

ASX Release

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27 September 2011

Scheme Meetings – Chairman’s address

The meetings of ConnectEast Group (ASX: CEU) securityholders to consider resolutions (**Scheme Resolutions**) to approve the proposal for Horizon Roads to acquire 100% of the issued ConnectEast securities (**Proposed Scheme**) will be held today at 10.00 am at Sandhurst Club, 75 Sandhurst Boulevard, Sandhurst Vic 3997 (Melways Ref 128 D7).

A copy of the address to be delivered by the Chairman, Tony Shepherd, is attached.



Tony Hudson
Company Secretary
ConnectEast Group

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CHAIRMAN'S ADDRESS

As you know, the meetings have been convened today for the purpose of considering, and if thought fit, to approve the Proposal under which Horizon Roads will acquire all of the ConnectEast Securities in the ConnectEast Trusts. This Proposal was announced on 22 July 2011 and described in the Explanatory Memorandum dated 22 August 2011 that was sent to members.

The Proposal is subject to a number of conditions. One of those conditions is that, at today's meetings, the ConnectEast members approve:

- certain amendments to the Constitutions of the ConnectEast Investment Trust and the ConnectEast Holding Trust to give effect to the Proposal; and
- the acquisition of all the securities of the ConnectEast Investment Trust and the ConnectEast Holding Trust by Horizon Roads.

If the Proposal is approved and implemented, it will result in Horizon Roads Holdings owning all of the ConnectEast Securities and ConnectEast members receiving \$0.55 cash per ConnectEast Security.

In the case of eligible members who make a valid election for the alternative scrip consideration, they will receive one unit in the CP2 EastLink Investment Fund, an unlisted managed investment scheme, for each of their ConnectEast Securities, subject to the aggregate minimum threshold of 78 million units being satisfied and subject to the potential for scale back. If the Scheme proceeds, eligible ConnectEast members will have until 10 October to lodge elections to receive the scrip consideration. To date, elections for approximately 1.7 million units have been received.

The Proposal is described in detail in the Explanatory Memorandum that was sent to members and I propose to take it as read.

All the directors of ConnectEast other than John Collier unanimously recommend that you approve the Proposal by voting in favour of the resolutions set out in the notice convening these meetings and receive the 55 cents cash consideration. I note that no superior proposal has been received since the Horizon Roads Proposal was announced on 22 July.

The reasons the directors have unanimously recommended in favour of the Proposal are set out in the Explanatory Memorandum and I don't propose today to repeat the details. The 55 cents cash consideration offered under the Proposal represents certain value for your ConnectEast Securities - a premium of more than 22% to:

- ConnectEast's closing price of 45 cents on 21 July 2011, being the day before the announcement of the Proposal; and
- ConnectEast's volume weighted average price in the 30 days prior to the date of announcement of the proposal.

The Independent Expert, Deloitte Corporate Finance, has concluded that the Proposal is fair and reasonable and therefore in the best interests of ConnectEast members other than Horizon Roads and its associates. A copy of Deloitte's Independent Expert's report was included in the Explanatory Memorandum that was sent to members.

In recommending the Scheme to members, your Board acknowledges the traffic growth prospects of the motorway and the good progress that has been made to date. However, your Board believes the Offer from Horizon Roads provides the unique opportunity to receive a fair and immediate control premium, recognising that we live in a world of great volatility. This premium may not otherwise be achievable if our largest securityholder acquires control through the creep provisions of the Corporations Act.

John Collier has declined to make a recommendation in respect of the Proposal. He was nominated to the ConnectEast Board by CP2 and, in view of this, he did not participate in board meetings leading up to recommendation of the Proposal. John considers it inappropriate for him to make a recommendation in relation to the Proposal for this reason.

It is also worth noting that should the Scheme be approved by members, then your Board will resign upon implementation of the Scheme at the end of next month. None of the Directors will be reappointed by Horizon Roads. However, it has been confirmed by Horizon Roads that ConnectEast's management team and staff will be retained if the Scheme is implemented.