kangwon Land Corp.

Kangwon Land Corp. engages in the casino and leisure business in Korea. Its operations consist of 132 table game machines, and 960 slot and video game machines; hotels and condominiums; ski slopes; and golf courses. The company offers services under the brand names, such as Kangwon Land Convention Hotel, Kangwon Land Casino, Kangwon Land Hotel, High1 Ski, High1 C.C, High1 Hotel, Valley Condominium, and Mountain Condominium brands. It also operates Kangwon Land Addiction Care Centre that provides information and therapy programs for those with gambling addiction problems. Kangwon Land Corp. was founded in 1998 and is based in Jeongseon-gun, South Korea.

Melco Crown Entertainment Limited

Melco Crown Entertainment Limited, through its subsidiaries, engages in the development, ownership, and operation of casino gaming and entertainment resort facilities primarily in Macau. It owns and operates City of Dreams, an integrated resort development, which features approximately 400 gaming tables and 1,300 gaming machines; guest rooms; a wet stage performance theatre with approximately 2,000 seats; approximately 20 restaurants and bars, 70 retail outlets, and an audio visual multimedia experience; and recreation and leisure facilities, including health and fitness clubs, swimming pools, spa and salons, and banquet and meeting facilities. The company also operates Altira Macau, featuring approximately 200 gaming tables; 216 guest rooms; and various non-gaming entertainment venues, including restaurants, several bars, a spa, gymnasium, outdoor garden podium, and a sky terrace lounge. In addition, it owns and operates Mocha Clubs, which provide non-casino based operations of approximately 2,100 gaming machines. The company was formerly known as Melco PBL Entertainment (Macau) Limited and changed its name to Melco Crown Entertainment Limited in May 2008. Melco Crown Entertainment Limited was incorporated in 2004 and is headquartered in Macau.

MGM China Holdings Limited

MGM China Holdings Limited engages in the development and operation of casino games of chance and other casino games, and related hotel and resort facilities in Macau. It owns and operates the MGM Macau, a five-star integrated casino and luxury hotel resort located on the Macau Peninsula in the greater China region. The casino has a floor area of approximately 29,496 square meters, with 1,184 slot machines, 427 gaming tables, and multiple VIP and private gaming areas; as well as a 35-story hotel. The company was incorporated in 2010 and is headquartered in Nape, Macau. MGM China Holdings Limited is a subsidiary of MGM Resorts International.

Nagacorp Ltd

NagaCorp Ltd., an investment holding company, engages in the ownership, operation, and management of an integrated hotel casino entertainment complex in Phnom Pen, Cambodia. The company operates NagaWorld, a hotel casino entertainment complex that consists of public gaming halls, gaming machines, spas, lounges, and clubs; as well as 500 suite and deluxe rooms, food and beverage outlets, meeting/function rooms, and a grand ballroom. The company was founded in 1995 and is based in Phnom Penh, Cambodia.

Reef Casino Trust

Reef Casino Trust owns and leases the Reef Hotel Casino complex in Cairns, Australia. The Reef Hotel Casino complex consists of a casino, which provides electronic machine games and table games; a five star hotel that includes a rooftop swimming pool, sauna, and gymnasium; room facilities, restaurants, and bars; conference and event facilities; and a China noodle bar, a sports arena, and a night club. The company was founded in 1993 and is based in Brisbane, Australia. Reef Casino Trust is a subsidiary of Reef Casino Investments Pty Ltd.

Sands China Ltd.

Sands China Ltd., an investment holding company, engages in the development, ownership, and operation of integrated resorts and casinos in Macau. The company owns the Venetian Macao, the Sands Macao, The Plaza Macao and Sands Cotai Central resort hotels; CotaiExpo, a convention and exhibition hall; and the CotaiArena, an entertainment venue, as well as luxury and mid-market retail malls with approximately 400 shops. As of December 31, 2011, it had 3,554 hotel rooms and suites; 74 restaurants, 1.2 million square feet of retail and 1.2 million square feet of meeting space; 2 theatres; a 15,000-seat arena and a casino, as well as 19 Paiza Mansions; 1,135 table games; and 3,216 slot machines. The company also operates ferry transportation services between Hong Kong and Macau. In addition, it offers travel and tourism agency services; and security services. The company was incorporated in 2009 and is headquartered in Macau. Sands China Ltd. is a subsidiary of Venetian Venture Development Intermediate II.

SJM Holdings Limited

SJM Holdings Limited, an investment holding company, engages in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People's Republic of China. The company's gaming operations comprise VIP gaming, mass market table gaming, and slot machines. As of December 31, 2011, SJM Holdings Limited operated 17 casinos and 3 slot machine lounges, including approximately 1,700 gaming tables and 3,900 slot machines. It is also involved in the provision of aircraft leasing services; food and beverage, catering, and related services; and marketing and promotional services. In addition, SJM Holdings engages in the operation of hotels and property holding business. The company is based in Central, Hong Kong. SJM Holdings Limited is a subsidiary of Sociedade de Turismo e Diversoes de Macau, S.A.

SKYCITY Entertainment Group Ltd.

SKYCITY Entertainment Group Ltd. operates in the gaming/entertainment, hotel and convention, hospitality, recreation, and tourism sectors in New Zealand and Australia. The company operates casinos, restaurants and bars, hotels, and convention centers. It also provides food and beverage, car parking, and property rental services. The company is based in Auckland, New Zealand.

Wynn Macau Ltd.

Wynn Macau Ltd., through its subsidiaries, owns and operates a hotel and casino resort in Macau. The company's resort features approximately 1,008 hotel rooms and suites, 486 table games, 930 slot machines, and a poker pit in approximately 265,000 square feet of casino gaming space; and casual and fine dining in 8 restaurants, 2 spas and 1 salon, lounges, meeting facilities, and a show in the rotunda, as well as approximately 54,200 square feet of retail space featuring high end boutiques such as Bulgari, Cartier, Chanel and Dior. The company was founded in 2006 and is based in Macau. Wynn Macau Ltd. is a subsidiary of Wynn Resorts, Limited.

Appendix 5: Discount Rates

The selected discount rate range for Lao Cai Hotel has been determined using the weighted average cost of capital ("**WACC**") model. We have estimated the cost of equity with the capital asset pricing model ("**CAPM**").

Summary of WACC concepts

The WACC of a firm is the expected cost of the various classes of its capital (i.e. equity and debt), weighted by the proportion of each class of capital to the total capital of the firm, and can be derived using the following formula:

$$WACC = \left(\frac{E}{V} * K_e\right) + \left(\frac{D}{V} * K_d(1 - t_c)\right)$$

The components of the WACC formula are:

Table 32: Components of WACC

Input	Definition
K_d	The pre-tax cost of debt, which is the rate of return required by the providers of debt finance
K_e	The after-tax cost of equity, which is the rate of return required by the providers of equity capital
t_c	The applicable corporate tax rate
D	The market value of debt
E	The market value of equity
D / V	The proportion of debt in the capital mix of the relevant business operation
E / V	The proportion of equity in the capital mix of the relevant business operation
V	D + E

Source: Leadenhall analysis

Post- tax cost of equity (Ke)

In the WACC formula shown above, the CAPM provides the means for estimating the cost of equity. CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk free investments (such as government bonds). The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta \text{ x } (R_m - R_f) + \alpha$$

The components of the CAPM formula are:

Table 33: Components of CAPM

Input	Definition
K_e	The required post-tax return on equity
R_f	The risk free rate of return
R_m	The expected return on the market portfolio
MRP	The Market Risk Premium (Rm – Rf)
β	The beta, the systematic risk of a stock (this is an equity or levered beta)
α	The specific company risk premium, to allow for size, key person risk, key client risk, forecast risk etc.

Source: Leadenhall analysis

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. As at 27 September 2012, the yield on ten year Vietnam Government bonds was 10.5%.

Equity market risk premium (MRP)

The MRP ($R_m – R_f$) represents the additional return that investors expect from an investment in a well-diversified portfolio of assets (such as a market index). It is the excess return above the risk free rate that investors demand for their increased exposure to risk when investing in equity securities.

As Lao Cai Hotel operates in Vietnam, an MRP of 12% is adopted, which is the prevailing rate in 2012. Professor Aswath Damodaran of New York University estimates the long term country risk premium by estimating the default spread for the country's rating. This default spread is added to the historical risk premium for a mature equity market (estimated from US historical data) to estimate the total risk premium. For emerging markets, Damodaran has used the emerging market average of 1.5 (equity markets are about 1.5 times more volatile than bond markets) to estimate country risk premium. For Vietnam, the local currency rating is B1 implying an adjusted default spread of 400 basis points. The total risk premium for the U.S. is 6%. Thus, the market risk premium for Vietnam is 6% + (400 basis points * 1.5), which is 12%.

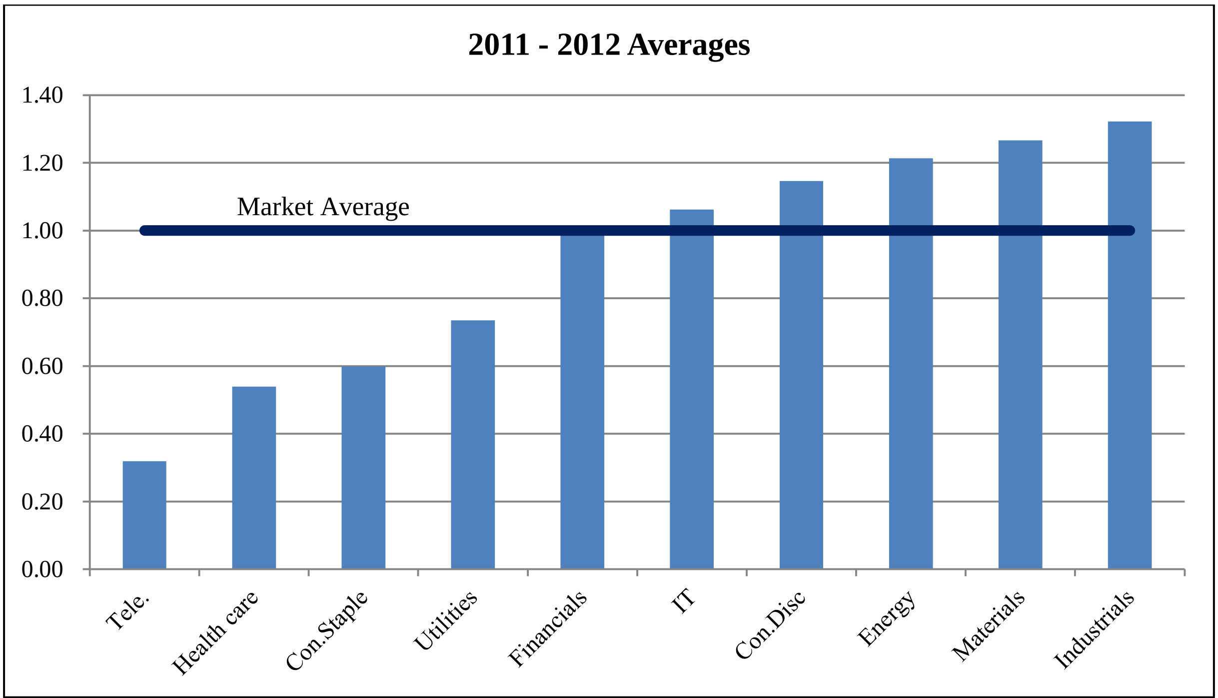
Beta estimate (β)

Description

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or uninsurable risk.

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition, the market portfolio has an equity beta of 1.0. The equity betas of various Australian industries listed on the ASX are reproduced below.

Figure 34: Industry Betas for various industries



Source: Beta data sourced from SIRCA

The Betas shown above are based on the historical volatility of the returns for each industry, relative to the returns of the All Ordinaries Index of the Australian Stock Exchange.

Betas derived from share market observations represent equity betas, which reflect the degree of financial gearing of the company. In order to control for this, a more valid analysis of betas can be obtained by "ungearing" or "unlevering" the equity beta by applying the following formula:

$$\boxed{\beta_a = \beta_e / [1 + (D/E \times (1-t_c)]}$$

where:

Table 35: Components of Hamada formula

Input	Definition
D/E	The debt to equity ratio assumed (based on market values of debt and equity)
t_c	The corporate tax rate
β_e	Equity (geared) beta
β_a	Asset (ungeared) beta

Source: Leadenhall analysis

The unlevering (ungearing) of betas involves removing the impact of financial gearing from the equity beta (βe) to obtain an asset beta (βa). The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity. The asset beta is subsequently relevered (regeared) to a specified level of gearing (calculated below to be 20%) to determine the equity beta appropriate for the company being valued using the following formula:

$$\boxed{\beta_e = \beta_a \times [1 + (D/E \times (1-t_c)]}$$

The betas of companies comparable to Lao Cai Hotel are included in the following table.

Table 36: Betas of Comparable Companies

	Market Capitalisation ($ Million)	Asset Beta Ungeared Beta	Equity Beta Equity Regeared Beta
Sands China Ltd.	24,843.30	1.35	1.6
Wynn Macau Ltd.	11,773.40	1.27	1.5
Galaxy Entertainment Group Limited	10,107.00	2.18	2.6
SJM Holdings Limited	9,970.10	1.18	1.4
Crown Limited	6,184.10	0.2	0.2
Melco Crown Entertainment Limited	6,177.10	2.05	2.4
MGM China Holdings Limited	5,609.10	1.63	1.9
Kangwon Land Corp.	4,244.00	0.14	0.2
Echo Entertainment Group Limited	2,944.70	0.29	0.3
Sky City Entertainment Group Ltd.	1,526.50	0.34	0.4
Equal Weighted Average		**1.06**	**1.25**
Median		**1.23**	**1.54**

Source: Capital IQ
The market capitalisation is taken as at 26 September 2012.

Selected beta (β)

In selecting an appropriate beta for Lao Cai Hotel we have considered the following:

- the geared beta for the consumer discretionary sector (in which the casinos and gaming industry operates) in Australia is 1.15. However, Lao Cai Hotel operates in Vietnam which may have a slightly different market structure from Australia;
- betas of comparable companies range from 0.2 to 2.6, with a mean of 1.25 and a median of 1.54; and
- the relative riskiness of Lao Cai Hotel compared to the overall consumer discretionary sector and the specific companies highlighted above.

As a result we have selected a geared beta of 1.0 to 1.2.

Specific company risk premium (α)

Size

Many studies have demonstrated that on average, smaller companies have higher rates of return than larger companies. A recent study by Leadenhall of companies listed on the Australian Stock Exchange indicated price/earnings multiples for companies in the lowest deciles were lower than the average of all companies, and significantly lower than the largest deciles. Morningstar publishes an annual study (based on US data) of the additional size risk premium to be added to the post-tax cost of equity, as set out in the table below.

Table 37: Evidence of Size Premium

Decile	Market Cap range (US $m)	Summary statistics of annual returns Arithmetic mean return (%)	Size premium (return in excess of CAPM)[1] (%)
Largest (1st decile)	15,273-314,623	10.42	(0.38)
Large (2nd decile)	6,895-15,079	11.61	0.81
Mid-cap (3rd–5th decile)	1,779-6974	12.00	1.20
Low-cap (6th–8th decile)	478-1,776	12.78	1.98
Micro-cap (9th–10th decile)	1-478	14.87	4.07
Smallest (10th decile)[4]	1-236	17.16	6.36

Source: Market Results for Stocks, Bonds, Bills, and Inflation 2009 Yearbook, Morningstar SBBI

1. Size premium was calculated as the difference between the actual return and the return calculated using the CAPM
2. Market capitalisation was calculated as at 31 December 2010
3. Morningstar use the 20 year US government bond rate in determining the risk free rate
4. Morningstar provide a further breakdown of the 10th decile, noting that the size premium for the upper half of the 10th decile (decile 10a) was 4.55%, whereas the size premium for the lower half of the 10th decile (decile 10b) was 10.06%. However care must be taken in considering decile 10b due to the volatility of companies in this part of the market

As a result of these factors we have selected a size premium of 4.0% to 5.0% to apply to Lao Cai Hotel.

Conclusion on cost of equity

The following table sets out our cost of equity estimate for Lao Cai Hotel based on the assumptions and inputs discussed above:

Table 38: Estimated cost of equity for Lao Cai Hotel

Discount Rate	Low	High
Risk Free Rate	10.5%	10.5%
Equity Beta	1.0	1.2
Market Risk Premium	12.0%	12.0%
Specific company risk premium (α)	4.0%	5.0%
Selected cost of equity (post-tax)	**26.5%**	**29.9%**

Source: Leadenhall

Corporate tax rate (t_c)

As per the investment certificate, the annual income tax rate payable is 25%. In calculating the cost of capital for Lao Cai Hotel, we have used this rate of 25%.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. The World Bank estimates lending rates in Vietnam at 17%. Another conventional practice for estimating Kd is to estimate an appropriate risk premium (over the benchmark risk free rate) for debt based on prevailing yields on debt securities of comparable risk and maturity. We have assessed a premium of 6.5% over the risk free rate based on recent discussion with management.

Debt and Equity Mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. We have selected a debt to enterprise value ratio of 20%.

Calculation of WACC

The table below summarises the discount rate we have derived for Lao Cai Hotel, based on the assumptions and inputs discussed above.

Table 39: Estimated WACC for Lao Cai Hotel

Discount Rate	Low	High
Adjusted Cost of Equity (Post-Tax)	**26.5%**	**29.9%**
Debt to Enterprise Value Ratio	20.0%	20.0%
Debt Margin over Risk Free Rate	6.5%	6.5%
Pre-Tax Cost of Debt	17.0%	17.0%
Post-Tax Cost of Debt	12.75%	12.75%
WACC Post tax Nominal	**23.8%**	**26.5%**

Source: Leadenhall

Based on this analysis we have selected a post-tax discount rate of 24% to 27% for Lao Cai Hotel, which we have applied to Lao Cai Hotel's projected net cash flows before interest but after tax.

Appendix 6: Qualifications, Declarations and Consents

Responsibility and Purpose

This report has been prepared only for the benefit of Shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction.

It therefore cannot be used for any purpose other than as described above unless Leadenhall has provided written consent. Other than as specifically identified elsewhere in this report, neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document (including electronically), circular, resolution, letter or statement, or released externally to any other party without the prior written consent of Leadenhall as to the form and context in which it appears.

No responsibility to third parties

We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on Information – Accuracy and Completeness

The financial information supplied by Two Way and Lao Cai Hotel, as set out in Appendix 2, is the prime basis of this engagement. In preparing our analysis we have relied upon the accuracy and completeness of the information provided to us and we have assumed it has been prepared in accordance with applicable accounting standards and the Corporations Act.

We have assumed that there is no information or documentation that has been withheld from Leadenhall that potentially may have a material effect on our conclusions.

We have not performed anything in the nature of an audit, review or financial due diligence on the information provided for this report.

Prospective Information – Provision and Responsibility

In relation to prospective financial information, we have relied upon this information as detailed in Appendix 2, without verification by us of historical, budgeted or forecast information. Donaco's management is responsible for this financial information.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Leadenhall has relied upon the completeness of the information provided by Two Way, Lao Cai Hotel and their officers, employees, agents or advisors which Leadenhall believes, on reasonable grounds, to be adequate, reliable, complete, accurate and not misleading for the purpose of this report.

Prospective Information – Procedures Undertaken

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Two Way's and Lao Cai Hotel's personnel.

These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards. Based on these procedures and enquiries, Leadenhall considers that there are reasonable grounds to believe that the prospective financial information for Lao Cai Hotel included in this report has been prepared on a reasonable basis.

Prospective Information – Not Audited or Verified

Leadenhall does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Two Way's and Lao Cai Hotel's management for confirmation of factual accuracy. We have accepted the information at face value, and have not attempted to test its veracity. Whilst we believe the statements made in this report are accurate, no warranty of accuracy or reliability is given by Leadenhall or its affiliated companies and their respective officers and employees.

Prospective Information – No Assurance on Achievability

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Accordingly we give no assurance that any forecast results will be achieved and consequently any future variation between the actual results and any prospective financial information utilised in this report may affect the valuation conclusions included in this report.

In relation to the prospective financial information, actual results may be different from the prospective financial information of Lao Cai Hotel referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Qualifications

The employees of Leadenhall principally involved in the preparation of this report were Hamish Blair, B.Comm (Hons). M.Comm. FCA. F.FinSIA, and Richard Norris, BA (Hons), ACA, M.App.Fin, F.Fin. Hamish and Richard were assisted by Daniela Crollini, BBus (Acct) and Ashwin Shah, MBA, in the preparation of this report.

Market Conditions

The opinion of Leadenhall is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon value either positively or negatively.

Indemnities

In recognition that Leadenhall may rely on information provided by Two Way, Lao Cai Hotel and their officers, employees, agents or advisors, Two Way has agreed that it will not make any claim against Leadenhall to recover any loss or damage which Two Way may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Two Way, Lao Cai Hotel and their officers, employees, agents or advisors or the failure by Two Way, Lao Cai Hotel and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

APES 225

This report has been prepared in accordance with APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Two Way Limited
ABN 28 007 424 777

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. **Please note, you cannot change ownership of your securities using this form.**

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 11:00am MONDAY 17 DECEMBER 2012

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders must sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below **not later than 48 hours** before the commencement of the meeting at **11:00am on Wednesday, 19 December 2012**. Any Proxy Form received after that time will not be valid for the scheduled meeting.
Proxies may be lodged using the reply paid envelope or:

BY MAIL - Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

BY FAX - + 61 2 9290 9655

IN PERSON - Share Registry – Boardroom Pty Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

STEP 1 - Appointment of Proxy

I/We being a member/s of **Two Way Limited** and entitled to attend and vote hereby appoint

☐ the Chairman of the Meeting (mark with an 'X') **OR** ☐

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Two Way Limited to be held at the Four Points by Sheraton Hotel, 161 Sussex Street, Sydney, NSW 2000 on Wednesday, 19 December 2012 at 11:00am** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

☐ **Chairman authorised to exercise undirected proxies on remuneration related matters:** If you have appointed the Chairman of the Meeting as your proxy or the Chairman of the Meeting becomes your proxy by default and you have not directed your proxy how to vote in respect of Item 2, you expressly authorise the Chairman of the Meeting to exercise your proxy in respect of these Items even though Item 2 is connected with the remuneration of a member of key management personnel for Two Way Limited.

The Chairman of the Meeting will vote all undirected proxies in favour of all Items of business (including Item 2). If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an Item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that Item.

STEP 2 - Voting directions to your Proxy – please mark ☒ to indicate your directions

Ordinary Business		**For**	**Against**	**Abstain***
Item 2	Remuneration Report	☐	☐	☐
Item 3	Re-elect Mr Benedict Paul Reichel as a director	☐	☐	☐
Item 4	Approval of Previous Investments	☐	☐	☐
Corporate Restructure and Acquisition				
Item 5	Consolidation to be approved	☐	☐	☐
Item 6	Acquisition of Donaco Singapore Pte Ltd	☐	☐	☐
Item 7	Control Approval	☐	☐	☐
Item 8	Appointment of Benjamin Lim Keong Hoe as director	☐	☐	☐
Item 9	Appointment of Lim, Keong Yew as director	☐	☐	☐
Item 10	Appointment of Mak, Siew Wei as director	☐	☐	☐
Item 11	Issue of New Shares pursuant to a prospectus	☐	☐	☐
Item 12	Change of company name	☐	☐	☐

*If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 - PLEASE SIGN HERE **This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name …………………………………….. **Contact Daytime Telephone** ………………………………… **Date** / / 2012