



## **CITYSPRING INFRASTRUCTURE TRUST**

(Business Trust Registration No. 2007001)

### **Proposed Acquisition of Basslink**

#### **Introduction**

CitySpring Infrastructure Management Pte. Ltd. ("**Trustee-Manager**"), as trustee-manager of CitySpring Infrastructure Trust, wishes to announce that it has today agreed to acquire 100% of **Basslink**, a 370 km high-voltage, direct current, electricity interconnector between Tasmania and Victoria, Australia, for an enterprise value of A\$1,175 million (approximately S\$1.5 billion) ("**Purchase Price**") ("**Proposed Acquisition**").

#### **Basslink**

Basslink is owned by National Grid International Ltd ("**Seller**"), a subsidiary of National Grid plc, one of the United Kingdom's largest utilities, which won the tender to construct Basslink in 2002. Since commencing commercial operations in April 2006, Basslink has demonstrated an average availability of 99.5%. Approximately 290 km of the 370 km interconnector is a high voltage submarine cable across the Bass Strait, making Basslink the world's longest subsea electricity transmission cable.

Basslink is made available pursuant to a long-term contract to Hydro-Electric Corporation ("**Hydro Tasmania**"), a Tasmanian Government-owned entity, for a fixed fee (with inflationary escalation and subject to certain adjustments) for operating and maintaining the electricity cable. Basslink thus connects and permits Hydro Tasmania to participate in the Australian National Electricity Market. Incorporated in the Basslink interconnector is a fibre optic cable that also enables Basslink to provide telecommunication services.

For the year ended 31 March 2007, Basslink had unaudited consolidated net profit before tax of A\$57.5 million (S\$76.5 million).

#### **Rationale for Proposed Acquisition**

Basslink is CitySpring's first acquisition since its initial public offering in February 2007. CitySpring is making the Proposed Acquisition for the following reasons:

- (1) Basslink is expected to provide long term, regular and predictable revenues, most of which are derived from a long-term contract with Hydro Tasmania;
- (2) Basslink is a high-quality asset being the only electricity interconnector between the States of Tasmania and Victoria, Australia;
- (3) the acquisition of Basslink will significantly enhance CitySpring's footprint and delivers on its growth strategy;

- (4) Basslink's cashflows are not subject to interest rate risk as they are hedged by a long-term interest rate hedge;
- (5) Basslink is supported by an experienced and well qualified management team and staff; and
- (6) based on the closing price per CitySpring unit of S\$1.26 on 30 July 2007, CitySpring expects the Proposed Acquisition to be yield accretive by at least 10% (after transaction costs and expenses and on an annualized basis) for the year ending 31 March 2008 following the completion of the Capital Raising referred to below.

### **Purchase Price**

The Purchase Price, which is subject to certain working capital adjustments, represents an enterprise value to EBITDA multiple of 14.6 times for the 12 months ended 31 May 2007, after taking into account the benefits of certain interest rate hedge and working capital of Basslink, and an enterprise value to construction cost multiple of 1.3 times.

### **Funding**

The acquisition of Basslink will be funded through a committed senior debt funding package of approximately 75% of the Purchase Price, as well as a bridge facility of approximately 25% of the Purchase Price ("**Bridge Facility**"). CitySpring intends to repay the Bridge Facility by raising new equity, including by way of a rights issue and/or placement ("**Capital Raising**"). Further details of the Capital Raising will be announced in due course.

The proposed debt structure has received indicative investment grade ratings from both Moody's and Standard and Poor's.

### **Financial Effects**

**Schedule 1** hereto sets out the proforma financial effects of the Proposed Acquisition on the net asset value per unit ("**NAV**"), Net Gearing (as defined in **Schedule 1**) and net earnings per unit ("**EPU**") of CitySpring.

### **Sale & Purchase Agreement**

The Proposed Acquisition will be effected through a sale and purchase agreement ("**Sale & Purchase Agreement**") entered into today between the Trustee-Manager and the Seller. Pursuant to the Sale & Purchase Agreement, the Trustee-Manager will acquire all the Seller's shares in Basslink Australia GP Pty Ltd and interests in Basslink Australia LLP, entities through which the Seller holds Basslink. Basslink's experienced and well qualified team of operational staff will also be acquired as part of the Proposed Acquisition.

Completion of the Proposed Acquisition ("**Completion**") is conditional upon the consent of the State of Tasmania, Hydro Tasmania, the Victorian Minister for Planning and the Minister for the Environment, as

well on the release of the Seller and its affiliates from certain commitments they had given in relation to Basslink, on or prior to 31 October 2007.

Prior to Completion, CitySpring will incorporate a wholly-owned Australian company ("**Aus BidCo**") and will novate its rights and obligations under the Sale & Purchase Agreement to Aus BidCo. CitySpring will hold Aus BidCo through a number of intermediate entities, at the top of which will be a wholly-owned Singapore holding company ("**SingCo**").

### **Very Substantial Acquisition**

The Proposed Acquisition constitutes a "very substantial acquisition" for CitySpring under Rule 1015 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as:

- (1) the Purchase Price represents 245.2% of the market capitalisation of CitySpring based on its closing price as at 30 July 2007, the trading day immediately before the release of this Announcement; and
- (2) Basslink's net profit before tax of A\$57.5 million (S\$76.5 million) represents 728.6% of CitySpring's net profit before tax and management fee of S\$10.5 million<sup>1</sup>.

In July 2007, CitySpring obtained a ruling from SGX-ST permitting it to complete the Acquisition and subsequently seek the approval of its unitholders to ratify the Acquisition, on the basis of the support from Temasek Holdings (Private) Limited ("**Temasek**") described below. CitySpring has sought this ruling from SGX-ST so as to enable it to make a bid that is subject to as few conditions as possible.

### **Temasek Support**

Temasek has provided its support to CitySpring to assist CitySpring in meeting the Seller's condition for a fully funded bid. In this regard, Temasek's wholly-owned subsidiary, Everitt Investments Pte Ltd ("**Temasek Entity**"), has entered into an arrangement to provide support to the Proposed Acquisition by CitySpring. Pursuant to this arrangement, if:

- (1) the unitholders of CitySpring do not ratify the Proposed Acquisition at a general meeting to be called by 29 February 2008; or
- (2) the Bridge Facility is not repaid in full on its maturity (which is expected to be on or prior to 31 October 2008),

CitySpring will effectively transfer Basslink to the Temasek Entity so that the Temasek Entity will assume all the rights and obligations relating to Basslink (including, in particular, the liability to repay the Bridge Facility in full).

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<sup>1</sup> Basslink's net profits excluded A\$66.7 million (S\$88.7 million) of unrealised fair value gain on an interest rate hedge). CitySpring recorded a net loss before tax of S\$53.0m after taking into account management fee.

## Voting and Other Undertakings

As at the date hereof, Temasek holds, through its wholly-owned subsidiaries, an aggregate interest in 136.0 million units in CitySpring, representing approximately 27.8% of all the units in issue as at the date hereof, as shown below:

Name of Entity	Number of Units	% of Total Units in Issue
Bartley Investments Pte Ltd ("Bartley")	67,500,000	13.8%
Napier Investments Pte Ltd ("Napier")	28,575,000	5.8%
Trustee-Manager	39,965,504	8.2%
<b>Total</b>	<b>136,040,504</b>	<b>27.8%</b>

The Trustee-Manager has indicated that it will vote all of its 40.0 million units in favour of the Proposed Acquisition. Temasek has indicated that it will procure Bartley and Napier to:

- (1) vote all of their 96.1 million units above in favour of the Proposed Acquisition; and
- (2) subscribe, together with any new units which may be subscribed by the Trustee-Manager, for 27.8% in aggregate of the new units to be issued pursuant to any rights issue comprised in the Capital Raising.

It is also Temasek's intention to subscribe, through its wholly-owned subsidiaries, for new units in the Capital Raising in order to maintain Temasek's proportionate unitholding interest of 27.8% in aggregate in CitySpring.

## EGM

CitySpring will convene an extraordinary general meeting ("**EGM**") of its unitholders to seek their approval to ratify the Proposed Acquisition as soon as practicable after the date hereof and in any event on or prior to 29 February 2008. A circular containing further details on the Proposed Acquisition will be despatched to unitholders of CitySpring in due course.

## Disclosures

Margaret Lui, an executive of Temasek, is a non-executive director on the board of the Trustee-Manager. Yeo Wico, a partner of Allen & Gledhill LLP, which is one of the advisers to CitySpring on the Proposed Acquisition, is a non-executive director on the board of the Trustee-Manager.

No person is proposed to be appointed to the board of the Trustee-Manager, and hence no director's service contract is proposed to be entered into by the Trustee-Manager with any person, in connection with the Proposed Acquisition.

Save as disclosed in this Announcement, no director or controlling shareholder of the Trustee-Manager, and no controlling unitholder of CitySpring, has any interest in the Proposed Acquisition.

By Order of the Board of  
**CitySpring Infrastructure Management Pte. Ltd.**  
as trustee-manager of  
**CitySpring Infrastructure Trust**

Susanna Cher  
Company Secretary  
31 July 2007  
Singapore

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*\* Morgan Stanley Dean Witter Asia (Singapore) Pte. and DBS Bank Ltd. were the Joint Financial Advisers, Joint Bookrunners and Joint Lead Managers for the initial public offering of units in CitySpring Infrastructure Trust. This announcement has been prepared and released by CitySpring Infrastructure Management Pte. Ltd., as trustee-manager of CitySpring Infrastructure Trust. Morgan Stanley Dean Witter Asia (Singapore) Pte. Morgan Stanley & Co. International Limited and DBS Bank Ltd., in their capacity as underwriters to the IPO ("IPO Underwriters"), are not required to and have not been involved in the preparation or release of this announcement and have not verified the accuracy, completeness or adequacy of the information contained herein. The IPO Underwriters do not accept any responsibility for, and disclaim any liability with respect to, the accuracy, completeness or adequacy of the information contained in this announcement or incorporated by reference herein.*

## **Schedule 1**

### **Proforma Financial Effects of Proposed Acquisition**

#### **Bases and Assumptions**

The following proforma financial effects analysis of the Proposed Acquisition has been prepared on, among other things, the following bases and assumptions:

- (1) based on (a) CitySpring's actual unaudited results for the 85-day period ("**Relevant Period**") from 5 January 2007, the date it was constituted, to 31 March 2007, (b) the unaudited results of City Gas Trust and SingSpring Trust, CitySpring's initial two assets, for the period from 12 February 2007, the date on which CitySpring acquired such assets, to 31 March 2007, and (c) the unaudited consolidated results of Basslink for the period ended 31 March 2007, pro-rated for the number of days comprised in the Relevant Period;
- (2) assuming (a) insofar as the NAV and Net Gearing of CitySpring are concerned, that the Proposed Acquisition has been effected as of 31 March 2007 and (b) insofar as the EPU of CitySpring is concerned, that the Proposed Acquisition has been effected as of 5 January 2007;
- (3) assuming an exchange rate of A\$1:S\$1.33;
- (4) after taking into account (a) the issue of new units pursuant to the Capital Raising to repay the Equity Bridge Facility in full, (b) the funding cost of the debt financing incurred for the Proposed Acquisition and (c) the fees and expenses payable for the Proposed Acquisition, but excluding (d) the unrealized fair value gain of Basslink in respect of its interest rate hedge.

The following proforma financial information has been presented before taking into account, among other things, (a) the allocation of the Purchase Price to the identifiable assets of Basslink and goodwill, which exercise will be carried out upon CitySpring assuming control of Basslink following Completion, (b) differences in the generally accepted accounting standards of Singapore and Australia to which the financial statements of CitySpring and Basslink, respectively, have been prepared, as well as for the differences in the accounting policies used in the preparation of such financial statements, and (c) the performance fee (if any, taking into account any carry-forward deficit) that may be payable upon the completion of the Proposed Acquisition and the issue of new units in CitySpring pursuant to the Capital Raising.

#### **Proforma Financial Effects**

The following proforma financial effects is prepared for illustrative purposes only, to show:

- (1) what the NAV and Net Gearing of CitySpring as at 31 March 2007 would have been if the Proposed Acquisition had been effected as of that date; and
- (2) what the EPU of CitySpring for the period ended 31 March 2007 would have been if the Proposed Acquisition had been effected as of 5 January 2007.

The following proforma financial information may not, because of its nature, give a true picture of what the NAV, Net Gearing and EPU of CitySpring as at, and for the period ended, 31 March 2007 might have been if the Proposed Acquisition had actually been effected as of 31 March 2007 and 5 January 2007, respectively.

## NAV

On the bases and assumptions set out above, the proforma effect of the Proposed Acquisition on the NAV of CitySpring is as follows:

	Before Proposed Acquisition As at 31 March 2007	After Proposed Acquisition
NAV per Unit (\$\$)	0.75	0.76

## Net Gearing

On the bases and assumptions set out above, the proforma effect of the Proposed Acquisition on the Net Gearing<sup>2</sup> of CitySpring is as follows:

	Before Proposed Acquisition As at 31 March 2007	After Proposed Acquisition
Net Gearing	67%	131%

## EPU

On the bases and assumptions set out above, the proforma effect of the Proposed Acquisition on the EPU of CitySpring is as follows:

	Before Proposed Acquisition As at 31 March 2007	After Proposed Acquisition
EPU (\$\$)	(0.12)	(0.10)

<sup>2</sup> **Net Gearing** means the ratio of net borrowings to equity. **Net borrowings** means the aggregate amount of liabilities arising from borrowing from banks and financial institutions and bonds, notes and other debt securities, less cash and cash equivalents. **Equity** means the aggregate amount of issued and paid-up unit capital, reserves and minority interests.







## **PRESS RELEASE**

**For Immediate Release**

### **CitySpring acquires Basslink for S\$1.5 billion**

**Singapore, 31 July 2007** – CitySpring Infrastructure Management Pte. Ltd. ("CSIM"), trustee-manager of CitySpring Infrastructure Trust ("CitySpring"), today announced its first acquisition since its initial public offering with the purchase of 100% of Basslink for an enterprise value of A\$1,175 million (approximately S\$1.5 billion).

Based on the closing price per CitySpring unit of S\$1.26 on 30 July 2007, CitySpring expects the Basslink acquisition to be yield accretive by at least 10% (after transaction costs and expenses and on an annualized basis) for the year ending 31 March 2008 following the completion of the capital raising referred to below.

Basslink is a 370km high-voltage, direct current electricity interconnector between the States of Victoria and Tasmania in Australia. As the world's longest sub-sea electricity cable, Basslink was constructed to allow Tasmania to join the Australian National Electricity Market, exporting Tasmanian hydro-generated power at times of peak prices in Victoria and importing Victorian base-load during off-peak periods. Since commercial operations began in April 2006, Basslink has achieved an average availability of 99.5%.

#### **CitySpring views Basslink as an attractive asset**

CitySpring has entered into the acquisition for the following reasons:

- Basslink is expected to provide long term, regular and predictable revenues most of which are derived from a long term contract with Hydro Tasmania, the electricity generator wholly-owned by the State of Tasmania;
- Basslink is a high-quality asset, being the only electricity interconnector between the States of Tasmania and Victoria, Australia;
- the acquisition of Basslink will significantly enhance CitySpring's footprint and delivers on its growth strategy;
- Basslink's cashflows are not subject to interest rate risk as they are hedged by a long-term interest rate hedge;
- Basslink is supported by an experienced and well qualified management team and staff; and
- Based on the closing price per CitySpring unit of S\$1.26 on 30 July 2007, CitySpring expects the Basslink acquisition to be yield accretive by at least 10% (after transaction costs and expenses and on an annualized basis) for the year ending 31 March 2008 following the completion of the capital raising referred to below..



Mr Fai AU YEUNG, CEO of CSIM, said: "We are very pleased to have secured such an attractive and sizeable asset as our first acquisition since the IPO. Basslink fits perfectly within our stated investment mandate and significantly enhances CitySpring's footprint. Furthermore, it is a new, long-life asset with minimal capex requirements in the near term.

"Basslink demonstrates CitySpring's ability to grow through acquisitions. To this end, we continue to actively work on other acquisition opportunities."

### **Funding & Approvals**

The acquisition of Basslink will be financed through a committed senior debt funding package of approximately 75% of the purchase price, as well as a bridge facility of approximately 25% of the purchase price. CitySpring intends to repay the bridge facility by raising new equity, including by way of a rights issue and/or placement of new units. Further details of the capital raising will be announced in due course.

The transaction is subject to consent of various government and other agencies in Australia (including Hydro Tasmania). CitySpring looks forward to working with them in order to satisfy these conditions. CitySpring has obtained preliminary approval from the Australian Competition and Consumer Commission and approval from the Foreign Investment Review Board.

CitySpring has obtained a ruling from SGX-ST ("SGX Ruling") permitting it to complete the Acquisition and subsequently seek the approval of its unitholders to ratify the Acquisition, on the basis of the support from Temasek Holdings (Private) Limited ("Temasek") described below.

Unitholders' approval will be sought in due course. Temasek with its aggregate 27.8% unitholding interests, is supportive of the acquisition.

### **Temasek Support**

Temasek has provided its support to CitySpring to assist CitySpring in meeting the seller's condition for a fully funded bid. In this regard, Temasek's wholly-owned subsidiary, Everitt Investments Pte Ltd ("Temasek Entity"), has entered into an arrangement to provide support to this proposed acquisition by CitySpring. Pursuant to this arrangement, if:

- (1) the unitholders of CitySpring do not ratify the acquisition at a general meeting to be called by 29 February 2008; or
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**About CitySpring Infrastructure Trust**

CitySpring is the first infrastructure trust registered with the Monetary Authority of Singapore. As a pioneer in a new asset class in Singapore, and with sponsorship from Temasek Holdings, CitySpring aims to position itself as a leading player in a growing sector, by achieving significant growth through acquisitions. It has been established with the principal objective of investing in infrastructure assets and providing unitholders with long-term, regular and predictable distributions and the potential for long-term capital growth.

CitySpring's portfolio comprises 100% of the City Gas Trust, the sole producer and retailer of town gas and the sole user of the low-pressure piped town gas network in Singapore and 70% of the SingSpring Trust, the sole supplier of desalinated water to the Public Utilities Board, Singapore's national water agency.

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