



## **2011 Annual General Meeting**

### **Chairman's Address 18 November 2011**

Ladies and Gentlemen, I would like to extend a warm welcome and thank you to all of you for joining our twelfth annual general meeting of shareholders at our new premises in Prahran, Victoria.

At our last AGM, I was remarking on how the global economy had recovered strongly from the Global Financial Crisis and investors' confidence was rebuilding. A year later, global investors are much less confident due to the European financial crisis. I am however, a strong believer that what we have witnessed in the past 6 months in the Euro Zone, is the residual effects of the GFC and that like the Asian Financial Crisis of the mid 90s, which brought on significant structural changes to Asian economies, leading to healthier and more vibrant Asian economies subsequently, the Euro Zone economies can be expected to come out of this current crisis with their structural improvements leading to a healthier Euro Zone in the long term.

The recent European financial crisis, however, has over-shadowed the significant developments that have been taking place within the Internet industry. Underpinning these developments is the maturity of broadband Internet penetration, but perhaps more importantly, the rapid adoption of mobile high speed Internet with the proliferation of smartphones. According to Nielson, Smartphone penetration in the US in November this year was already at 43% of the mobile phone market while in Australia, the comparable market share is at about 41%. It would not be surprising at all, that within 6 months, mobile computing via tablet PCs and telecommunication via smartphones will account for 75% of the user population. GoConnect has been at the forefront of Internet and telecommunication technology development for the past 11 years. Accordingly, GoConnect is able to take advantage of the rapid development of the Internet and telecommunication world and derive first or early mover advantages for the company.

GoConnect commenced its IPTV services in April 2000 with the launch of a free ISP service as a means of recruiting a mass audience for its patented GoTrek IPTV platform. GoTrek was delivering targeted interactive video commercials for advertisers targeting by age, gender and location as early as April, 2000 and generated click through rates of up to 100% which was unheard of in the advertising industry even to this day. Fast forward to 2011, GoConnect's experience and technology in IPTV and free ISP have again captured the attention of industry players in the media and telecommunication industries.

In the past 18 months, you have witnessed how the company was able to become one of the first content providers to Sony and LG in the launch of their IPTV services on their Internet connected Smart TV. Our uctv.fm music and entertainment channel is now available on Sony Internet connected BRAVIA TVs in Australia and New Zealand and on LG Smart TV worldwide. GoConnect was in fact the first Australian content partner for LG and was invited to their Smart TV global launch in April this year together with Telstra Bigpond Movies, yahoo 7, and Fox Sports.

As well as expanding the program mix of uctv.fm, a number of additional channels are at various stages of planning and development and they include a new business channel, a fashion channel, a shopping channel, and a taste and travel channel.

In July this year, GoConnect entered into an advertising representation agreement with Netbay Internet and partner with them to deliver advertising to free WiFi hotspots to be operated by Netbay Internet in a number of high traffic locations. The first number of locations will have traffic of over 700,000 people weekly in Melbourne. GoConnect's experience and technology gained through the operation of the free ISP will be equally applicable to the free WiFi hotspots to be operated by Netbay Internet. The launch of the Netbay Internet free WiFi service is expected to commence towards the end of December this year and with GoConnect's support, will lead to the creation of a new but the single largest media platform for the City of Melbourne with a user reach estimated to be up to 700,000 people weekly upon full penetration during 2012.

GoConnect is actively working with Netbay Internet to develop this media platform. GoConnect's technology is being deployed to ensure a maximization of revenue from this platform and to provide the most effective marketing and communication services for businesses in the City of Melbourne. Drawing on GoConnect's experience and technology with the free ISP of 11 years ago, **our advertisers will be able to deliver their interactive advertising targeted to users based on age, gender, and location.** Our advertising solution will deliver traffic to the advertiser's store by being relevant to the consumer. This will ensure minimum wastage of advertising spend while lifting effectiveness tremendously.

Later on, we will demonstrate to you the look and feel of this media platform. GoConnect has already tested the response of this platform with the advertising industry and the result is most encouraging.

The value of GoConnect's IPTV expertise and technology caught the attention of **Priority One Network Group Ltd** and as a result, in August this year, GoConnect agreed to partner with Priority One to spearhead their global payment system and loyalty reward business with the launch of a number of IPTV channels as well as partnering with Priority One to enter the China market. GoConnect shareholders were also offered the opportunity to become Priority One shareholders under an entitlement offer at no cost to GoConnect shareholders in order to facilitate the proposed ASX listing of Priority One. 877 GoConnect shareholders have now qualified for the Priority One share entitlement, deriving significant investment value for themselves as a result of GoConnect's

partnership with Priority One. An independent valuation of Priority One is being completed in order to support its proposed ASX compliance listing toward the end of the year subject to ASX approval.

To ensure that GoConnect is able to capitalise on the new opportunities of IPTV and the free WiFi media platform, GoConnect has also undergone a significant restructuring of its business in the past 18 months, firstly with the acquisition of the music businesses of Undercover and PLW Entertainment, followed by the consolidation of these businesses and staff within the GoConnect group, and in the past five months, the restructuring of staff resources has resulted in a reduction of over \$500,000 in overheads annually.

Looking ahead, you will be pleased to know that GoConnect is now a much leaner and cost effective organisation. The introduction of new media products through IPTV and a free WiFi media platform not only introduces a new chapter to the company, but more importantly, will bring additional revenue to the GoConnect group in coming months. With much lower overheads and new revenue to be generated in the near term, the company is now in the best position to become cash flow positive and profitable in the coming months. The value of the Priority One partnership to the company and for our shareholders who are also shareholders in Priority One will be substantial and will be more evident once Priority One shares are listed on the ASX.

I thank you for your attendance today.

A handwritten signature in black ink, appearing to read 'Richard Li', with a stylized flourish at the end.

Richard Li  
Executive Chairman