



ConnectEast Group
comprising ConnectEast Management Ltd
A.B.N. 68 071 292 647 / AFSL 254 959
as responsible entity for
ConnectEast Investment Trust ARSN 110 713 481
and ConnectEast Holding Trust ARSN 110 713 614

ASX release

ConnectEast.com.au

4 August 2011

Recommended proposal from Horizon Roads

A copy of a letter dated 4 August 2011 to be sent to ConnectEast securityholders is attached.

Tony Hudson
Company Secretary
ConnectEast Group

For further information:

JAMES TONKIN
General Manager, Corporate Affairs
ConnectEast Group
T03 9955 1700
M0413 432 775
jtonkin@connecteast.com.au

Investor enquiries:

NICK McKECHNIE
Chief Financial Officer
ConnectEast Group
T03 9955 1700
nmckechnie@connecteast.com.au

Registry enquiries:

Link Market Services
1300 551 346
+61 2 8280 7704





ConnectEast Management Limited
ABN 68 071 292 647 / AFSL 254 959
as responsible entity for
ConnectEast Investment Trust
ARSN 110 713 481 and
ConnectEast Holding Trust
ARSN 110 713 614

4 August 2011

Dear securityholder

Proposal from Horizon Roads to acquire your ConnectEast securities

On 22 July 2011 ConnectEast announced it had entered into an Implementation Deed with Horizon Roads (an investment vehicle managed by CP2) under which Horizon Roads has offered to acquire 100% of the issued ConnectEast securities (**Proposal**).

CP2 is an Australian-owned and headquartered infrastructure fund manager established in 1997 with more than \$2 billion in funds under management. It is ConnectEast's largest securityholder, and currently owns or controls 35% of the ConnectEast securities on issue.

What is the Proposal?

The Proposal involves a trust scheme in relation to ConnectEast Investment Trust and ConnectEast Holding Trust (**Scheme**). If the Scheme is implemented, you will be entitled to:

- \$0.55 cash per ConnectEast security (**Cash Consideration**); or
- alternatively, Australian and New Zealand resident securityholders may elect to receive a scrip alternative for some or all of your ConnectEast securities¹ (and the Cash Consideration for the balance of your ConnectEast securities) (**Scrip Alternative**).

Under the Scrip Alternative, ConnectEast securities would be exchanged for securities in an unlisted registered managed investment scheme, which will provide ongoing exposure to ConnectEast, but with a different investment and financial profile to your existing interest. The Scrip Alternative will only become available if ConnectEast securityholders elect to receive the Scrip Alternative for more than 2.0% of ConnectEast securities in aggregate. There will be a pro-rata scale back of the Scrip Alternative if demand exceeds 9.9%.

Australian and New Zealand resident securityholders will receive a separate product disclosure statement in relation to the Scrip Alternative. You should carefully read that product disclosure statement and seek professional advice before electing to receive the Scrip Alternative.

Proposal represents a control premium

The Cash Consideration of \$0.55 cash per ConnectEast security provides compelling and certain value and represents a premium to recent trading prices:

- 22.2% to ConnectEast's closing price of \$0.45 on 21 July 2011, the day prior to the announcement of the Proposal; and

¹ Election must be in respect of at least 9090 ConnectEast securities, corresponding to an investment of at least \$5,000 at the cash consideration price.

- 22.4% to ConnectEast's volume weighted average price in the 30 days to 21 July 2011.²

The Cash Consideration provides ConnectEast securityholders with both certainty and a control premium from CP2, which has been progressively increasing its holding in ConnectEast since December 2008, predominantly through buying on the ASX. If the Proposal does not proceed, the Corporations Act allows CP2 to continue to increase its holding by up to 3% every six months without making a full takeover offer.

The Independent Directors³ of ConnectEast have received external advice and carefully considered the Proposal. They unanimously recommend that you vote in favour of the Proposal and receive the Cash Consideration. The ConnectEast Independent Directors who hold ConnectEast securities intend to vote in favour of the Proposal and accept the Cash Consideration.

The recommendation and intentions of the Independent Directors are subject to no superior proposal emerging, and subject to an Independent Expert opining that the Proposal is fair and reasonable and in the best interests of ConnectEast securityholders (other than Horizon Roads and its associates, including CP2).

Deloitte Corporate Finance Pty Limited has been appointed as the Independent Expert to review the Proposal and provide a report on these matters for ConnectEast securityholders.

Full details of the conditions and other terms of the Scheme are set out in the Implementation Deed – which was released to the ASX on 22 July 2011 and is available on the ASX website at www.asx.com.au and the ConnectEast website at www.connecteast.com.au.

How will the Proposal be implemented?

The Scheme is required to be approved by ConnectEast securityholders at meetings to be convened in September.

Other conditions of the Scheme are contained in the Implementation Deed and include:

- obtaining all necessary regulatory approvals, including from the State of Victoria as required by the EastLink Concession Deed, and from the Foreign Investment Review Board
- the Independent Expert opining that the Proposal is fair and reasonable and in the best interests of ConnectEast securityholders (other than Horizon Roads and its associates, including CP2).
- obtaining necessary confirmation from the EastLink project financiers
- obtaining judicial advice from the Supreme Court of Victoria
- obtaining necessary ASIC and ASX relief or approval
- there being no material adverse changes to ConnectEast's financial position or to the Australian financial markets.

² Adjusted, where appropriate, for the distribution of \$0.01 to be paid on 26 August 2011.

³ John Collier was nominated by CP2 for appointment as a director of ConnectEast. In accordance with the board's governance protocols, Mr Collier did not participate in ConnectEast board meetings relating to the Proposal before its announcement and has declined to make a recommendation in relation to the Proposal.

Full year results and traffic performance

On 29 July 2011, ConnectEast released its 2011 full year financial results. The results showed a net loss for the year of \$10.3 million, with traffic growth of 9.1% compared to the prior year.

The Independent Expert has been provided with details of the 2011 full year financial results as well as current traffic performance information and the IMIS independent traffic projections that were released in August 2009. These projections include the anticipated benefits from identified and reasonably certain future developments, including Peninsula Link which is scheduled to open in 2013.

Distribution

ConnectEast security holders who held their ConnectEast securities on 30 June 2011 remain entitled to receive the \$0.01 per security distribution which is payable on 26 August 2011. Payment of this distribution will not be affected by the outcome of the Proposal.

Next steps

An Explanatory Memorandum containing information relating to the Proposal and the reasons for the ConnectEast Independent Directors' recommendation of the Proposal will be dispatched to ConnectEast securityholders this month. The report of the Independent Expert will be included in the Explanatory Memorandum. The Scrip Alternative product disclosure statement will also be provided to Australian and New Zealand resident securityholders.

The Explanatory Memorandum will include a Notice of Meetings inviting you to attend the specially convened meetings (**Scheme Meetings**), which are anticipated to be held in Melbourne in September.

At the Scheme Meetings, you will be asked to approve the Proposal, including by voting on amendments to the ConnectEast Investment Trust and ConnectEast Holding Trust Constitutions which are necessary to implement the Scheme. An affirmative vote of at least 75% of the total number of votes cast on the Constitutional amendment resolutions by eligible ConnectEast securityholders is required for the Scheme to be approved. Any votes cast by Horizon Roads and its associates, including CP2, will be disregarded. Accordingly, the ConnectEast Independent Directors urge you to read the Explanatory Memorandum when you receive it and exercise your right to vote at the Scheme Meetings.

If the Scheme is approved and implemented, it is expected that you will receive the Scheme consideration (either the Cash Consideration or the Scrip Alternative, depending upon your election) during October.

What should you do now?

There is no action required by you at this stage. We will be writing again as the Proposal progresses and will provide you with the Explanatory Memorandum, Notice of Meeting and Voting Form (for proxy voting and direct voting) with ample time for you to consider them. I recommend that you also keep yourself informed of the progress of the Proposal by speaking with your adviser or checking the ConnectEast website www.connecteast.com.au. If you have any further queries, please feel free to call the ConnectEast investor registry on 1300 551 346 (free call) or +61 2 8280 7704 (outside Australia).

I would like to take this opportunity to thank you for your support of ConnectEast, and I look forward to your participation at the Scheme Meetings.

Yours sincerely

A handwritten signature in black ink, appearing to read "A F Shepherd".

A F Shepherd
Chairman
ConnectEast Management Limited
ABN 68 071 292 647