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Company Announcement Office

Australian Securities Exchange Limited

### **Re: SSI loan agreement- Background**

GoConnect Ltd ("the Company") has an outstanding liability to Sino Strategic International Ltd in liquidation ("SSI") of approximately \$1.6 million under a loan agreement entered between the Company and SSI in October 2003. SSI went into liquidation in 2015. The liquidator of SSI served on the company a statutory demand for the sum of \$1,589,316.24.

On 17 March 2016, the Company lost an application in the Supreme Court of Victoria to set aside the statutory demand. The Company appealed that decision. The appeal was brought on several grounds, one of which was that Affidavit material from a director of each company should have been allowed into evidence. Their evidence was that the loan is payable at the discretion of the board of the Company and accordingly the loan is not repayable on demand from the liquidator of SSI. The court at first instance did not for technical reasons accept the Affidavit material into evidence.

The appeal was heard on 12 October 2016, with the judgement going against the Company on 14 December 2016. The Court of Appeal confirmed that the two additional Affidavits in support of the validity of the Company's position regarding repayment of the loan were not admissible on technical grounds. Accordingly, evidence in the Affidavits was not considered by either the court at first instance or on appeal. An extension for payment of the statutory demand was granted by the Court of Appeal until 6 January, 2017.

### **Present Circumstances**

The loss of the appeal means that the Company's position with respect to the SSI loan is that it is payable on demand. The liquidator of SSI is able to file an application for the winding up of the Company. If that does occur the application will be defended by the Company. The Company believes it will be successful in defeating the application on the ground of solvency. Alternatively, the liquidator of SSI may bring fresh legal proceedings seeking in the normal manner to recover the money he alleges is payable under the loan. It is expected that the evidence which is detailed in the two additional affidavits referred to above, will be allowed into evidence to validate the Company's position that the loan is payable at the discretion of the Company, and not on demand from the liquidator of SSI. The Company has already fully accounted for the loan in its accounts since the SSI loan agreement was entered into in 2003.

Since 6 January 2017, no further action has been received from the liquidator of SSI and there is no outstanding law suit involving the Company.

Richard Li

Chairman