

CIRCULAR DATED 26 JUNE 2009

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold all your units in CitySpring Infrastructure Trust (“**CitySpring**”), please forward this Circular and the enclosed Notice of Extraordinary General Meeting and Proxy Form to the purchaser or to the stockbroker or other agent through whom you have effected the sale for onward delivery to the purchaser.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



CITYSPRING INFRASTRUCTURE TRUST

(constituted in Singapore and registered as a business trust with the Monetary Authority of Singapore)
(Registration No: 2007001)

CIRCULAR TO UNITHOLDERS

**in relation to the proposed renewal by City Gas Trust,
a wholly-owned subsidiary trust of CitySpring,
of the Utilities Support Services Agreement with SP Services Ltd**

CITYSPRING INFRASTRUCTURE MANAGEMENT PTE LTD

as Trustee-Manager of CitySpring Infrastructure Trust
(incorporated in Singapore (Registration No: 200614377M))

Independent Financial Adviser to the Independent Directors of the Trustee-Manager



Ernst & Young Corporate Finance Pte Ltd
(incorporated in Singapore (Registration No: 199702967E))

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	22 July 2009 at 3 p.m.
Date and time of EGM	:	24 July 2009 at 3 p.m. (or as soon thereafter following the conclusion of the Annual General Meeting of CitySpring to be held at 2 p.m. on the same day and at the same place)
Place of EGM	:	DBS Auditorium 6 Shenton Way DBS Building Tower One Level 3 Singapore 068809

This page has been intentionally left blank

CONTENTS

	Page
NOTICE TO UNITHOLDERS	2
DEFINITIONS	3
LETTER TO UNITHOLDERS	6
1. Introduction	6
2. Transaction	7
3. Financial Effects of Transaction	10
4. Transaction as an IPT	11
5. Summary of IFA Advice	12
6. Independent Directors' Recommendation	13
7. Extraordinary General Meeting	13
8. Action to be taken by Unitholders	13
9. Responsibility Statement	14
10. Additional Information	14
APPENDICES	
Appendix 1 – Letter from IFA to Independent Directors	15
Appendix 2 – Additional Information	28
NOTICE OF EXTRAORDINARY GENERAL MEETING AND PROXY FORM	
Notice of Extraordinary General Meeting	30
Proxy Form	

NOTICE TO UNITHOLDERS

Forward-looking Statements. This Circular may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of known and unknown risks, uncertainties and assumptions. Examples of these include, without limitation, changes in the Singapore gas industry regulatory and competitive framework and changes in the Singapore economy generally.

These forward-looking statements are based on the Trustee-Manager's current view of future events and should be considered in totality with the other information provided in this Circular. No reliance should be placed on these forward-looking statements and Unitholders should make their own assessment on the future performance and outcomes of the matters set out herein.

Disclaimers. Nothing in this Circular constitutes, or shall be construed, as business, commercial, financial, legal or tax advice. Unitholders should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units. Unitholders should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately if they are in any doubt as to the action they should take.

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated (for convenience, capitalised terms are also defined where they first appear in the Letter to Unitholders – however, the meanings given in this “**Definitions**” section shall prevail in the event of any inconsistency):

“ CitySpring ”	:	CitySpring Infrastructure Trust.
“ City Gas ”	:	City Gas Trust.
“ CSIM ”	:	CitySpring Infrastructure Management Pte Ltd in its personal capacity.
“ Directors ”	:	The directors of the Trustee-Manager.
“ EGM ”	:	The extraordinary general meeting of Unitholders to be held on 24 July 2009, notice of which is set out on page 30 of this Circular, and any adjournment thereof.
“ EMA ”	:	Energy Market Authority of Singapore.
“ IFA ”	:	Ernst & Young Corporate Finance Pte Ltd.
“ IFA Advice ”	:	The advice from the IFA to the Independent Directors.
“ Independent Directors ”	:	Directors who are considered independent of the Transaction.
“ Interested Persons ”	:	Temasek and its associates (as defined in the Listing Manual).
“ IPO Prospectus ”	:	The prospectus dated 30 January 2007 issued by CitySpring in connection with its initial public offering.
“ IPT ”	:	Interested person transaction under Chapter 9 of the Listing Manual.
“ Latest Practicable Date ”	:	19 June 2009, the latest practicable date prior to the printing of this Circular.
“ Listing Manual ”	:	The listing manual of SGX-ST.
“ Management Fee ”	:	The monthly management fee payable by City Gas to SPS for services rendered by SPS under the USSA.
“ Management Fee Arrangement ”	:	The arrangement under which PowerGas will reimburse City Gas one-third of the Management Fee as provided by the Services Agreement.
“ PowerGas ”	:	PowerGas Ltd.

DEFINITIONS

“Proxy Form”	:	The proxy form issued to Unitholders and attached to this Circular.
“Renewed USSA”	:	The new utilities support services agreement dated 1 June 2009 entered into between City Gas and SPS.
“Services Agreement”	:	The services agreement dated 12 January 2007 entered into between City Gas and PowerGas, pursuant to which City Gas and PowerGas provide certain services to each other in relation to the Transport Agreement.
“Singapore Dollar” or “S\$”	:	The lawful currency for the time being of Singapore.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“SPS”	:	SP Services Ltd.
“Temasek”	:	Temasek Holdings (Private) Limited.
“Transaction”	:	The proposed renewal by City Gas of the USSA with SPS.
“Transport Agreement”	:	The transportation agreement dated 12 January 2007 entered into between City Gas and PowerGas, pursuant to which town gas is piped to City Gas’ customers through PowerGas’ network.
“Trustee-Manager”	:	CitySpring Infrastructure Management Pte Ltd in its capacity as trustee-manager of CitySpring Infrastructure Trust.
“Units”	:	Units in CitySpring.
“Unitholders”	:	Holder of Units.
“USSA”	:	The utilities support services agreement dated 25 May 2004 entered into between City Gas and SPS.

Trustee-Manager, CitySpring and CSIM. All references to (1) the **“Trustee-Manager”** are to it acting in its capacity as trustee-manager of CitySpring, (2) **“CitySpring”** are to it acting through the Trustee-Manager, and (3) **“CSIM”** are to it acting in its personal capacity.

Depositors, etc. The expressions **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them, respectively, in the Companies Act, Chapter 50 of Singapore.

DEFINITIONS

Genders, etc. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Time. Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise specified.

Rounding. Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under any statute or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to that word under that statute or that statutory modification, as the case may be.

LETTER TO UNITHOLDERS



CITYSPRING INFRASTRUCTURE TRUST

(constituted in Singapore and registered as a business trust with the Monetary Authority of Singapore)
(Registration No: 2007001)

26 June 2009

Directors of Trustee-Manager

Sunny George Verghese (Chairman)
Peter Foo Moo Tan
Yeo Wico
Mark Andrew Yeo Kah Chong
Margaret Lui-Chan Ann Soo
Haresh Jaisinghani Rupchand
Au Yeung Fai (Chief Executive Officer)

Registered Office

111 Somerset Road #02-05
TripleOne Somerset
Singapore 238164

To: Unitholders of CitySpring Infrastructure Trust

Dear Sir/Madam

Proposed renewal by City Gas Trust, a wholly-owned subsidiary trust of CitySpring, of the Utilities Support Services Agreement with SP Services Ltd

1. INTRODUCTION

1.1 Renewal of Utilities Support Services Agreement. On 1 June 2009, CitySpring Infrastructure Management Pte Ltd ("**Trustee-Manager**"), in its capacity as trustee-manager of CitySpring Infrastructure Trust ("**CitySpring**"), announced that CitySpring's 100%-owned subsidiary trust, City Gas Trust ("**City Gas**"), had agreed to renew the utilities support services agreement dated 25 May 2004 ("**USSA**") with SP Services Ltd ("**SPS**"), pursuant to which SPS will provide certain services relating to the reading of gas meters and billings.

The renewal of the USSA is conditional upon the approval of the unitholders of CitySpring ("**Unitholders**"), as noted further in *Section 1.2 (Interested Person Transaction)* and *Section 4.2 (Unitholders' Approval)* below.

1.2 Interested Person Transaction. The renewal by City Gas of the USSA with SPS ("**Transaction**"):

- (1) constitutes an "interested person transaction" ("**IPT**") under Chapter 9 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), as SPS is a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"); and

LETTER TO UNITHOLDERS

- (2) is, due to its materiality, required to be approved by the Unitholders, with Temasek and its associates (as defined in the Listing Manual) ("**Interested Persons**") abstaining,

- see further *Section 4 (Transaction as an IPT)* below.

1.3 IFA Advice. The directors of the Trustee-Manager ("**Directors**") who are considered independent of the Transaction ("**Independent Directors**") have appointed Ernst & Young Corporate Finance Pte Ltd ("**IFA**") as independent financial adviser to advise them on whether the financial terms of the Transaction:

- (1) are on normal commercial terms; and
- (2) are not prejudicial to the interests of CitySpring and its Unitholders (other than the Interested Persons).

The advice from the IFA to the Independent Directors ("**IFA Advice**") is set out in *Appendix 1 (Letter from IFA to Independent Directors)* and summarised in *Section 5 (Summary of IFA Advice)* below.

1.4 Circular. Accordingly, in this Circular, CitySpring:

- (1) is providing further information to Unitholders on the Transaction, including the IFA Advice; and
- (2) is seeking the approval of Unitholders for the Transaction at an extraordinary general meeting of Unitholders to be held on 24 July 2009 ("**EGM**"), notice of which is set out on page 30 of this Circular.

2. TRANSACTION

2.1 City Gas. City Gas is currently the sole producer and retailer of town gas in Singapore and is regulated by the Energy Market Authority of Singapore ("**EMA**") in respect of such activities. City Gas produces its town gas at its production facility in the Senoko Gasworks, which has a capacity of 1.6 million m³ of town gas per day. As at 31 March 2009, City Gas retails town gas to over 600,000 customers in Singapore. City Gas distributes its town gas through the gas pipeline network of PowerGas Ltd ("**PowerGas**").

2.2 USSA. As disclosed in the prospectus dated 30 January 2007 issued by CitySpring in connection with its initial public offering ("**IPO Prospectus**"), City Gas and SPS signed the USSA on 25 May 2004 for a period of five years. On 14 January 2009, the Trustee-Manager announced that the USSA had been extended on the same terms from 25 May 2009 to 31 July 2009.

2.3 Renewal of USSA. The renewal of the USSA will be in the form of a new utilities support services agreement dated 1 June 2009 entered into between City Gas and SPS for a further term of 5 years, from 1 August 2009 to 31 July 2014 ("**Renewed USSA**").

LETTER TO UNITHOLDERS

Services provided by SPS. The services provided by SPS under the Renewed USSA are substantially similar to those provided under the USSA and include (but are not limited to) the following:

- (1) receiving and processing applications from members of the general public for the opening of gas accounts;
- (2) entering into agreements with customers as agent for and on behalf of City Gas;
- (3) collecting and receiving deposits from customers upon opening of gas accounts;
- (4) establishing and maintaining accounting and computer systems to maintain customer accounts;
- (5) meter readings at specified intervals and issuing monthly bills to customers;
- (6) collecting and receiving monies from customers for and on behalf of City Gas for the supply of gas and other miscellaneous charges;
- (7) debt management in respect of unpaid and outstanding amounts under customer accounts; and
- (8) dealing with enquiries and complaints from members of the general public and customers.

Management Fee. A monthly management fee ("**Management Fee**") is payable by City Gas to SPS for the services rendered.

As was the case under the USSA, the Management Fee under the Renewed USSA is determined by reference to (i) the number of accounts and meters serviced and (ii) the rate payable for each account and meter. For the first year of the Renewed USSA, the rate payable for each account and meter represents an increase of 5.5% over the rate payable in the last year of the USSA. This increase was arrived at after arm's length negotiations between City Gas and SPS prior to the renewal of the USSA, and after taking into account, among other things, the fact that the rate had not been increased since the USSA was first entered into in May 2004 notwithstanding inflationary pressures experienced in Singapore, particularly in 2007 and 2008.

Both the USSA and the Renewed USSA provide a mechanism for revisions to the Management Fee. As was the case in the USSA, SPS may request that the Management Fee be reviewed by written notice to City Gas, and only one review of the Management Fee may be made for each year of the term of the Renewed USSA. Additionally, as was the case with the USSA, the Renewed USSA sets out a requirement for SPS to provide City Gas with all the information City Gas may require to consider the proposed revision. If City Gas disagrees with the proposed revision, it will notify its disagreement to SPS (such date of notification, the "**City Gas Notification Date**"). SPS and City Gas are required to discuss the proposed revision in good faith and use their best endeavours to come to a mutual agreement on the revision to the Management Fee within 180 days of the City Gas Notification Date. In the event that the parties

LETTER TO UNITHOLDERS

do not reach a mutual agreement within this timeframe, SPS may nevertheless implement the proposed revision with effect from the date falling 180 days after the City Gas Notification Date, provided that City Gas may terminate the Renewed USSA by giving SPS at least 12 months' prior notice.

As was the case under the USSA, the Renewed USSA caps the amount of increase in the Management Fee, although the cap has been increased from 5% to 6%. In other words, the Management Fee for any year of the term of the Renewed USSA may not be increased by more than 6% of that chargeable in the previous year of the term of the Renewed USSA. The 6% cap does not apply if SPS is able to justify to City Gas' reasonable satisfaction that SPS would suffer economic hardship if the 6% cap were applied in the event of a material change in the cost structure of SPS. However, unlike the USSA, under the Renewed USSA any increase in the Management Fee beyond the 6% cap requires the mutual written agreement of City Gas and SPS.

Limitation of Liability. SPS' maximum aggregate liability to City Gas for the breach of any of its duties (unless such breach arises out of any wilful misconduct by SPS) under the Renewed USSA during any financial year is capped at three times the average monthly Management Fee paid by City Gas, calculated based on the past three full financial years' annual Management Fee paid by City Gas from the time of the incident.

No Other Material Changes. Except as disclosed in this Circular, no other material changes have been made to the terms of the USSA.

Rationale. SPS is a one-stop utility support service provider in Singapore, covering electricity, water and town gas. Where a household or customer uses one or more of these services, SPS teams are able to take readings of electricity, water and town gas at the same time in the same visit. SPS generates a single utility bill for electricity, water and gas, which is a prized convenience favoured by household customers. SPS also provides services such as meter data management to compile consumption data and billing and payment collection on behalf of utility providers.

As such, SPS has the economies of scale to provide the metering and billing services critical to City Gas' business and which City Gas believes are being provided on competitive terms. Accordingly, coupled with the lack of comparable alternative service providers to SPS in Singapore, City Gas has decided to renew the USSA with SPS in order to ensure that it may continue to deliver town gas to its customers in Singapore in an efficient and convenient manner.

It should also be noted that if there continues to be a lack of comparable alternative service providers to SPS in Singapore, City Gas may not have a realistic option of terminating the Renewed USSA if it disagrees with increases in the Management Fee proposed by SPS. In such a case, a more pragmatic approach to take for City Gas may be to continue with the Renewed USSA under the increased Management Fee at least for the time being, until it is able to engage a credible alternative service provider to SPS to provide the metering and billing services critical to City Gas' business.

LETTER TO UNITHOLDERS

2.4 Other Relevant Arrangements. As disclosed in the IPO Prospectus, City Gas has entered into the following arrangements with PowerGas:

- (1) a transportation agreement dated 12 January 2007 ("**Transport Agreement**"), pursuant to which town gas is piped to City Gas' customers through PowerGas' network; and
- (2) a services agreement dated 12 January 2007 ("**Services Agreement**"), pursuant to which City Gas and PowerGas provide certain services to each other in relation to the Transport Agreement.

Relevantly, the Services Agreement provides that PowerGas will reimburse City Gas one-third of the Management Fee under the USSA ("**Management Fee Arrangement**").

Gas Tariff Adjustments. Under the Singapore gas industry regulatory framework, gas tariffs that City Gas may charge to its customers are regulated by the EMA. Cost components making up the gas tariffs include fuel, transportation, and non-fuel components such as the Management Fee. If there were increases in cost components making up the gas tariffs, City Gas is entitled to ask EMA to approve upward revisions to the gas tariffs to reflect such increased costs (and *vice versa* for cost reductions).

Management Fee Arrangement. As disclosed in the IPO Prospectus, the Management Fee Arrangement was entered into on normal commercial terms and negotiated on an arm's length basis as the 2:1 sharing arrangement between City Gas and PowerGas is a reflection of the historical allocation of costs between the two parties. The Management Fee Arrangement will continue until terminated in accordance with the terms of the Services Agreement. PowerGas has confirmed that it will continue with the Management Fee Arrangement until early 2013, when the tariff charged by PowerGas to City Gas for transporting its town gas is due for its next regulatory review.

The effect of the Management Fee Arrangement is that if SPS increases the Management Fee and City Gas is not able to obtain EMA's approval to adjust the gas tariffs upwards to reflect such increase, City Gas would not have to bear such increase entirely on its own as it would be able to share one-third of such increase with PowerGas. If the Management Fee Arrangement were terminated, then City Gas would have to bear such increase entirely on its own.

3. FINANCIAL EFFECTS OF TRANSACTION

3.1 Management Fee Variables. It is not possible at this point in time to determine the aggregate amount of fees payable to SPS under the Renewed USSA as this depends on the number of accounts and meters serviced, and on any applicable revisions to the Management Fee as agreed between the parties.

LETTER TO UNITHOLDERS

3.2 Illustrative Estimate. The following table sets out the aggregate amount of Management Fees paid to SPS under the USSA for financial years ended 31 March (“FY”) from 2005 to 2009:

FY	Fees paid to SPS (in S\$ million)
2005	10.8
2006	11.1
2007	11.3
2008	11.6
2009	11.8
Total	56.6

Purely for illustrative purposes, the estimated aggregate amount of Management Fees payable to SPS under the Renewed USSA over its 5-year term is expected to be S\$72.4 million. This estimate is based on the aggregate amount of S\$56.6 million paid to SPS under the USSA from FY2005 to FY2009 (as set out in the above table) and on the assumptions that:

- (1) for the Management Fee in the first year of the Renewed USSA;
 - (a) there is an increase in the number of accounts and meters, such increase being based on the average recorded increase in the number of accounts and meters serviced during the term of the USSA; and
 - (b) the rates payable for each account and meter for that first year reflect a 5.5% increase from the rate payable for each account and meter in the last year under the USSA; and
- (2) for the Management Fee in the subsequent years of the Renewed USSA, there is a 6% increase on the prevailing Management Fee (based on the maximum rate of increase under the Renewed USSA).

4. TRANSACTION AS AN IPT

4.1 Transaction as an IPT. SPS is an indirect wholly-owned subsidiary of Temasek. As at the Latest Practicable Date, Temasek holds, through its indirect wholly-owned subsidiaries, an aggregate interest in 27.77% of all the Units in issue, as shown in *Section 4.3 (Voting Exclusion)* below. Accordingly, for the purposes of Chapter 9 of the Listing Manual:

- (1) Temasek is regarded as a “controlling Unitholder” of CitySpring; and
- (2) the Transaction constitutes an IPT.

4.2 Unitholders’ Approval. Based on the assumptions set out in *Section 3.2 (Illustrative Estimate)* above, the estimated aggregate amount of fees payable to SPS under the Renewed USSA exceeds 5% of the audited consolidated net asset value of CitySpring and its subsidiaries as at 31 March 2009. This audited net asset value is approximately S\$135.832 million and 5% thereof is approximately S\$6.792 million.

LETTER TO UNITHOLDERS

Accordingly:

- (1) the Transaction is required to be approved by the Unitholders (with the Interested Persons abstaining) under Chapter 9 of the Listing Manual; and
- (2) the renewal of the USSA is conditional upon such approval from Unitholders.

4.3 Voting Exclusion. For the purposes of Chapter 9 of the Listing Manual, Temasek and its associates (as defined in the Listing Manual) are considered to be “**Interested Persons**” and must therefore abstain from voting on the resolution approving the Transaction. This voting exclusion will apply to the following associates of Temasek in respect of the following number of Units:

Name of Entity	Number of Units	% of Total Units in Issue
Bartley Investments Pte Ltd (“ Bartley ”)	67,500,000	13.78%
Napier Investments Pte Ltd (“ Napier ”)	28,575,000	5.83%
CitySpring Infrastructure Management Pte Ltd, in its personal capacity (“ CSIM ”)	39,965,504	8.16%
Total	136,040,504	27.77%

CSIM is a wholly-owned subsidiary of Nassim Investments Pte. Ltd. (“**Nassim**”).

Bartley, Napier and Nassim are wholly-owned subsidiaries of Tembusu Capital Pte. Ltd. (“**Tembusu**”), a wholly-owned subsidiary of Temasek.

Additionally, Bartley, Napier and CSIM will not accept proxies, powers of attorney or other authorisations to vote in respect of the resolution on the Transaction where such proxies, powers of attorney or other authorisations do not clearly direct Bartley, Napier and/or CSIM to vote for or against the resolution.

5. SUMMARY OF IFA ADVICE

Set forth below is an extract of the IFA Advice from *Appendix 1 (Letter from IFA to Independent Directors)*:

“Having regard to the considerations set out in this letter and the information available as at the Latest Practicable Date, we are of the opinion that the financial terms of the Transaction are on normal commercial terms and they are not prejudicial to the interest of CitySpring and its Independent Unitholders. Accordingly, we would advise the Independent Directors to recommend that the Independent Unitholders vote in favour of the Transaction.”

Please read and consider the IFA Advice in its entirety as set out in *Appendix 1 (Letter from IFA to Independent Directors)*.

LETTER TO UNITHOLDERS

6. INDEPENDENT DIRECTORS' RECOMMENDATION

- 6.1 Independent Directors.** The Directors who are regarded as independent with regards to the Transaction are Sunny George Verghese (Chairman), Peter Foo Moo Tan, Mark Andrew Yeo Kah Chong and Haresh Jaisinghani Rupchand.

Yeo Wico, a non-executive director on the board of the Trustee-Manager, is not regarded as independent with regards to the Transaction as he is a non-executive director of SPS. Margaret Lui-Chan Ann Soo, a non-executive director on the board of the Trustee-Manager, is not regarded as independent with regards to the Transaction as she is an executive of Temasek, the ultimate parent company of SPS. Au Yeung Fai, the Chief Executive Officer of the Trustee-Manager, is an employee of CSIM, an indirect wholly-owned subsidiary of Temasek and is therefore also not regarded as independent with regards to the Transaction.

- 6.2 Recommendation.** Having considered the terms of the Renewed USSA, the IFA Advice and all other relevant circumstances, the Independent Directors recommend that Unitholders **VOTE IN FAVOUR** of the ordinary resolution proposed to approve the Transaction.

7. EXTRAORDINARY GENERAL MEETING

- 7.1 Date and Time.** The EGM will be held at DBS Auditorium, 6 Shenton Way, DBS Building Tower One, Level 3, Singapore 068809 on 24 July 2009 at 3 p.m. (or as soon thereafter following the conclusion of the Annual General Meeting of CitySpring to be held at 2 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing, with or without amendment, the ordinary resolution proposed to approve the Transaction as set out in the notice of the EGM. Notice of the EGM is set out on page 30 of this Circular.

- 7.2 Consequences of Non-Approval.** **If the Transaction is not approved, the Renewed USSA will not come into effect and SPS will not be providing metering and billing services to City Gas. As there is no comparable alternative service provider, should the Renewed USSA not come into effect, services to City Gas' customers may be disrupted and City Gas may have to carry out its own gas meter reading and billing services, which may be at a higher cost than that of comparable services provided by SPS under the Renewed USSA.**

8. ACTION TO BE TAKEN BY UNITHOLDERS

If you are a Unitholder, and wish but are unable to attend the EGM, you may appoint a proxy to attend and vote on your behalf. To appoint a proxy, please complete, sign and return the proxy form issued to Unitholders ("**Proxy Form**") in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the place specified in the Proxy Form not less than 48 hours before the time appointed for the EGM, namely, by 3 p.m. on 22 July 2009. Completing and returning a Proxy Form will not prevent you from attending and voting in person at the EGM if you subsequently wish to do so.

LETTER TO UNITHOLDERS

9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and that there are no material facts the omission of which would make any statement in this Circular misleading. Where information has been reproduced from publicly available sources, the sole responsibility of the Directors has been to ensure that such information is accurately reproduced in this Circular.

10. ADDITIONAL INFORMATION

Please refer to *Appendix 2 (Additional Information)* for certain additional information relevant to the matters and proposals set out in this Circular.

Yours faithfully,

for and on behalf of

the Board of Directors of

CITYSPRING INFRASTRUCTURE MANAGEMENT PTE LTD

as Trustee-Manager of

CITYSPRING INFRASTRUCTURE TRUST

Sunny George Verghese

Chairman

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

The Independent Directors
CitySpring Infrastructure Management Pte Ltd
(as Trustee-Manager of CitySpring Infrastructure Trust)
111 Somerset Road #02-05
TripleOne Somerset
Singapore 238164

26 June 2009

Dear Sirs

Proposed renewal by City Gas Trust, a wholly-owned subsidiary trust of CitySpring, of the Utilities Support Services Agreement with SP Services Ltd

For the purpose of this letter, capitalised terms not otherwise defined shall have the same meaning given to them in the circular dated 26 June 2009 to the Unitholders (the “Circular”).

1 INTRODUCTION

On 1 June 2009, CitySpring Infrastructure Management Pte Ltd (“**Trustee-Manager**”), in its capacity as trustee-manager of CitySpring Infrastructure Trust (“**CitySpring**”), announced that CitySpring’s 100%-owned subsidiary trust, City Gas Trust (“**City Gas**”), had agreed to renew the utilities support services agreement dated 25 May 2004 (“**USSA**”) with SP Services Ltd (“**SPS**”), pursuant to which SPS will provide certain services relating to reading of gas meters and billings.

The renewal of the USSA is conditional upon the approval of the unitholders of CitySpring (“**Unitholders**”), as noted further in Section 1.2 (*Interested Person Transaction*) and Section 4.2 (*Unitholders’ Approval*) of the Circular.

The renewal by City Gas of the USSA with SPS (“**Transaction**”):

- (1) constitutes an “interested person transaction” (“**IPT**”) under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, as SPS is a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”); and
- (2) is, due to its materiality, required to be approved by the Unitholders, with Temasek and its associates (as defined in the Listing Manual) (“**Interested Persons**”) abstaining.

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

In relation to the above, the directors of the Trustee-Manager ("**Directors**") who are considered independent of the Transaction ("**Independent Directors**") have appointed Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") as independent financial adviser to advise the Independent Directors on whether the financial terms of the Transaction:

- (1) are on normal commercial terms; and
- (2) are not prejudicial to the interests of CitySpring and its Unitholders (other than the Interested Persons) (the "**Independent Unitholders**").

Accordingly, we have prepared this letter for the use of the Independent Directors for the purposes of their consideration of the Transaction.

2 TERMS OF REFERENCE

We have been appointed to evaluate the financial terms of the Transaction and to advise the Independent Directors in their deliberation to arrive at their recommendation as to whether the financial terms of the Transaction are on normal commercial terms and whether they are not prejudicial to the interests of CitySpring and its Independent Unitholders.

Our views as set forth in this letter are based on the prevailing market, economic and financial conditions, and our analysis of the information provided in the Circular as well as information provided to us by the management of the Trustee-Manager (the "**Management**"), as of the Latest Practicable Date (which is defined in the Circular). Accordingly, this opinion shall not take into account any event or condition which occur after the Latest Practicable Date.

We are not and were not involved in any aspect of the negotiations pertaining to the Transaction, nor were we involved in the deliberations leading up to the decision by the Directors to enter into the Transaction.

We have confined our evaluation and analysis of the Transaction to the financial terms thereof. It is not within our terms of reference to evaluate or comment on the rationale for, strategic or commercial merits and/or risks of, the Transaction, and to comment on the financial merits and/or risks of the Transaction where the assessment of such financial merits and/or risks involves our reviewing of non-publicly available financial information of the Transaction, to which we have no access and which we have not been furnished. It is also not within our terms of reference to compare the relative merits of the Transaction vis-à-vis any alternative transaction previously considered by the Trustee-Manager or transactions that the Trustee-Manager may consider in the future, and as such, we do not express an opinion thereon. The assessment of the commercial and financial merits and/or risks of the Transaction are solely the responsibility of the Directors, although we may draw upon their views in arriving at our opinion.

The scope of our appointment does not require us to express, and we do not express, a view on the growth prospects of CitySpring and its subsidiaries (the "**Group**"). We are, therefore, not expressing any view herein as to the prices at which the units in CitySpring may trade or on the future financial performance of the Group upon completion of the Transaction.

APPENDIX 1

LETTER FROM IFA TO INDEPENDENT DIRECTORS

In the course of our evaluation of the Transaction, we have held discussions with the Directors, the Management, and the management of SPS (“**SPS Management**”). We have also examined and relied on certain public information including those released by the Energy Market Authority of Singapore (“**EMA**”) and the Singapore Department of Statistics (“**SingStat**”) that have been collated by us, as well as information concerning CitySpring provided to us, including information in the Circular. We have not independently verified such information furnished by the Directors, the Management, and the SPS Management, or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information provided to us (whether written or verbal) as well as the information contained herein and in the Circular constitutes a full and true disclosure, in all material respects, of all material facts on the Transaction and there is no material information the omission of which would make any of the information contained herein or in the Circular inaccurate, incomplete or misleading in any material respect. We have also made reasonable enquiries and used our judgment in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have not conducted a physical inspection of the properties or facilities of City Gas. We have not made an independent valuation or appraisal of the assets and liabilities of City Gas. We have not conducted any review of the business, operations and financial condition of City Gas.

Our opinion is delivered solely for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Transaction. Any recommendations that the Independent Directors may make to the Unitholders in relation to the Transaction shall remain the responsibility of the Independent Directors. Our opinion should not be relied on as a recommendation to any Unitholders as to how such Unitholders should vote on the Transaction or any matter related thereto. Each Unitholder may have different investment objectives and considerations and should seek specific professional advice.

Our opinion in relation to the Transaction should be considered in the context of the entirety of this letter.

3 TRANSACTION

3.1 Background

City Gas is currently the sole producer and retailer of town gas in Singapore and is regulated by the EMA in respect of such activities. City Gas produces its town gas at its production facility in the Senoko Gasworks, which has a capacity of 1.6 million m³ of town gas per day. As at 31 March 2009, City Gas retails town gas to over 600,000 customers in Singapore. City Gas distributes its town gas through the gas pipeline network of PowerGas Ltd (“**PowerGas**”).

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

3.2 Renewal of the Utilities Support Services Agreement

Information on the renewal of the USSA (“**Renewed USSA**”) is set out in Section 2.2 (*USSA*) and Section 2.3 (*Renewal of USSA*) of the Circular. We have reproduced certain information on the Renewed USSA below.

As disclosed in the prospectus dated 30 January 2007 issued by CitySpring in connection with its initial public offering (“**IPO Prospectus**”), City Gas and SPS signed the USSA on 25 May 2004 for a period of five years. On 14 January 2009, the Trustee-Manager announced that the USSA had been extended on the same terms from 25 May 2009 to 31 July 2009.

The renewal of the USSA will be in the form of a new utilities support services agreement dated 1 June 2009 entered into between City Gas and SPS for a further term of 5 years, from 1 August 2009 to 31 July 2014.

The services provided by SPS under the Renewed USSA (“**Renewed USSA Services**”) are substantially similar to those provided under the USSA and include (but are not limited to) the following:

- (1) receiving and processing applications from members of the general public for the opening of gas accounts;
- (2) entering into agreements with customers as agent for and on behalf of City Gas;
- (3) collecting and receiving deposits from customers upon opening of gas accounts;
- (4) establishing and maintaining accounting and computer systems to maintain customer accounts;
- (5) meter readings at specified intervals and issuing monthly bills to customers;
- (6) collecting and receiving monies from customers for and on behalf of City Gas for the supply of gas and other miscellaneous charges;
- (7) debt management in respect of unpaid and outstanding amounts under customer accounts; and
- (8) dealing with enquiries and complaints from members of the general public and customers.

A monthly management fee (“**Management Fee**”) is payable by City Gas to SPS for the services rendered. As was the case under the USSA, the Management Fee under the Renewed USSA is determined by reference to (i) the number of accounts and meters serviced, and (ii) the rate payable for each account and meter. For the first year of the Renewed USSA, the rate payable for each account and meter represents an increase of 5.5% over the rate payable in the last year of the USSA.

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

SPS' maximum aggregate liability to City Gas for the breach of any of its duties (unless such breach arises out any willful misconduct by SPS) under the Renewed USSA during any financial year is capped at three times the average monthly Management Fee paid by City Gas, calculated based on the past three full financial years' annual Management Fee paid by City Gas from the time of the incident.

Except as disclosed in the Circular, no other material changes have been made to the terms of the USSA.

4 ASSESSMENT OF THE FINANCIAL TERMS OF THE TRANSACTION

In evaluating the financial terms of the Transaction, we have considered the following pertinent factors for our assessment:

- (i) Rationale of entering into the Transaction;
- (ii) Financial effects of the Transaction;
- (iii) Alternative providers of the Renewed USSA Services;
- (iv) Billing rates for comparison; and
- (v) Other relevant factors.

4.1 Rationale of entering into the Transaction

The Trustee-Manager has stated in Section 2.3 (*Renewal of USSA*) of the Circular its rationale for entering into the Transaction. We reproduce the Trustee-Manager's rationale below:

"SPS is a one-stop utility support service provider in Singapore, covering electricity, water and town gas. Where a household or customer uses one or more of these services, SPS teams are able to take readings of electricity, water and town gas at the same time in the same visit. SPS generates a single utility bill for electricity, water and gas, which is a prized convenience favoured by household customers. SPS also provides services such as meter data management to compile consumption data and billing and payment collection on behalf of utility providers.

As such, SPS has the economies of scale to provide the metering and billing services that is critical to City Gas' business and which City Gas believes are being provided on competitive terms. Accordingly, coupled with the lack of comparable alternative service providers to SPS in Singapore, City Gas has decided to renew the USSA with SPS in order to ensure that it may continue to deliver town gas to its customers in Singapore in an efficient and convenient manner.

It should also be noted that if there continues to be a lack of comparable alternative service providers to SPS in Singapore, City Gas may not have a realistic option of terminating the Renewed USSA if it disagrees with increases in the Management Fee proposed by SPS. In such a case, a more pragmatic approach to take for City Gas may be to continue with the

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

Renewed USSA under the increased Management Fee at least for the time being, until it is able to engage a credible alternative service provider to SPS to provide the metering and billing services critical to City Gas' business."

4.2 Financial effects of the Transaction

It is not possible at this point in time to determine the aggregate amount of fees payable to SPS under the Renewed USSA as this depends on the number of accounts and meters serviced, and on any applicable revisions to the Management Fee as agreed between the parties.

The aggregate amount of Management Fees paid to SPS under the USSA for financial years ended 31 March ("FY") from 2005 to 2009 is presented in the following table:

FY	Fees paid to SPS (in S\$ million)
2005	10.8
2006	11.1
2007	11.3
2008	11.6
2009	11.8
Total	56.6

Purely for illustrative purposes, the estimated aggregate amount of Management Fees payable to SPS under the Renewed USSA over its 5-year term is expected to be S\$72.4 million. This estimate is based on the aggregate amount of S\$56.6 million paid to SPS under the USSA from FY2005 to FY2009 (as set out in the table above) and on the assumption that:

- (1) for the Management Fee in the first year of the Renewed USSA;
 - (a) there is an increase in the number of accounts and meters, such increase being based on the average recorded increase in the number of accounts and meters serviced during the term of the USSA; and
 - (b) the rates payable for each account and meter for that first year reflect a 5.5% increase from the rate payable for each account and meter in the last year under the USSA; and
- (2) for the Management Fee in the subsequent years of the Renewed USSA, there is a 6% increase on the prevailing Management Fee (based on the maximum rate of increase under the Renewed USSA).

The Management Fee paid under the USSA in FY2009 was S\$11.8 million. We note, purely for illustrative purposes, assuming that the Renewed USSA had been effected since 1 April 2008, the Management Fee payable under the Renewed USSA for FY2009 would be S\$12.5 million, a 5.5% increase as compared to the Management Fee under the USSA.

4.3 Alternative providers of the Renewed USSA Services

Based on our discussion with the Management, we note that other than SPS, there are no comparable alternative service providers in Singapore.

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

4.4 Billing rates for comparison

4.4.1 Electricity billing rates

As part of its role as a Market Support Services Licensee in the Singapore electricity market, SPS retails electricity to non-contestable customers (which includes all domestic and non-domestic customers that consumes an average of below 10,000 kilowatt hours per month) at a tariff regulated by the EMA. The Market Support Services Fee for non-contestable customers ("**Non-Contestable MSS Fee**") is part of a component of the electricity tariff to recover the costs of billing, meter reading, and customer management in the supply of electricity. Based on our discussions with the Management, we note that SPS' scope of services under the Market Support Services also include the turning on and cutting off of electricity supply, whereas the service of turning on and cutting off of gas supply is not included within the Renewed USSA Services. The EMA regulates the Non-Contestable MSS Fee and reviews it every year. We note that the Non-Contestable MSS Fee has remained unchanged for the past five years.

As the actual Non-Contestable MSS Fee is not publicly available, we have estimated the Non-Contestable MSS Fee in 2008 ("**Estimated Non-Contestable MSS Fee**") to be S\$42.5 million, based on the total electricity sold for the period from January to December 2008 to non-contestable customers of 12.5 billion kilowatt hours (as provided by SPS) multiplied by the Non-Contestable MSS Fee of 0.34 cents per kilowatt hour (as announced by EMA). Based on the Estimated Non-Contestable MSS Fee of S\$42.5 million and the total number of non-contestable billing accounts of 1,280,000 as at 31 December 2008 (as provided by SPS), we estimate the Estimated Non-Contestable MSS Fee per account in 2008 to be S\$33.20.

For purely illustrative purposes, assuming that the Renewed USSA had been effected since 1 April 2008, we have analysed the Management Fee payable under the Renewed USSA in FY2009, and compared them against the Estimated Non-Contestable MSS Fee per account in 2008 ("**Electricity Billing Comparison**"¹). Based on the average number of customer accounts serviced by City Gas per month in FY2009 of 602,000 accounts and the Management Fee of S\$12.5 million, we note that the Management Fee payable under the Renewed USSA in FY2009 of S\$20.76 is significantly lower than the Estimated Non-Contestable MSS Fee per account in 2008 of S\$33.20.

4.4.2 Estimated rates of billing services of Singapore Telco Companies for comparison

Assuming that the Renewed USSA had been effected since 1 April 2008, we have compared the Management Fee payable under the Renewed USSA in FY2009 with the estimated average billing expenses per account in the latest financial year ("**Estimated Telco Billing Rates**") of telecommunications companies operating in Singapore ("**Singapore Telco Companies**"). The details of the Estimated Telco Billing Rates are set out below:

¹ The calculation of the Estimated Non-Contestable MSS Fee was calculated based on the number of accounts as at 31 December 2008 and the electricity sold for the period of January to December 2008 whilst the number of accounts used in calculating the Management Fee payable under the Renewed USSA has been based on the average monthly accounts and the Management Fee payable for the period of April 2008 to March 2009.

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

Singapore Telco Companies	Estimated Subscriber Costs ⁽¹⁾ (S\$ million)	Estimated Billing Expenses ⁽²⁾ (S\$ million)	Estimated Billing Accounts ⁽³⁾	Estimated Billing Expenses per Account (S\$)
MobileOne Ltd	340.4	20.43	900,000	22.70
Singapore Telecommunications Ltd ⁽⁴⁾	2,628.9	157.73	3,700,000	42.63
Starhub Ltd	1,232.6	73.95	1,800,000	41.09
Average				35.47 ⁽⁵⁾
Average Annual Management Fee per account (Renewed USSA)				20.76

Sources: Singapore Telco Companies' Announcements, Annual Reports and Websites

Notes:

- (1) We have assumed "Estimated Subscriber Costs" to be operating expenses (excluding non-cash items and estimated handset costs) in the latest financial year as announced by the Singapore Telco Companies.
- (2) In the publication titled "2008 Global Wireless Industry Survey" released by PricewaterhouseCoopers, we note that for wireless telecommunications service providers with revenue of less than US\$5.0 billion, "billing and other outside services" generally constitutes an average of 6% of subscriber costs (total cash cost). As the actual billing expenses of the Singapore Telco Companies are not publicly available, we have estimated billing expenses based on the assumption of 6% of the Estimated Subscriber Costs. It should be noted that other than wireless telecommunications services, some of the Singapore Telco Companies offer additional services such as fixed-line telephone, broadband and pay TV, and that actual subscriber costs and billing expenses of the Singapore Telco Companies may be significantly different from the Estimated Subscriber Costs and estimated billing expenses.
- (3) As the actual average number of customer accounts serviced per month of the Singapore Telco Companies in the last financial year is not publicly available, we have estimated the billing accounts based on the total number of post-paid mobile, fixed line, broadband, and pay TV customers as of the latest financial year as announced by the Singapore Telco Companies. We note that the actual billing accounts of the Singapore Telco Companies may differ from the estimated billing accounts.
- (4) Based on the company level financial results and customer statistics of Singapore Telecommunications Ltd (which excludes SingTel Optus Pty Limited).
- (5) The calculation of the Estimated Telco Billing Rate was calculated based on the number of accounts as of the latest financial year and for the operating expenses incurred for the latest financial year of the Singapore Telco Companies whilst the number of accounts used in calculating the Management Fee payable under the Renewed USSA has been based on the average monthly accounts and the Management Fee payable for the period of April 2008 to March 2009.

APPENDIX 1

LETTER FROM IFA TO INDEPENDENT DIRECTORS

We note from the table above that the average annual Management Fee per account under the Renewed USSA of S\$20.76 is significantly lower than the average Estimated Telco Billing Rates per account of S\$35.47.

The Independent Directors and the Independent Unitholders should note that the Renewed USSA Services are a unique set of services. The Electricity Billing Comparison and the Estimated Telco Billing Rates are not directly comparable to the Transaction. The rates applicable for billing and meter reading services are affected by many factors, *inter alia*, the number of accounts under the contract, scope of services, regulations governing the supply of such services and the availability of competitors, therefore any comparisons made with respect to the Electricity Billing Comparison and the Estimated Telco Billing Rates are for illustrative purposes only as there are no contracts similar to those of the Transaction.

4.5 Other relevant factors

4.5.1 Basis in determining the Management Fee

As set out in Section 2.3 (*Renewal of USSA*) of the Circular, we note that as was the case under the USSA, the Management Fee under the Renewed USSA is determined by reference to:

- (i) the number of accounts and meters serviced; and
- (ii) the rate payable for each account and meter.

As set out in Section 2.3 (*Renewal of USSA*) of the Circular, for the first year of the Renewed USSA, the rate payable for each account and meter represents an increase of 5.5% over the rate payable in the last year of the USSA. We note that this increase was arrived at after arm's length negotiations between City Gas and SPS prior to the renewal of the USSA, and after taking into account, among other things, the fact that the rate had not been increased since the USSA was first entered into in May 2004 notwithstanding inflationary pressures experienced in Singapore, particularly in 2007 and 2008.

Number of accounts and meters serviced

The number of accounts and meters serviced of the Management Fee is determined with reference to the actual number of accounts and meters serviced.

Rate payable for each account and meter

Based on our discussion with the Management and the SPS Management, we understand that the rate payable for each account and meter is largely based on cost-recovery (i.e. cost incurred by SPS to carry out the Renewed USSA Services).

Based on our discussion with the SPS Management, we note that the rationale for increasing the rate payable for each account and meter by 5.5% for the Renewed USSA is to mainly cater for capital expenditure on new equipment and software systems that SPS requires to provide services under the Renewed USSA.

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

We also note that the rate payable for each account and meter has remained unchanged for the last five years.

The table below sets out the annual inflation rates and the Consumer Price Index in Singapore for the past five years.

Year	Consumer Price Index	Annual Inflation Rate (%)
2004	100	1.7
2005	100.4	0.5
2006	101.4	1.0
2007	103.5	2.1
2008	110.3	6.5
	Cumulative:	11.8

Source: SingStat

We note that the cumulative annual inflation rate of 11.8% for the past five years is significantly higher than the 5.5% increase in the rate payable for each account and meter for the Renewed USSA.

Adjustments to Management Fee

As set out in Section 2.3 (*Renewal of USSA*) of the Circular, we note that both the USSA and the Renewed USSA provide a mechanism for revisions to the Management Fee. As was the case in the USSA, SPS may request that the Management Fee be reviewed by written notice to City Gas, and only one review of the Management Fee may be made for each year of the term of the Renewed USSA. Additionally, as was the case with the USSA, the Renewed USSA sets out a requirement for SPS to provide City Gas with all the information City Gas may require to consider the proposed revision. If City Gas disagrees with the proposed revision, it will notify its disagreement to SPS (such date of notification, the “**City Gas Notification Date**”). SPS and City Gas are required to discuss the proposed revision in good faith and use their best endeavours to come to a mutual agreement on the revision to the Management Fee within 180 days of the City Gas Notification Date. In the event that the parties do not reach a mutual agreement within this timeframe, SPS may nevertheless implement the proposed revision with effect from the date falling 180 days after the City Gas Notification Date, provided that City Gas may terminate the Renewed USSA by giving SPS at least 12 months’ prior notice.

As was the case under the USSA, the Renewed USSA caps the amount of increase in the Management Fee, although the cap has been increased from 5% to 6%. As set out in Section 2.3 (*Renewal of USSA*) of the Circular, we note that the Management Fee for any year of the term of the Renewed USSA may not be increased by more than 6% of that chargeable in the

APPENDIX 1

LETTER FROM IFA TO INDEPENDENT DIRECTORS

previous year of the term of the Renewed USSA. The 6% cap does not apply if SPS is able to justify to City Gas' reasonable satisfaction that SPS would suffer economic hardship if the 6% cap were applied in the event of a material change in the cost structure of SPS.

We also note that, unlike the USSA, under the Renewed USSA any increase in the Management Fee beyond the 6% cap requires the mutual written agreement of City Gas and SPS.

4.5.2 Gas tariff adjustments on increases in cost components

As set out in Section 2.4 (*Other Relevant Arrangements*) of the Circular, under the Singapore gas industry regulatory framework, gas tariffs that City Gas may charge to its customers are regulated by the EMA. Cost components making up the gas tariffs include fuel, transportation, and non fuel components such as the Management Fee.

We note that, if there were increases in cost components making up the gas tariffs, City Gas is entitled to ask EMA to approve upward revisions to the gas tariffs to reflect such increased costs (and vice versa for cost reductions). We note, however, that such requests for upward revisions to the gas tariffs will be subjected to EMA's approval.

4.5.3 Management Fee Arrangement with PowerGas

As set out in Section 2.4 (*Other Relevant Arrangements*) of the Circular and as disclosed in the IPO Prospectus, City Gas has entered into the following arrangements with PowerGas:

- (1) a transportation agreement dated 12 January 2007 ("**Transport Agreement**"), pursuant to which town gas is piped to City Gas' customers through PowerGas' network; and
- (2) a services agreement dated 12 January 2007 ("**Services Agreement**"), pursuant to which City Gas and PowerGas provide certain services to each other in relation to the Transport Agreement.

Relevantly, the Services Agreement provides that PowerGas will reimburse City Gas one-third of the Management Fee under the USSA ("**Management Fee Arrangement**"). We note that the effect of the Management Fee Arrangement is that if SPS increases the Management Fee, and City Gas is not able to obtain EMA's approval to adjust the gas tariffs upwards to reflect such increases, City Gas would not have to bear such increase entirely on its own as it would be able to share one-third of such increase with PowerGas. If the Management Fee Arrangement were terminated, then City Gas would have to bear such increase entirely on its own.

We note that the Management Fee Arrangement will continue until terminated in accordance with the terms of the Services Agreement and that PowerGas has confirmed that it will continue with the Management Fee Arrangement until early 2013, when the tariff charged by PowerGas to City Gas for transporting its town gas is due for its next regulatory review.

4.5.4 The Renewed USSA Services is essential to the City Gas business

Gas metering and billing services are critical components that determine the success of the City Gas' business. As such, we note that the Renewed USSA Services is an essential element to the City Gas business.

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

4.5.5 Consequences of Non-Approval of the Transaction

As set out in Section 7.2 (*Consequences of Non-Approval*) of the Circular, we note that as there is no comparable alternative service provider, should the Renewed USSA not come into effect, services to City Gas' customers may be disrupted and City Gas may have to carry out its own gas meter reading and billing services, which may be at a higher cost than that of comparable services provided by SPS under the Renewed USSA.

4.5.6 SP Services has been a reliable provider for the Renewed USSA Services

Given the importance of the Renewed USSA Services to City Gas, it is critical that such services be carried out by a reliable service provider.

Based on our discussions with the Management, we note that SPS has been a reliable service provider for City Gas and that there are no major complaints by City Gas' customers with regards to SPS' service standards in the last five years.

We also note the other benefits provided by SPS in relation to the Transaction:

- (a) The convenience of a one-stop account opening facility for electricity, water and piped gas supplies will encourage customers who have no initial intention of opening a gas account to do so; and
- (b) Given that SPS collects payments on behalf of other utility providers such as electricity and water supply, City Gas will be able to leverage on SPS' experiences with customers in relations to payment collection and debt management in respect of unpaid and outstanding amounts under customer accounts.

4.5.7 The role of Audit Committee in IPTs

As disclosed in the IPO Prospectus, the Trustee-Manager has established an internal control system to ensure that all interested person transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of CitySpring and its Independent Unitholders.

Pursuant to the procedures established by the Trustee-Manager, prior to entering into the Transaction, the Audit Committee of the Trustee-Manager will review and approve the terms of the Transaction.

5. CONCLUSION

In arriving at our opinion, we have taken into account, *inter alia*, the following factors:

- (1) The rationale of the Transaction

We note and understand that SPS generates a single utility bill for electricity, water and gas, which is a prized convenience favoured by household customers and that SPS has the economies of scale to provide the metering and billing services that is critical to City Gas' business and which City Gas believes are being provided on competitive terms;

APPENDIX 1
LETTER FROM IFA TO INDEPENDENT DIRECTORS

(2) Financial effects of the Transaction

Assuming that the Renewed USSA has been effected since 1 April 2008, the Management Fee payable under the Renewed USSA in FY2009 would be S\$12.5 million, a 5.5% increase as compared to the Management Fee under the USSA;

(3) Alternative providers of the Renewed USSA Services

We note that other than SPS, there are no comparable alternative service providers in Singapore;

(4) Billing rates for comparison

We note, assuming the Renewed USSA has been effected since 1 April 2008, that the average annual Management Fee per account under the Renewed USSA of S\$20.76 in FY2009 is significantly lower than the average Estimated Non-Contestable MSS Fee per account in 2008 of S\$33.20 and the average Estimated Telco Billing Rates per account of S\$35.47; and

(5) Other relevant factors

We have also taken into consideration other relevant factors as set out in Section 4.5 of our letter.

Having regard to the considerations set out in this letter and the information available as at the Latest Practicable Date, we are of the opinion that the financial terms of the Transaction are on normal commercial terms and they are not prejudicial to the interest of CitySpring and its Independent Unitholders. Accordingly, we would advise the Independent Directors to recommend that the Independent Unitholders vote in favour of the Transaction.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Transaction and should not be relied on by any other party. The recommendation made by them to the Unitholders in relation to the Transaction shall remain the sole responsibility of the Independent Directors.

The opinions set forth are based on publicly available information and information provided to us by the Management and therefore do not reflect any projections or the future financial performance of CitySpring. This letter may only be reproduced, disseminated or quoted in the form and in the context in which it appears in the Circular or with the prior written consent of EYCF. The opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matter stated herein and does not apply by implication to any matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Leslie Koh
Executive Director

**APPENDIX 2
ADDITIONAL INFORMATION**

1. DIRECTORS' AND SUBSTANTIAL UNITHOLDERS' INTERESTS

1.1 Directors. As at the Latest Practicable Date, the interests of the Directors in the Units are as follows:

Name of Director	Number of Units	% of Total Units in Issue ¹
Sunny George Verghese	200,000	0.04%
Peter Foo Moo Tan	700,000	0.14%
Yeo Wico	200,000	0.04%
Mark Andrew Yeo Kah Chong	200,000	0.04%
Margaret Lui-Chan Ann Soo	200,000	0.04%
Au Yeung Fai	200,000	0.04%
Hareesh Jaisinghani Rupchand	0	0%
Total	1,700,000	0.34%

1.2 Substantial Unitholders. As at the Latest Practicable Date, the substantial Unitholders are as follows:

Name of Substantial Unitholder	Direct Interest	Deemed Interest	Total Interest	% of Total Units in Issue ¹
Bartley	67,500,000	-	67,500,000	13.78%
Napier	28,575,000	-	28,575,000	5.83%
CSIM	39,965,504	-	39,965,504	8.16%
Nassim	-	39,965,504	39,965,504	8.16%
Tembusu	-	136,040,504	136,040,504	27.77%
Temasek	-	136,040,504	136,040,504	27.77%
Total			136,040,504	27.77%

1.3 Disclosure of Interests. Yeo Wico, a non-executive director on the board of the Trustee-Manager, is not regarded as independent with regards to the Transaction as he is a non-executive director of SPS. Margaret Lui-Chan Ann Soo, a non-executive director on the board of the Trustee-Manager, is not regarded as independent with regards to the Transaction as she is an executive of Temasek, the ultimate parent company of SPS. Au Yeung Fai, the Chief Executive Officer of the Trustee-Manager, is an employee of CSIM, an indirect wholly-owned subsidiary of Temasek and is therefore also not regarded as independent with regards to the Transaction.

Save as disclosed in this Circular, no director or controlling shareholder of the Trustee-Manager, and no controlling Unitholder of CitySpring, has any interest in the Transaction.

¹ Percentage of total Units in issue is based on 489,965,504 Units in issue as at the Latest Practicable Date.

APPENDIX 2
ADDITIONAL INFORMATION

2. LITIGATION

As at the Latest Practicable Date, neither CitySpring nor any of its subsidiaries is a party to any litigation proceedings which, if determined adversely, would have a material adverse effect on the CitySpring and its subsidiaries, taken as a whole.

3. CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of:

- (1) the IFA Letter as set out in *Appendix 1 (Letter from IFA to Independent Directors)* and summarised in *Section 5 (Summary of IFA Advice)* above; and
- (2) the references to such letter, summary and its name in the form and context in which they appear in this Circular.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Unitholders at the registered office of the Trustee-Manager at 111 Somerset Road #02-05, TripleOne Somerset, Singapore 238164 between 10 a.m. and 4 p.m. (Singapore time) on any business day in Singapore from the date of this Circular up to and including the date of the EGM:

- (1) the trust deed dated 5 January 2007 constituting CitySpring;
- (2) the IFA Advice;
- (3) the written consent of the IFA referred to above; and
- (4) the Renewed USSA.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CITYSPRING INFRASTRUCTURE TRUST

(constituted in Singapore as a business trust and registered with the Monetary Authority of Singapore)
(Registration No: 2007001)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Unitholders of CitySpring Infrastructure Trust will be held at DBS Auditorium, 6 Shenton Way, DBS Building Tower One, Level 3, Singapore 068809 on 24 July 2009 at 3 p.m. (or as soon thereafter following the conclusion of the Annual General Meeting of CitySpring Infrastructure Trust to be held at 2 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolution, which will be proposed as an ordinary resolution:

Ordinary Resolution – Proposed renewal by City Gas Trust, a wholly-owned subsidiary trust of CitySpring Infrastructure Trust, of the Utilities Support Services Agreement with SP Services Ltd

That:

- (1) the proposed renewal by City Gas Trust, a wholly-owned subsidiary trust of CitySpring Infrastructure Trust, of the Utilities Support Services Agreement dated 25 May 2004 made between City Gas Pte Ltd (as trustee-manager of City Gas Trust) and SP Services Ltd, details of which are contained in the Circular dated 26 June 2009, be approved and authorised; and
- (2) the Trustee-Manager and any Director of the Trustee-Manager be authorised to do all such things and execute all documents as they may consider necessary or expedient to give effect to this ordinary resolution as they may deem fit.

By Order of the Board of
CitySpring Infrastructure Management Pte Ltd
as Trustee-Manager of
CitySpring Infrastructure Trust

Susanna Cher
Company Secretary

Singapore
3 July 2009

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A unitholder of CitySpring ("**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Unitholder.
2. The instrument appointing a proxy or proxies ("**Instrument of Proxy**") must be lodged at the registered office of the Trustee-Manager at 111 Somerset Road #02-05, TripleOne Somerset, Singapore 238164 not less than 48 hours before the time appointed for the Extraordinary General Meeting (i.e. by **3 p.m. on 22 July 2009**). The lodging of an Instrument of Proxy by a Unitholder does not preclude him from attending and voting in person at the Extraordinary General Meeting if he finds that he is able to do so. In such event, the relevant Instrument of Proxy will be deemed to be revoked.

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes:

1. A unitholder of CitySpring ("**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**") he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of CitySpring, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
4. The instrument appointing a proxy or proxies ("**Instrument of Proxy**") must be lodged at the registered office of Trustee-Manager at 111 Somerset Road #02-05, TripleOne Somerset, Singapore 238164 not less than 48 hours before the time appointed for the Extraordinary General Meeting (i.e. by **3 p.m.** on **22 July 2009**). The lodging of an Instrument of Proxy by a Unitholder does not preclude him from attending and voting in person at the Extraordinary General Meeting if he finds that he is able to do so. In such event, the relevant Instrument of Proxy will be deemed to be revoked.
5. The Instrument of Proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Instrument of Proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an Instrument of Proxy is signed on behalf of the appointor by an attorney, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (unless previously registered with the Trustee-Manager) be lodged with the Instrument of Proxy, failing which the Instrument of Proxy may be treated as invalid.
7. A corporation which is a Unitholder may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at the Extraordinary General Meeting. The person so authorised shall, upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
8. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
9. A resolution put to the vote of the Extraordinary General Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by (i) the Chairman; (ii) five or more Unitholders having the right to vote at the Extraordinary General Meeting; or (iii) Unitholder(s) representing not less than 10% of the total voting rights of the Unitholders having the right to vote at the Extraordinary General Meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
10. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

General:

The Trustee-Manager shall be entitled to reject the Instrument of Proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Instrument of Proxy. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject any Instrument of Proxy if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by the CDP to the Trustee-Manager.

CITYSPRING INFRASTRUCTURE TRUST

(constituted in Singapore as a business trust and registered with the Monetary Authority of Singapore)

(Registration No: 2007001)

PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We _____ (Name(s) and NRIC/Passport Number(s))

of _____ (Address)

being a unitholder/unitholders of CitySpring Infrastructure Trust ("**CitySpring**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

or, both of whom failing, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll or to join in demanding a poll and to vote on a poll, at the Extraordinary General Meeting of CitySpring to be held at DBS Auditorium, 6 Shenton Way, DBS Building Tower One, Level 3, Singapore 068809 on 24 July 2009 at 3 p.m. (or as soon thereafter following the conclusion of the Annual General Meeting of CitySpring to be held at 2 p.m. on the same day and at the same place) and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolution to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Extraordinary General Meeting.

Ordinary Resolutions	No. of Units For*	No. of Units Against*
To approve the proposed renewal by City Gas Trust, a wholly-owned subsidiary trust of CitySpring, of the Utilities Support Services Agreement with SP Services Ltd.		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of Units in respect of which votes are to be cast "For" and "Against" as appropriate.

Dated this _____ day of _____ 2009

Signature(s) of Unitholder(s) or Common Seal

Total number of Units held



Do not staple. Glue all sides firmly

fold along this line (2)

**BUSINESS REPLY SERVICE
PERMIT NO. 08213**



The Company Secretary
CitySpring Infrastructure Management Pte Ltd
(as Trustee-Manager of CitySpring Infrastructure Trust)
111 Somerset Road #02-05
TripleOne Somerset
Singapore 238164

Postage will be
paid by
addressee.
For posting in
Singapore only.

Extraordinary General Meeting

fold along this line (1)