

CONNIXION



Delivering a better
Customer Experience

CXN - GDS
Joint Venture Update

January 2011

Connexion Limited Partners With GDS China

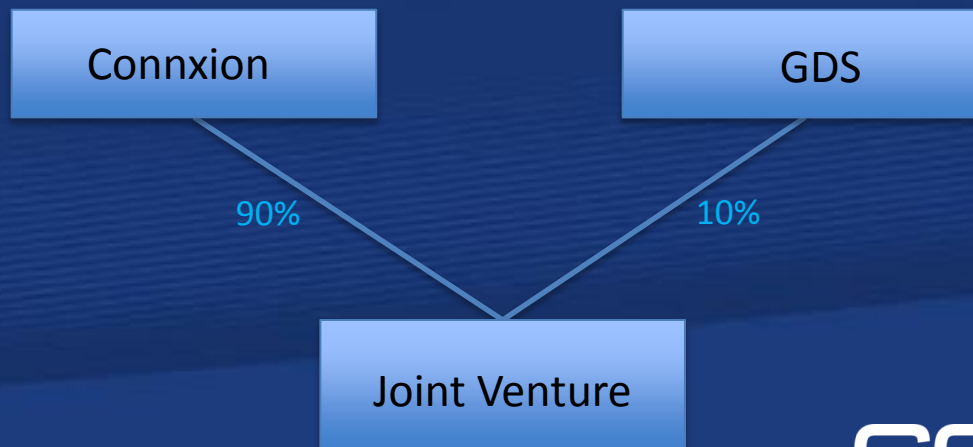
CXN enters China

- CXN has progressed its Asian strategy by furthering its China infrastructure
- CXN has entered a strategic JV with GDS, one of China's largest Data Centre operators, who have 9 Tier 4 data centres throughout China
- CXN entered this JV to fast track its market entry into China with minimal capital expenditure and market entry risk
- The JV will begin operations as planned in Q4. This opportunity will contribute not only, considerable strategic and financial value to the Company, but will develop into a very valuable asset
- CXN will look to raise AUD \$1.5 - \$2.5 million to meet its project commitment with GDS and for strategic related industry investments

Note: For a full interview with Bill Brooks, CEO, Connexion Limited on the CXN-GDS JV go to Boardroom Radio <http://www.brr.com.au/event/72912?popup=true>.

The Connxion - GDS Joint Venture

- Connxion has formed a 90% - 10% joint venture with GDS to allow for a quick and credible entry into the Chinese market with minimal capital expenditure and time delay
- The JV provides Connxion with access to top tier infrastructure with high profile and potentially high volume clients and contracts.



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About GDS

- GDS is one of China's leading Data Centre service providers and operates nine Tier 4 data centres, providing the highest capacity of service, security and coverage
- GDS currently services a number of blue chip banking and utilities clients and are rapidly expanding throughout China and will have 21 centres by the end of FY12.
- Some of their clients include:
 - Guangdong Development Bank
 - China development Bank
 - China Everbright Bank
 - BEA Bank
 - Bank of Dalian.

CXN Expansion into Asia

- Connxion's strategy is to build a regional data and transaction related services network throughout Australia, Asia and China
- The JV is a major advancement in this strategy as it provides access to high volume blue chip clients that significantly enhance the position and growth prospects of Connxion
- Not only are Chinese institutions looking for international grade data solutions and services as well as to upgrade their service quality, multi-national companies who are entering China require a locally based operator to provide these services, which the CXN-GDS JV is now positioned to do
- The CXN-GDS China operation will also provide a strategic entry point in offering its broader regional service and solution capabilities to regionally based clients.

The Connxion - GDS Strategy

- The core strategy of the JV is based around using the GDS infrastructure to build out a network in China
- This will allow the JV to effectively target clients in the targeted industries of the JV, specifically banking and telco multinational organizations
- The strategy provides a platform to bolt on a number of channel partnerships in the targeted industries and fast track several contract opportunities currently under discussion.

Connxion China - Structure & Go To Market Strategy



What the CXN GDS business provides

The JV will provide clients, through associated channel partners, with the following services:

- Data and transaction services
- Payments (B2B payments)
- Online services

The JV will services clients in a number of industry sectors:

- Financial services
- Telcos
- Insurance
- Utilities
- Logistics
- Airlines

CXN and GDS are already in discussions with a number of potential clients and channel partners.

CXN-GDS impact on financial projections

- As the contract size and scale will be much larger than normally undertaken by CXN, the company is working to realise the benefit from the impacts of this increased size as soon as possible
- Although some of the benefits may be seen this year, it's expected that the contributions and gains from this JV will have significant impacts in the FY2011/2012 projections and budgets
- CXN also intends to raise AUD \$1.5 million to \$2.5 million to implement this project so there will be no impact on the company's operating cash flows.

Key Terms

- CXN to inject up to RMB10,000,000 over a period of 2 years
- GDS to provide limited “DC” usage to the JV free of charge and provide preferential pricing for customers referred by the JV
- CXN & GDS to share with the JV their respective customers
- CXN shall have the right to nominate and appoint 2 directors and GDS shall have the right to nominate and appoint 1 director to the Board of the JV
- Further capital injection required by the JV beyond the RMB10,000,000 shall be injected on a pro rata basis by the Parties. In the event one party is unable to commit to such request for capital, the other party shall have the right to provide 100% of the capital requirement at a pricing equal to 4 x Earnings Before Interest and Tax (“EBITDA”) or the total revenue of the last 12 months, whichever is higher.

Key Terms cont.

- GDS has the option to sell its equity shareholding in the JV any time after 2 years from the date of incorporation, at 4 X EBITDA, as per the latest audited accounts
- GDS also has the right to buy up to 10% shareholding of the JV in the third year
- In the event either Party does not wish to participate in the JV after 2 years from the date of incorporation, the other Party shall have the right to buy-out the first Party's equity shareholding in the JV at 4 X EBITDA as per the latest audited accounts
- In the event GDS does not wish to participate in the JV any time during the first 2 years from the date of incorporation, CXN shall have the right to buy-out GDS' equity shareholding at NIL consideration.