

**MACQUARIE INTERNATIONAL INFRASTRUCTURE FUND LIMITED**  
LETTER TO INVESTORS — MARCH 2008



MACQUARIE



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**MACQUARIE INTERNATIONAL INFRASTRUCTURE FUND LIMITED**  
(A mutual fund company incorporated with limited liability in Bermuda)



**Board of Directors**

Mr John Stuart Hugh Roberts (Chairman and Nominated Director)  
Mr Heng Chiang Meng (Deputy Chairman and Independent Director)  
Mr Robert Andrew Mulderig (Independent Director)  
Mr Michael David Hamer (Independent Director)  
Mrs Lee Suet Fern (Independent Director)

25 March 2008

To: The Shareholders of  
Macquarie International Infrastructure Fund Limited

Dear Sir/Madam

**1. INTRODUCTION**

1.1 We refer to:

- (i) the Notice of Annual General Meeting of Macquarie International Infrastructure Fund Limited (the **Company**) dated 25 March 2008 (the **Notice**), accompanying the Annual Report 2007, convening the 2008 Annual General Meeting (the **2008 AGM**) of the Company to be held on 17 April 2008; and
- (ii) Resolution 5, being the Special Resolution relating to the proposed amendment of the Bye-laws of the Company, and Resolution 7, being the Ordinary Resolution relating to the proposed renewal of the general mandate for advisory fees, as set out in the Notice.

**2. THE PROPOSED AMENDMENT OF BYE-LAW 60(A) OF THE BYE-LAWS OF THE COMPANY**

2.1 **Current Bye-law 60(a).** The current Bye-law 60(a) provides that the aggregate amount of fees that can be paid to the directors of the Company (the **Directors**) for their services in the office of Director shall not exceed an annual sum of US\$200,000 or such larger amount as the Company may determine by Resolution (as defined in the Bye-laws) passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting.

- 2.2 **Increase in number of Directors.** The current Bye-laws were adopted on 17 April 2007, when the Company had three independent Directors, namely, Mr Heng Chiang Meng, Mr Robert Andrew Mulderig and Mr Michael David Hamer. The Company currently has four independent Directors, comprising Mr Heng Chiang Meng, Mr Robert Andrew Mulderig, Mr Michael David Hamer and Mrs Lee Suet Fern (together, the **Independent Directors**). Each of the Independent Directors receives a director's fee of US\$50,000 per annum. Accordingly, the aggregate limit of US\$200,000 contained in the current Bye-law 60(a) has already been reached.
- 2.3 **Proposed amendment of Bye-law 60(a).** It is proposed that the current Bye-law 60(a) be amended to revise the limit on the aggregate fees payable to the Directors contained in the current Bye-law 60(a) to a maximum annual sum of US\$400,000. This will allow the Company the flexibility to increase the fees payable to its Directors to reflect prevailing market rates, without the need to obtain Shareholders' approval every year. The proposed amendment to Bye-law 60(a) is set out in Resolution 5, which is the Special Resolution (as defined in the Bye-laws) to amend Bye-law 60(a) to be proposed at the 2008 AGM.

### 3 THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR ADVISORY FEES

- 3.1 **General Mandate for Advisory Fees.** At the 2007 Annual General Meeting of the Company held on 17 April 2007 (the **2007 AGM**), Shareholders had approved, *inter alia*, the renewal of a general mandate (the **General Mandate for Advisory Fees**) to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" (together, the **EAR Group**) within the meaning of Rule 904(2) of the listing manual (the **Listing Manual**) of the Singapore Exchange Securities Trading Limited (**SGX-ST**), in their ordinary course of businesses, to obtain advisory services from specified classes of the Company's interested persons (the **Interested Persons**), including any advisory services obtained by Macquarie Infrastructure Management (Asia) Pty Limited (**MIMAL**) from Macquarie Group Limited, its subsidiaries and affiliates (together, the **Macquarie Group** and each, a **Macquarie Group Member**) where the advisory fees paid by MIMAL to the Macquarie Group Members are reimbursed by the Company.
- 3.2 **Proposed Renewal of the General Mandate for Advisory Fees.** The General Mandate for Advisory Fees was expressed to take effect until the conclusion of the next annual general meeting of the Company (being the 2008 AGM which is scheduled to be held on 17 April 2008). Accordingly, the Directors propose that the General Mandate for Advisory Fees be renewed at the 2008 AGM, to take effect until the conclusion of the following AGM of the Company. The particulars of the Interested Person Transactions in respect of which the General Mandate for Advisory Fees' is sought to be renewed remains unchanged.
- 3.3 **The Appendix.** Details of the General Mandate for Advisory Fees, including the rationale and the benefits to the Company, the review procedures for determining transaction prices with Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.
- 3.4 **Audit and Risk Committee Statement.** The Audit and Risk Committee of the Company comprising Mr Robert Andrew Mulderig, Mr Michael David Hamer, Mr Heng Chiang Meng and Mrs Lee Suet Fern, confirms that:
- (i) the review procedures for advisory services to be obtained from Interested Persons have not changed since the 2007 AGM; and
  - (ii) the review procedures referred to in sub-paragraph (i) above, as well as the reviews to be made periodically by the Audit and Risk Committee in relation thereto, are sufficient to ensure that the advisory services to be obtained from Interested Persons will be made in accordance with normal commercial terms, and are hence not prejudicial to the interests of the Company and its minority Shareholders.

#### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 **Directors' and Substantial Shareholders' Interests.** As at 29 February 2008, the latest practicable date prior to the printing of this Letter, the interests of the Directors and the Substantial Shareholders (as defined in Sections 81(1) and 81(2) of the Companies Act, Chapter 50 of Singapore) of the Company in ordinary shares of par value S\$0.01 per share in the capital of the Company (**Shares**) as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders, respectively, are as follows:

	Direct Interest	%	Deemed Interest	%
John Stuart Hugh Roberts	250,000	0.02	—	—
Heng Chiang Meng	1,000,000	0.08	—	—
Robert Andrew Mulderig	170,000	0.01	—	—
Michael David Hamer	170,000	0.01	—	—

Substantial Shareholders	Number of Shares			
	Direct Interest	%	Deemed Interest	%
Macquarie Group <sup>1</sup>	—	—	148,797,110	11.6
Abu Dhabi Investment Authority <sup>2</sup>	125,000,000	9.7	—	—
Merrill Lynch & Co Limited <sup>3</sup>	—	—	79,018,053	6.2

Note:

<sup>1</sup> The deemed interest of the Macquarie Group comprises 106,776,610 Shares held by MIMAL, 35,970,000 Shares held by Macquarie Alternative Investments Limited, 4,934,000 Shares held by Macquarie Group Services Australia Limited and 1,116,500 Shares held by Macquarie Bank Limited.

<sup>2</sup> Abu Dhabi Investment Agency holds 125,000,000 shares through nominee companies.

<sup>3</sup> Merrill Lynch & Co Limited holds 79,018,053 shares through nominee companies.

4.2 **Abstention from Voting.** Mr John Stuart Hugh Roberts, who holds directorships and/or executive positions in the Macquarie Group, will abstain from voting his Shares, if any, in respect of Ordinary Resolution 7, being the Ordinary Resolution relating to the proposed renewal of the General Mandate for Advisory Fees at the 2008 AGM.

MIMAL and its associates, being Interested Persons will abstain from voting their Shares, if any, in respect of Ordinary Resolution 7, being the Ordinary Resolution relating to the proposed renewal of the General Mandate for Advisory Fees at the 2008 AGM.

#### 5. DIRECTORS' RECOMMENDATIONS

5.1 **The Proposed Amendment of the Bye-laws.** The Directors are of the opinion that the proposed amendment of the Bye-laws is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 5, being the Special Resolution to amend the Bye-laws to be proposed at the 2008 AGM.

5.2 **The Proposed Renewal of the General Mandate for Advisory Fees.** The Independent Directors believe that the General Mandate for Advisory Fees are based on normal commercial terms and would not be prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, for the reasons set out in paragraphs 4 and 5 of the Appendix to this letter, the Independent Directors recommend that Shareholders vote at the 2008 AGM in favour of Resolution 7, being the Ordinary Resolution to approve the renewal of the General Mandate for Advisory Fees to be proposed at the 2008 AGM.

**6. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Letter are fair and accurate and that there are no material facts the omission of which would make any statement in this Letter misleading.

**7. ADVICE TO SHAREHOLDERS**

Shareholders who are in any doubt as to the action that they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

**8. SGX-ST**

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Letter.

Yours faithfully

For and on behalf of  
Macquarie International Infrastructure Fund Limited



**John Stuart Hugh Roberts**  
Chairman

## THE APPENDIX

### THE SHAREHOLDERS' MANDATE

#### 1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the **Listing Manual**) of the Singapore Exchange Securities Trading Limited (**SGX-ST**) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and therefore are excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets (**NTA**)) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:
- (i) 5 per cent of the group's latest audited consolidated NTA; or
  - (ii) 5 per cent of the group's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3 Based on the latest audited accounts of Macquarie International Infrastructure Fund Limited (**MIIF** or the **Company**) and its subsidiaries (together, the **Group**) for the financial period ended 31 December 2007, the consolidated NTA of the Group was S\$1,681,562,873. In relation to MIIF, for the purposes of Chapter 9, in the current financial year and until such time that the consolidated audited accounts of the Group for the year ending 31 December 2008 are published, 5 per cent of the latest audited consolidated NTA of the Group would be S\$84,078,144.
- 1.4 Chapter 9 of the Listing Manual permits a listed company (for example, MIIF), however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the obtaining of advisory services which may be carried out with the listed company's interested persons.
- 1.5 Under the Listing Manual:
- (i) an **entity at risk** means:
    - (a) the listed company;
    - (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
    - (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the **listed group**), or the listed group and its interested person(s), has control over the associated company;
  - (ii) an **interested person** means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

- (iii) an **associate** in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has or have aggregate interest (directly or indirectly) of 30 per cent. or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30 per cent. or more;
- (iv) an **approved exchange** means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9; and
- (v) an **interested person transaction** means a transaction between an entity at risk and an interested person.

## 2. Entities At Risk

For the purposes of the Shareholders' Mandate, an entity at risk means:

- the Company;
- a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; or
- an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the Group and its interested person(s), have control over the associated company. (Currently, the Company does not have any such associated companies),

(together, the **EAR Group**).

## 3. Class of Interested Persons and Category of Interested Person Transactions

The general mandate (**General Mandate for Advisory Fees**) will apply to the EAR Group's advisory transactions carried out with the Interested Persons, where applicable, including any advisory services obtained by Macquarie Infrastructure Management (Asia) Pty Limited (**MIMAL**) from Macquarie Group Limited, its subsidiaries and affiliates (together, the **Macquarie Group** and each, a **Macquarie Group Member(s)**) where the advisory fees paid by MIMAL to the Macquarie Group Members are reimbursed by the Company.

Transactions with interested persons which do not fall within the ambit of the proposed General Mandate for Advisory Fees shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

## 4. Rationale for the General Mandate for Advisory Fees

In its ordinary course of business and from time to time, the Company is actively seeking to acquire suitable infrastructure assets which are not owned by the Macquarie Group which are in line with its investment policy and investment strategy. In connection therewith, the Company will require advisory services, and such services may be provided by Macquarie Group Members. Accordingly, the Company is proposing to seek the General Mandate for Advisory Fees from Shareholders pursuant to Chapter 9 of the Listing Manual which will enable the EAR Group to obtain advisory services from the interested persons.

## 5. Benefits to Shareholders

The General Mandate for Advisory Fees (and its subsequent renewal thereafter on an annual basis) will enhance the ability of the companies in the EAR Group to pursue acquisition opportunities which are time-sensitive in nature. The EAR Group will also benefit from having access to competitive quotes from the different companies in the Macquarie Group.

## 6. Review procedures for transactions with the mandated interested persons

The Company has implemented the following guidelines and review procedures to supplement existing internal control procedures to ensure that the advisory transactions carried out with the interested persons are undertaken on normal commercial terms consistent with the Company's usual business practices and policies, which are generally no more favourable to the interested persons than those extended to unrelated third parties.

To ensure that interested person transactions are undertaken on normal commercial terms, and will not be prejudicial to the Company and its minority Shareholders, the General Mandate for Advisory Fees incorporates the following review procedures:

- 6.1 The general rule is that all advisory mandates between the Company and an interested person require independent review unless Mr Robert Andrew Mulderig, Mr Michael David Hamer, Mr Heng Chiang Meng and Mrs Lee Suet Fern, being the independent directors of the Company (together, the **Independent Directors**) instruct otherwise.
- 6.2 Independent reviews may be undertaken on a transaction by transaction basis or by a comprehensive fee schedule covering the various types of mandates for advisory services to be provided by interested persons which the Company may enter into.
- 6.3 In the fee schedule case, the Independent Directors shall pre-approve mandates and could require a separate independent review if not satisfied that a transaction is adequately covered by the fee schedule. The fee schedule and independent review will be refreshed annually.
- 6.4 On a transaction by transaction basis, the Independent Directors should:
  - (i) be provided with a draft mandate and summary of terms;
  - (ii) be asked to approve the engagement in principle, confirm that they wish to undertake an independent review of the fees and terms of the mandate;
  - (iii) be asked to nominate a reviewer from a panel of independent reviewers; and
  - (iv) approve the form of instruction to the reviewer. The Company's legal manager should be consulted about the form of the instruction as the opinion needs to cover both fees and terms being at arm's length as per the relevant securities law carve out for related party transactions and, where relevant, a negative assurance regarding the interested person information.
- 6.5 Management will procure any information required in relation to fee comparables for similar transactions (for example, transactions of similar size and scope relating to acquisitions of similar infrastructure assets) from interested persons. Fee comparables should generically describe transactions and clearly distinguish between transactions involving third parties and interested persons. It is preferable that third party transactions are predominant.
- 6.6 The engagement letter for the reviewer should require the reviewer to provide its opinion based not only on the interested person fee comparables provided but on its own research as well (such as review of publicly available information and internal, and where possible, external enquiry).

- 6.7 The report should confirm that the opinion is based on both the interested person fee comparables and the reviewer's own research. The reviewer should also be asked to provide a negative assurance with regard to the interested person information (i.e. that there is no reason to believe that the interested person information is not reasonable or indicative of market practice).
- 6.8 The Independent Directors should be provided with the draft report (which should include the interested person fee comparables) for comment. This can be done via email and records of correspondence should be filed.
- 6.9 The Independent Directors must be satisfied that the fees are arm's length, and this can be satisfied by:
- (i) obtaining comparables for recent advisory mandates conducted by the Macquarie Group. The list should include both Macquarie Group Members and unrelated clients;
  - (ii) where the Company and a non-Macquarie Group investor with significant influence propose to co-invest, the fees agreed between the non-Macquarie Group investor and the Macquarie Group Member will be the benchmark for arm's length; and
  - (iii) where a joint mandate between a Macquarie Group Member and a third party advisor is proposed, the fees negotiated with the third party advisor will be the benchmark for arm's length provided the Macquarie Group Member is engaged on substantially similar terms.
- 6.10 Once the Independent Directors have approved the form of report and the final report has been issued, a meeting of the Independent Directors will be arranged to approve the mandate.

## **7. Register of Transactions**

The Company's risk and compliance manager will maintain a register of mandates entered into with interested persons pursuant to the General Mandate for Advisory Fees (recording the basis on which they were entered into), and the Company's internal audit plan will incorporate an annual review of all transactions entered into in the relevant financial year pursuant to the General Mandate for Advisory Fees.

## **8. Audit and Risk Committee Review**

The Audit and Risk Committee shall review the internal audit report prepared by the Company's risk and compliance manager on all such transactions to ascertain that the established review procedures to monitor such transactions have been complied with. The Audit and Risk Committee shall review the transactions on a quarterly basis.

If during these periodic reviews by the Audit and Risk Committee, the Audit and Risk Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of the changes to the nature of, or the manner in which, the services are to be obtained, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that such interested person transaction will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

## **9. Validity Period of the General Mandate for Advisory Fees**

The General Mandate for Advisory Fees will take effect from the passing of the ordinary resolution relating thereto, and will (unless revoked by the Company in general meeting) continue in force until the date on which the following Annual General Meeting of the Company is held or is required by law to be held. Approval from Shareholders will be sought for the renewal of the General Mandate for Advisory Fees at the following Annual

General Meeting and at each subsequent Annual General Meeting of the Company, subject to satisfactory review by the Audit and Risk Committee of its continued application to the transactions.

**10. Disclosure of Transactions**

The Company will publicly disclose the aggregate value of transactions conducted with interested persons pursuant to the General Mandate for Advisory Fees for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the release of such report. Disclosure will also be made in the Company's annual report of the aggregate value of transactions conducted under the General Mandate for Advisory Fees pursuant to the General Mandate for Advisory Fees during the financial year, and in the annual reports for subsequent financial years that the General Mandate for Advisory Fees continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

**11. Audit and Risk Committee's Statements**

- 11.1 The Audit and Risk Committee (currently comprising Mr Robert Andrew Mulderig, Mr Michael David Hamer, Mr Heng Chiang Meng and Mrs Lee Suet Fern) has reviewed the terms of the General Mandate for Advisory Fees and is satisfied that the review procedures for interested person transactions with the EAR Group, as well as the reviews to be made periodically by the Audit and Risk Committee (with internal audit assistance) in relation thereto, are sufficient to ensure that such interested person transactions will be made with the relevant class of interested persons in accordance with normal commercial terms, and are hence not prejudicial to the Company and its minority shareholders.
- 11.2 If, during the periodic reviews by the Audit and Risk Committee, the Audit and Risk Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the interested person transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, the Company will revert to its shareholders for a fresh mandate based on new guidelines and procedures for transactions with the interested persons.

