CITYSPRING
Infrastructure Trust

TAP INTO THE POWER OF ASIA'S GROWING INFRASTRUCTURE

CITYSPRING INFRASTRUCTURE TRUST

CITYSPRING INFRASTRUCTURE TRUST

(a business trust constituted on 5 January 2007 under the laws of the Republic of Singapore)
managed by CitySpring Infrastructure Management Pte. Ltd. (the "**Trustee-Manager**"),
a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited (the "**Sponsor**" or "**Temasek**")

CitySpring Infrastructure Trust ("**CitySpring**") is a business trust registered (Registration Number: 2007001) under the Business Trusts Act, Chapter 31A of Singapore (the "**Business Trusts Act**" or "**BTA**"). The securities offered in this Prospectus are units representing undivided interests in CitySpring (the "**Units**"). A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "**Authority**") on 9 January 2007 and 30 January 2007, respectively. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**" or "**SFA**"), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Units being offered for investment.

OFFER FOR SUBSCRIPTION BY

CitySpring Infrastructure Management Pte. Ltd.

(Registration Number: 200614377M)

321,750,000 Units subject to the Over-allotment Option
Offering Price Range: S$0.77 to S$0.89

PROSPECTUS DATED 30 January 2007
(Registered with the Monetary Authority of Singapore on 30 January 2007).

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

The Trustee-Manager is making an offering (the "**Offering**") of 321,750,000 Units ("**Offer Units**") for subscription at the indicative offering price (the "**Offering Price**") of between S$0.77 (the "**Minimum Offering Price**") and S$0.89 (the "**Maximum Offering Price**") for each Offer Unit (the "**Offering Price Range**"). The Offering consists of (i) an international placement to investors, including institutional and other investors in Singapore (the "**Placement Tranche**"), and (ii) an offering to the public in Singapore (the "**Public Offer**"). The indicative minimum size of the Public Offer will be 25,000,000 Units. The Offering is fully underwritten by Morgan Stanley Dean Witter Asia (Singapore) Pte ("**Morgan Stanley Singapore**"), Morgan Stanley & Co. International Limited ("**Morgan Stanley International**"), and DBS Bank Ltd. ("**DBS Bank**" together with Morgan Stanley Singapore and Morgan Stanley International, the "**Underwriters**") in accordance with the Underwriting Agreement.

In conjunction with, but separate from, the Offering, Bartley Investments Pte. Ltd. ("**Bartley Investments**") and Napier Investments Pte. Ltd. ("**Napier Investments**"), both wholly-owned subsidiaries of the Sponsor, have agreed, subject to the Listing (as defined below), to subscribe for a total of 128,250,000 Units at the Offering Price (the "**Sponsor Units**").

No Offer Units shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

Prior to the Offering, there has been no market for the Units. The Offering will be by way of an initial public offering in Singapore. Application has been made for, and CitySpring has received, a letter of eligibility from Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation on the Main Board of the SGX-ST of the Offer Units, the Sponsor Units as well as the Units which may be issued to the Trustee-Manager from time to time in full or part payment of the Trustee-Manager's fees (the "**Listing**"). The Units will be traded on the Main Board of the SGX-ST in Singapore dollars. Neither CitySpring's eligibility to list on the Main Board of the SGX-ST nor admission to the Official List of the SGX-ST is to be taken as an indication of the merits of the Offering, the Units, CitySpring or the Trustee-Manager. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus.

The permission to list will be granted when CitySpring has been admitted to the Official List of the SGX-ST (the "**Listing Date**"). Acceptance of applications for Units will be conditional upon issue of the Units and upon permission being granted to list the Units. In the event that such permission is not granted, application monies will be returned in full, at each investor's own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Units. None of CitySpring, the Trustee-Manager, the Underwriters or the Sponsor guarantee the performance of CitySpring, the repayment of capital or the payment of a particular return on the Units.

Investors applying for Units by way of Application Forms or Electronic Applications (See Appendix M — "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the Maximum Offering Price in Singapore dollars for each Unit on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor), where (i) an application is rejected or accepted in part only, (ii) the Offering does not proceed for any reason, or (iii) the Offering Price is less than the Maximum Offering Price for each Unit. The Offering Price will be determined following a book-building process by agreement between the Underwriters, the Sponsor and the Trustee-Manager on a date currently expected to be 5 February 2007 (the "**Price Determination Date**"), which date is subject to change. The Offering Price so determined may be lower than the Minimum Offering Price. If for any reason the Offering Price is not agreed between the Underwriters, the Sponsor and the Trustee-Manager, the Offering will not proceed and all application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor) to all applicants at their own risk, provided that such refunds are made in accordance with the procedures set out in Appendix M—"Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore". Notice of the actual Offering Price will be published in one or more major Singapore newspapers such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*, not later than two calendar days after the Price Determination Date.

In connection with the Offering, the Underwriters have been granted an over-allotment option (the "**Over-allotment Option**") by Napier Investments, exercisable in full or in part on one or more occasions by Morgan Stanley International (the "**Stabilising Manager**") in consultation with the other Underwriters, from the date of commencement of trading of the Units on the SGX-ST until the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriters) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units, to purchase up to an aggregate of 32,175,000 Units at the Offering Price from Napier Investments, solely to cover the over-allotment of Units (if any). The total number of Units in issue immediately after the completion of the Offering will be 450,000,000 Units. The exercise of the Over-allotment Option will not increase the total number of Units in issue.

The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S persons, except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined in Regulation S under the Securities Act ("**Regulation S**")) outside the United States to non-U.S persons in reliance on Regulation S.

JOINT FINANCIAL ADVISERS, JOINT BOOKRUNNERS, JOINT LEAD MANAGERS AND UNDERWRITERS

Morgan Stanley   DBS

About CitySpring Infrastructure Trust

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

CitySpring's initial portfolio (the "**Initial Businesses**") will comprise 100% of the City Gas Trust, the sole producer and retailer of town gas and the sole user of the low-pressure piped town gas network in Singapore, and 70% of the SingSpring Trust, the sole supplier of desalinated water to the Public Utilities Board ("**PUB**"), Singapore's national water agency.

Upon listing, Temasek will hold 28.5% (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full) of the Units, making it the single largest Unitholder of CitySpring. Temasek presently intends to remain as CitySpring's single largest Unitholder and intends to position CitySpring as its key platform for infrastructure investments consistent with the business objectives of CitySpring.

Tax-free[1] Distribution Yield

6¾%–7¾%[2]

[1] Distributions received by either Singapore tax-resident Unitholders or non-Singapore tax resident Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the trustee-manager of CitySpring. Please see the section "Taxation" in the Prospectus for more information.

[2] Projected distribution yield for Projection Year 2008 expressed to the nearest quarter percent. Projected distribution yield for Projection Period 2007 is 6.7%-7.7% on an annualised basis. Distributions are at the sole and absolute discretion of the Trustee-Manager and are subject to a number of factors. See "Distributions", "Profit and Cash Flow Projections", "The Constitution of CitySpring" and "Risk Factors" in the Prospectus for more information and the accompanying assumptions.

CitySpring Infrastructure Trust
Overview of Initial Businesses

City Gas

- Sole supplier and producer of town gas, as well as sole user of the low-pressure piped town gas network in Singapore
- Strong position in the residential segment
- Stable cash flow from a wide customer base of approximately 580,000 customers
- Established track record with a reputation for reliability and safety
- Customers benefit from the convenience of using town gas through City Gas
- Strong management team with extensive experience in the gas and energy industry

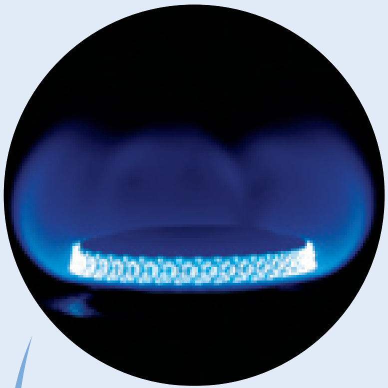
SingSpring

- Owns and operates Singapore's first and only large-scale seawater desalination plant
- The largest membrane-based seawater desalination plant in the world at the time of its completion
- Long-term 20-year Water Purchase Agreement ("**WPA**") with the PUB
- Access to an experienced O&M operator and the resources and capabilities of the Hyflux group
- Awarded the Distinction Award for Desalination Plant of the Year by Global Water Intelligence UK in 2006

Key Investment Highlights

The Trustee-Manager considers the key investment highlights of CitySpring to include:

- Potential long-term capital growth via acquisitions of infrastructure assets
  - The Trustee-Manager intends to follow an investment strategy focused primarily on acquiring infrastructure assets which provide regular and predictable cash distributions and the potential for long-term capital growth.
  - CitySpring expects to benefit from trends and opportunities in the infrastructure industry, in particular the growth and potential of the Asian infrastructure market.
  - According to Asian Development Bank estimates, the regions of East Asia and South Asia will require an estimated total of US$250 billion per annum up until 2010 to fund new infrastructure investment and to maintain existing facilities. [1]



- Long-term, regular and predictable cash flows from the Initial Businesses
  - City Gas is the sole producer and retailer of town gas in Singapore with a diverse customer base across the residential, commercial and industrial segments, which reduces its dependency on any specific customer segment.
  - SingSpring has a 20-year water purchase agreement, the WPA, with the PUB, which provides SingSpring with predictable contracted cash flows until December 2025.

- Strong track record of the Initial Businesses
  - Through its predecessor entities, City Gas has a long track record, having grown from a gas producer and retailer of town gas to a retailer of both town gas and natural gas with a customer base of approximately 580,000 customers in Singapore as of September 2006.
  - As of the Latest Practicable Date, SingSpring is operating and maintaining the SingSpring Plant in accordance with the operational requirements under the WPA (including requirements as to maintaining water availability and quality), establishing the SingSpring Plant's record of reliability.

- Strong management team with infrastructure expertise
  - The Trustee-Manager believes CitySpring will benefit from the skills and experience of the management team of the Trustee-Manager, members of which have extensive experience in the infrastructure market and have established track records in negotiating, structuring and financing investments in infrastructure assets and managing infrastructure assets.

- Sponsorship from Temasek
  - Temasek fully supports CitySpring's aim to position itself as a leading player in a growing sector, by achieving significant growth through acquisitions.
  - As a wholly-owned indirect subsidiary of Temasek, the Trustee-Manager will be able to draw on Temasek's international reach and business network in sourcing for acquisition opportunities.
  - Temasek has a dedicated internal team drawing on relevant infrastructure expertise to assist CitySpring in identifying acquisition opportunities.
  - Temasek will co-invest in infrastructure assets with CitySpring where Temasek deems it appropriate.

- Innovative and Tax-efficient Capital Structure
  - CitySpring has put in place a capital structure with regard to the Initial Businesses which is intended to be tax–efficient and thereby enhance potential returns to Unitholders.
  - To improve tax efficiencies on distributions to Unitholders, each of the City Gas Trust and the SingSpring Trust intends to utilise the qualifying project debt security incentive introduced by the MAS and issue the SingSpring Notes and the City Gas Notes to CitySpring in amounts which take account of the capital needs of each underlying business while seeking to optimise the tax efficiency of the capital structure as a whole.
  - Distributions received by Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax.

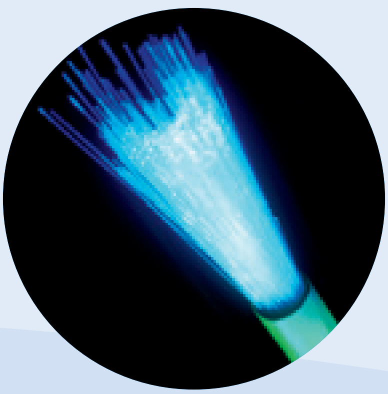
- Management Fee structured to align interests of the Trustee-Manager with those of Unitholders
  - While the base fee component of the Management Fee is structured to cover the ongoing operating costs of the Trustee-Manager, the performance fee component of the Management Fee is payable only when the Trustee-Manager outperforms the Benchmark Index (as defined herein) on a total return basis and taking account of any underperformance in prior periods.

- Strong corporate governance under the regime of the Business Trusts Act
  - Unitholders will benefit from the strong corporate governance requirements of the Business Trusts Act, which sets out the statutory requirements for, among other things, the board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager.

Strategies

The Trustee-Manager intends to invest in a diversified range of infrastructure businesses. While the Initial Businesses are located in Singapore, CitySpring will seek investment opportunities globally, with a primary geographic focus on Asia, the Middle East, Australia and New Zealand. Its focus within the infrastructure sector will primarily be in:

- Utilities including facilities for the recycling, treatment, distribution and supply of water, as well as facilities for the generation, transmission, distribution and supply of electricity and gas;
- Transportation/logistics including toll roads, railways, storage terminals, airports and seaports; and
- Communications including broadcast transmission infrastructure, satellite systems and terrestrial wireline and wireless networks.



CitySpring aims to provide Unitholders with long-term, regular and predictable distributions as well as the potential for long-term capital growth through a combination of the following strategies:

- Acquisition growth strategy - to provide growth in distributions to Unitholders;
- Active asset management strategy - to maintain a predictable distribution profile through management of cash flows from individual investments; and
- Portfolio management strategy - to manage and mitigate CitySpring's overall risks so that distributions to the Unitholders are predictable.

Certain of the pictures used on this page spread are not of the assets underlying CitySpring Infrastructure Trust's initial assets and economic exposures, and have been included for illustrative purposes only.

[1] Estimated US $165 billion for East Asia and estimated US$88.1 billion for South Asia. Sources: Tito Yepes, "Expenditure on Infrastructure in East Asia Region, 2006 - 2010", 2004, Table 7, Isabel Chatterton and Olga Susanna Puerto, "Estimation of Infrastrucutre Investment Needs in the South Asia Region", 2005, Page 3. Please see paragraph 17 of the section "General and Statutory Information" of this Prospectus for more information regarding use of this source.

About The Trustee-Manager

CitySpring Infrastructure Management Pte. Ltd.

The Trustee-Manager will set the strategic direction of CitySpring and decide on the acquisition, divestment or enhancement of assets of CitySpring in accordance with its stated investment strategy.

The Board of the Trustee-Manager is made up of individuals with a broad range of commercial experience, including expertise in the infrastructure industry. The majority of the Directors are non-executive and independent of the management of the Trustee-Manager.

Members of the management team have extensive experience in the infrastructure market and have established track records in negotiating, structuring and financing investments in infrastructure assets and managing infrastructure assets.

About the Sponsor

Temasek Holdings (Private) Limited ("Temasek")

Incorporated in 1974, Temasek is an Asia investment firm headquartered in Singapore. It manages a diversified S$129 billion portfolio (as at 31 March 2006), concentrated principally in Singapore, Asia and OECD economies. Approximately 78% of its Net Portfolio Value, or around S$100.6 billion, is located in Asia (excluding Japan), making it one of the largest investors in the region.

Temasek's portfolio spans various industries including telecommunications & media, financial services, real estate, transportation & logistics, energy & resources, infrastructure, engineering & technology, as well as bioscience & healthcare. As at 31 March 2006, Temasek had total assets of S$213.7 billion. For the year ended 31 March 2006, its total revenue was S$79.8 billion and net profit attributable to its equity holder was S$12.8 billion.

Since inception, Temasek has delivered a total shareholder return by market value of 18% compounded annually. It has a credit rating of AAA/Aaa by rating agencies Standard & Poor's and Moody's respectively.

Indicative Timetable

An indicative timetable for the Offering and for the Units is set out below:

Date and Time	Event
31 January 2007, 8.00 am	Opening date and time for the Public Offer
5 February 2007, 12.00 pm	Closing date and time for the Public Offer
12 February 2007, 2.00 pm	Commence trading on a "ready" basis*

** Subject to Singapore Exchange Securities Tradings Limited (the "SGX-ST") being satisfied that all conditions neccessary for the commencement of trading in the Units on a "ready" basis have been fulfilled.*

Applications for the Units may be made through

- ATMs of DBS Bank (including POSB), OCBC and UOB Group,
- Internet banking websites of DBS Bank and UOB Group, or
- Printed application forms which form part of the Prospectus.

NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of CitySpring, the Trustee-Manager, the Underwriters or the Sponsor. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall in any circumstances imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs, conditions and prospects of CitySpring, the Units, the Trustee-Manager, the Initial Businesses (as defined herein) or the Sponsor since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, the Trustee-Manager will announce such changes to the SGX-ST and, if required, issue and lodge a supplementary document or replacement document pursuant to Section 282D of the Securities and Futures Act and take immediate steps to comply with Section 282D. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by any of CitySpring, the Trustee-Manager, the Underwriters, the Sponsor or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of CitySpring, the Trustee-Manager, the Underwriters, the Sponsor or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of CitySpring, the Trustee-Manager, the Underwriters or the Sponsor or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or undertaking to any purchaser or subscriber of Units regarding the legality of an investment by such purchaser or subscriber of Units under applicable legal, investment or similar laws. In addition, this Prospectus is issued solely for the purpose of the Offering and investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they are required to bear the financial risks of an investment in the Units, and may be required to do so for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

DBS Bank Ltd	**Morgan Stanley Dean Witter Asia (Singapore) Pte**
6 Shenton Way	23 Church Street
DBS Building Tower One	#16-01 Capital Square
Singapore 068809	Singapore 049481

as well as from branches of DBS Bank (including POSB) and, where applicable, from certain members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: http//www.sgx.com.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. CitySpring, the Trustee-Manager, the Underwriters and the Sponsor require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to CitySpring, the Trustee-Manager, the Underwriters or the Sponsor. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may, in consultation with the other Underwriters, over-allot Units or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriters) and (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements and financial information, including but not limited to the sections on "Distributions", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Profit and Cash Flow Projections", "The Business of CitySpring" and "The Initial Businesses — City Gas and SingSpring". Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CitySpring, the Sub-Trusts (as defined herein), the Sub-Trustees (as defined herein) or the Trustee-Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Trustee-Manager's and the Sub-Trustees' present and future business strategies and the environment in which CitySpring, the Sub-Trusts, the Sub-Trustees or the Trustee-Manager will operate in the future. As these statements and financial information reflect the Trustee-Manager's and the Sub-Trustees' current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause CitySpring's or the Sub-Trusts' actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional and global economies that adversely affect the businesses within CitySpring's portfolio, changes in government laws and regulations affecting CitySpring or the Sub-Trusts, competition in the Singapore gas or water desalination industries or other industries in Singapore or elsewhere in which CitySpring invests, currency exchange rates, interest rates, tax rates and tax laws, relations with service providers, lenders and regulatory authorities and other matters not yet known to the Trustee-Manager or the Sub-Trustees or not currently considered material by the Trustee-Manager or the Sub-Trustees. Additional factors that could cause actual results, performance or achievements to differ materially include, but not limited to, those discussed under "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Profit and Cash Flow Projections", "The Business of CitySpring" and "The Initial Businesses — City Gas and SingSpring". These forward-looking statements and financial information speak only as at the date of this Prospectus. The Trustee-Manager expressly disclaims any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Trustee-Manager's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the number or percentages of Units that are "owned" or "held" by Temasek or Napier Investments are references to percentages held, or the number of Units in the Offering, before the exercise of the Over-allotment Option, unless otherwise specified or the context of the statement otherwise requires.

Any references to the Trustee-Manager, the City Gas Trustee (as defined herein) or the SingSpring Trustee (as defined herein) are to them acting in their capacity as trustee-manager of CitySpring, as trustee of the City Gas Trust (as defined herein) and as trustee of the SingSpring Trust (as defined herein), respectively, unless otherwise specified or the context of the statement otherwise requires.

CitySpring will publish its financial statements in Singapore dollars. In this Prospectus, references to "S$", "Scents", or "Singapore dollars" are to the lawful currency of the Republic of Singapore.

Capitalised terms used in this Prospectus shall have the meanings set out in sections headed "Glossary of Technical Terms" and "Definitions".

Unless otherwise indicated, data relating to the financial performance of CitySpring as at the Listing Date are pro forma data, have been prepared for illustrative purposes only and are based on the assumptions and adjustments set out in the report in Appendix A — "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries and the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries for the year ended 31 March 2006 and the six-month period ended 30 September 2006". The pro forma income statement, changes in equity and cash flows of CitySpring and its subsidiaries for the financial year ended 31 March 2006 have been prepared as if the Restructuring Exercise (as defined in "Restructuring Exercise" below) had occurred at 1 April 2005. The pro forma balance sheet of CitySpring and its subsidiaries as at 31 March 2006 have been prepared as if the Restructuring Exercise had occurred at 31 March 2006. The pro forma income statement, changes in equity and cash flows of CitySpring and its subsidiaries for the financial period ended 30 September 2006 have been prepared as if the Restructuring Exercise had occurred at 1 April 2006. The pro forma balance sheet of CitySpring and its subsidiaries as at 30 September 2006 have been prepared as if the Restructuring Exercise had occurred at 30 September 2006. The projected distributions in respect of the Units are calculated based on the Minimum Offering Price and Maximum Offering Price and the yields implied by such distributions will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Minimum Offering Price or Maximum Offering Price.

Any discrepancies in the tables, graphs and charts included in this Prospectus between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place. References to "Appendices" are to the appendices set out in this Prospectus. All references in this Prospectus to dates and times shall mean Singapore dates and times unless otherwise specified.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus. Investors should read this Prospectus in its entirety and, in particular, the sections from which the information in this summary is extracted and "Risk Factors". The meanings of terms not defined in this summary can be found in the "Glossary of Technical Terms", the "Definitions" or in the Trust Deed. A copy of the Trust Deed can be inspected at the registered office of the Trustee-Manager.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those projected (See "Forward-looking Statements".) In no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Underwriters, the Sponsor or any other person or that these results will be achieved or are likely to be achieved. Investing in the Units involves risks.

OVERVIEW OF CITYSPRING — THE FIRST INFRASTRUCTURE BUSINESS TRUST IN SINGAPORE

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

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

KEY INVESTMENT HIGHLIGHTS

Income and potential long-term capital growth via acquisitions of infrastructure assets

The Trustee-Manager intends to follow an investment strategy focused primarily on acquiring infrastructure assets which provide regular and predictable cash distributions and the potential for long-term capital growth. Such assets typically consist of businesses which operate in regulated industries or on the basis of long-term contracts or concessions or which possess a strategic advantage due to high barriers to entry. CitySpring expects to benefit from the trends and opportunities in the infrastructure industry, in particular the growth and potential of the Asian infrastructure market. According to Asian Development Bank estimates, the regions of East Asia and South Asia will require an estimated total of US$250 billion per annum up until 2010 to fund new infrastructure investment and to maintain existing facilities[1].

Long-term, regular and predictable cash flows from the Initial Businesses

The Initial Businesses have been selected by CitySpring on the basis that they generate cash flows which will assist CitySpring in providing long-term, regular and predictable distributions to the Unitholders. City Gas is the sole producer and retailer of town gas and has the sole licence for the retailing of town gas in Singapore. City Gas has a strong position in the residential segment serving over 560,000 residential customers. At the same

[1] Estimated US$165 billion for East Asia and estimated US$88.1 billion for South Asia. Sources: Tito Yepes, "Expenditure on Infrastructure in East Asia Region, 2006-2010", 2004, Table 7; Isabel Chatterton and Olga Susana Puerto, "Estimation of Infrastructure Investment Needs in the South Asia Region", 2005, page 3. Please see paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding use of this source.

time, City Gas has a diverse customer base across the residential, commercial and industrial segments, which helps to reduce its dependency on any specific segment for revenue.

SingSpring has a 20-year water purchase agreement, the WPA, with PUB which was entered into in April 2003 and commenced commercial operations in December 2005. Under the WPA, SingSpring receives monthly capacity payments and output payments. Capacity payments are payable to SingSpring, irrespective of actual water output to PUB for making available the full water capacity of the SingSpring Plant to PUB. Output payments are payable for the variable costs of dispatching water from the SingSpring Plant. Therefore, the WPA provides SingSpring with predictable contracted cash flows until December 2025.

Strong track record of the Initial Businesses

City Gas is the sole producer and retailer of town gas in Singapore, with a reputation for reliability and safety. Through its predecessor entities, City Gas has a long track record having grown from a gas producer and retailer of town gas to a retailer of both town gas and natural gas with a customer base of approximately 580,000 customers in Singapore as of September 2006.

SingSpring is a single-purpose company formed to construct, develop, own and operate the SingSpring Plant. SingSpring has appointed Hyflux Engineering as the O&M operator. Hyflux Engineering is a wholly-owned subsidiary of Hyflux, one of Asia's leading water and fluid treatment companies and a company listed on the SGX-ST. Hyflux has provided guarantees for the performance of Hyflux Engineering under the O&M Agreement and Hydrochem as the EPC contractor under the EPC Agreement. As of the Latest Practicable Date, SingSpring is operating and maintaining the SingSpring Plant in accordance with the operational requirements under the WPA (including requirements as to maintaining water availability and quality), establishing the SingSpring Plant's record of reliability.

Strong management team with infrastructure expertise

The Trustee-Manager believes that CitySpring will benefit from the skills and experience of its management team in investing and managing infrastructure assets. Members of the management team of the Trustee-Manager have extensive experience in the infrastructure market and have established track records in negotiating, structuring and financing investments in infrastructure assets and managing infrastructure assets. (See "The Trustee-Manager of CitySpring — Executive Officers".)

Sponsorship from Temasek

Temasek owns the entire issued share capital of the Trustee-Manager. It fully supports CitySpring's aim, as the first infrastructure business trust in Singapore, to position itself as a leading player in a growing sector, by achieving significant growth through acquisitions.

Upon the Listing, Temasek will hold 28.5% of the Units (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full), making it the single largest Unitholder of CitySpring. Temasek presently intends to remain as CitySpring's single largest Unitholder and intends to position CitySpring as its key platform for infrastructure investments.

(See "The Business of CitySpring — Strategy — Acquisition Growth Strategy" and "The Sponsor — Role of the Sponsor".)

Innovative and tax-efficient capital structure

CitySpring has put in place a capital structure with regard to the Initial Businesses which is intended to be tax-efficient and thereby enhances potential returns to Unitholders.

To improve tax efficiencies on distributions to Unitholders, each of the City Gas Trust and the SingSpring Trust intends to utilise the qualifying project debt security incentive introduced by the Authority and issue the

SingSpring Notes and the City Gas Notes to CitySpring in amounts which take account of the capital needs of each underlying business while seeking to optimise the tax efficiency of the capital structure as a whole. Distributions received by Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax.

Management Fee structured to align interests of the Trustee-Manager with those of Unitholders

The Management Fee comprises a base fee and a performance fee. The base fee of 1% per annum of the market capitalisation of CitySpring, subject to a minimum of S$3.5 million per annum, is structured to cover the ongoing operating costs of the Trustee-Manager. The performance fee is payable only when the Trustee-Manager outperforms the Benchmark Index (as defined herein) on a total return basis and taking account of any underperformance in prior periods. The Trustee-Manager believes this fee structure aligns the interests of the Trustee-Manager with those of Unitholders. (See "Fees Payable to the Trustee-Manager of CitySpring".)

Any increase in the rate or any change in the structure of these fees must be approved by way of a Special Resolution duly passed by Unitholders. (See "The Constitution of CitySpring" and "Fees Payable to the Trustee-Manager of CitySpring".)

Strong corporate governance under the regime of the Business Trusts Act

The regime under the Business Trusts Act sets out the statutory requirements for, among other things, the board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager. (See "Corporate Governance".) CitySpring believes that Unitholders will benefit from the strong corporate governance requirements of the Business Trusts Act.

STRATEGY

CitySpring's principal objective is to invest in infrastructure assets and to provide Unitholders with long-term, regular and predictable distributions as well as the potential for long-term capital growth. The initial assets of CitySpring are the City Gas Trust and the SingSpring Trust. These assets have been selected as they each generate long-term predictable cash flows which will assist CitySpring in providing long-term, regular and predictable distributions to Unitholders. The main factors underlying the predictable cash flows of each business are, in the case of City Gas, that it is the sole producer and retailer of town gas in Singapore and has a diverse customer base across the residential, commercial and industrial segments which helps to reduce its dependency on any specific customer segment and, in the case of SingSpring, that it has a WPA with Singapore's PUB that provides predictable contracted cash flows until 2025.

The Trustee-Manager intends to invest in a diversified range of infrastructure businesses. Its focus within the infrastructure sector will primarily be in:

- **Utilities** including facilities for the recycling, treatment, distribution and supply of water, as well as facilities for the generation, transmission, distribution and supply of electricity and gas;
- **Transportation/logistics** including toll roads, railways, storage terminals, airports and seaports; and
- **Communications** including broadcast transmission infrastructure, satellite systems and terrestrial wireline and wireless networks.

While the Initial Businesses are located in Singapore, CitySpring will seek investment opportunities globally, with a primary geographic focus on Asia, the Middle East, Australia and New Zealand.

The Trustee-Manager generally intends to invest in infrastructure businesses where it can exercise control or exert significant influence, although it may selectively pursue investments in infrastructure businesses which exhibit one or more of the characteristics set out below:

- Provide long-term, regular and predictable cash flows;

- Provide essential services which support the communities and their industrial and commercial activities;
- Operate in a regulated industry or on the basis of long-term contracts or concessions;
- Have a strategic advantage due to high barriers to entry;
- Demonstrate potential for long-term capital growth;
- Have an experienced and capable management team; and
- Demonstrate potential to maintain or enhance returns to Unitholders.

CitySpring aims to provide Unitholders with long-term, regular and predictable distributions as well as potential long-term capital growth through a combination of the following strategies:

- Acquisition growth strategy — to provide growth in distributions to Unitholders;
- Active asset management strategy — to maintain a predictable distribution profile through management of cash flows from individual investments; and
- Portfolio management strategy — to manage and mitigate CitySpring's overall risks so that distributions to the Unitholders are predictable.

In accordance with the requirements of the Listing Manual, CitySpring will not be allowed to change this investment strategy for a period of 3 years following the Listing Date, unless approved by Unitholders by a Special Resolution.

Acquisition Growth Strategy

CitySpring's future distribution growth will be derived mainly from its strategy of acquisition growth.

The Trustee-Manager believes that CitySpring's acquisition growth strategy is strengthened by the following factors:

- **Management track record** — Members of the management team have extensive experience in the infrastructure market and have established track records in negotiating, structuring and financing investments in infrastructure assets and managing infrastructure assets.
- **The Sponsor's commitment** — Temasek owns the entire issued share capital of the Trustee-Manager. It fully supports CitySpring's objective and is committed to CitySpring as follows:
  - The Trustee-Manager will be able to draw on Temasek's international reach and business network in sourcing for acquisition opportunities.
  - It intends, but is not under any contractual obligation, to enhance CitySpring's pipeline of acquisition opportunities by acquiring infrastructure assets that may be at an early stage where they have not yet generated regular and predictable cash flows that would otherwise make them suitable investments for CitySpring. Temasek may give an opportunity to CitySpring to acquire these assets when Temasek considers them more mature and suitable for CitySpring's investment mandate, subject to mutual agreement between Temasek and the Trustee-Manager, and approval by CitySpring's Unitholders where required, and Temasek will abstain from voting on the relevant transaction where required.
  - It has a dedicated internal team drawing on relevant infrastructure expertise to assist CitySpring in identifying acquisition opportunities.
  - It will co-invest in infrastructure assets with CitySpring where Temasek deems it appropriate.
  - Upon the Listing, Temasek will hold 28.5% of the Units (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full), making it the single largest Unitholder of CitySpring.

Temasek presently intends to remain as CitySpring's single largest Unitholder and intends to position CitySpring as its key platform for infrastructure investments.

- **Opportunities in the infrastructure industry** — The Trustee-Manager believes there are significant investment opportunities in the infrastructure industry due to greater demand for infrastructure development as a result of population and economic growth and expanding trade activity. In addition, there is a growing trend for governments to look to the private sector to invest in new and existing infrastructure assets. In general, opportunities will arise with further deregulation and privatisation of public sector infrastructure assets.

The Trustee-Manager has entered into discussions with Hyflux, pursuant to which Hyflux has offered a right of first refusal to CitySpring to purchase a portfolio of wholly-owned wastewater treatment and water treatment plants and projects in China of SinoSpring Utility Ltd, a subsidiary of Hyflux. Any purchase of any such projects will be subject to the parties agreeing on the relevant terms of the purchase and all necessary approvals being obtained.

In line with its acquisition growth strategy as described above, the Trustee-Manager is considering a number of possible acquisition opportunities and will announce further details as to such opportunities if and when appropriate in compliance with applicable disclosure requirements. There can be no assurance that any of these opportunities will be realised. (See "Risk Factors — The Trustee-Manager may not be able to execute its acquisition strategy successfully".)

Active Asset Management Strategy

Once acquired, the Trustee-Manager intends to actively manage CitySpring's infrastructure businesses over which it can exercise control or exert significant influence. In particular, it intends to:

- **Exercise participation rights —** It aims to do so through, among others, share-ownership and voting rights, board representation and/or management rights.
- **Add value to the management of the underlying infrastructure businesses —** As the Trustee-Manager can exercise control or exert significant influence on the management of the underlying infrastructure businesses, the Trustee-Manager can introduce management and operational synergies, and leverage on relevant expertise and relationships between underlying businesses, to enhance distributions for CitySpring.
- **Establish and further develop good working relationships with regulators —** Infrastructure businesses often operate within a regulated industry. Building on the track record of the management team of the Trustee-Manager and their familiarity with various regulatory regimes, the Trustee-Manager will seek to establish and further develop good working relationships with the regulators.

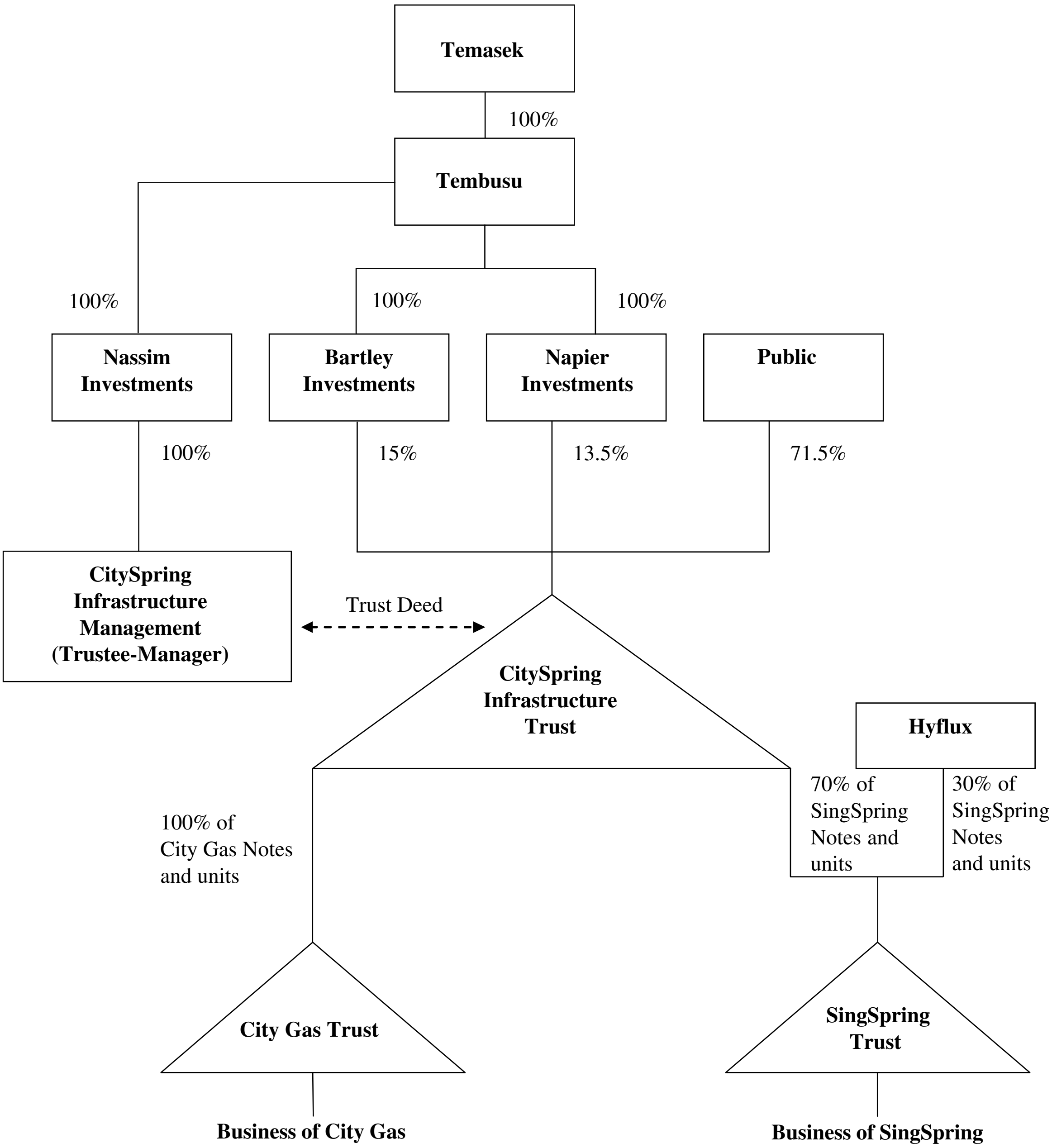
Portfolio Management Strategy

The objectives of the Trustee-Manager in relation to portfolio management include:

- Optimising the overall capital structure of CitySpring and its infrastructure businesses;
- Securing diversified funding sources from both financial institutions and capital markets as CitySpring grows in size and scale;
- Minimising CitySpring's cost of funding;
- Managing the exposure arising from market movements in interest rates and foreign exchanges through appropriate hedging strategies;
- Risk management through diversifying its portfolio of investments across multiple assets; and
- Structuring the financing of its investments so as to limit, to the extent practicable, each investment from the risk of defaults in respect of other investments.

STRUCTURE OF CITYSPRING

The following diagram illustrates the relationship between CitySpring, the Trustee-Manager, the Sponsor and Unitholders based on CitySpring's initial portfolio upon Listing, comprising the Initial Businesses:



Notes:

(1) The diagram above shows the percentage of Units to be held by Napier Investments assuming that the Over-allotment Option is not exercised.

(2) The Trustee-Manager will hold (i) 100% of the issued share capital in the City Gas Trustee, 100% of the units in the City Gas Trust and 100% of the City Gas Notes and (ii) 100% of the issued share capital in the SingSpringTrustee, 70% of the units in the SingSpring Trust and 70% of the SingSpring Notes, in each case on trust for the benefit of the Unitholders of CitySpring.

(3) The City Gas Trustee and the SingSpring Trustee will hold the assets and business undertakings of City Gas and SingSpring, respectively, on trust for their respective unitholders.

CitySpring

CitySpring is a trust constituted by a trust deed dated 5 January 2007 and registered as a business trust with the Authority on 8 January 2007 and is principally regulated by the BTA and the SFA. Under the Trust Deed, the Trustee-Manager has declared that it will hold all its assets (including businesses) acquired on trust for Unitholders as the trustee-manager of CitySpring.

The Sponsor

Temasek is an Asia investment firm headquartered in Singapore with a diversified global portfolio. Temasek's portfolio spans various industries including telecommunications and media, financial services, real estate, transportation and logistics, energy and resources, infrastructure, engineering and technology as well as bioscience and healthcare. Temasek has been assigned a corporate credit rating of "Aaa" by Moody's and "AAA" by Standard & Poor's.

Temasek Group had total assets of S$213.7 billion as at 31 March 2006. Temasek Group generated total revenue of S$79.8 billion and net profit attributable to its equity holder of S$12.8 billion for the year ended 31 March 2006.

As at 31 March 2006, Temasek's Net Portfolio Value (market value of listed assets and book value for unlisted assets less debt) amounted to S$129.0 billion. Approximately 78% of Temasek's Net Portfolio Value, or approximately S$100.6 billion, is located in Asia excluding Japan, making Temasek one of the largest investors in the region. Temasek has delivered a total shareholder return by market value of 18% compounded annually since its inception. Temasek owns the entire issued share capital of the Trustee-Manager. As a wholly-owned indirect subsidiary of Temasek, the Trustee-Manager will be able to draw on Temasek's international reach and business network in sourcing for acquisition opportunities.

The Trustee-Manager: CitySpring Infrastructure Management Pte. Ltd.

The Trustee-Manager is responsible for safeguarding the interests of Unitholders and for carrying out CitySpring's investment and financing strategies, asset acquisition and disposal policies and for the overall management of CitySpring's assets (including businesses).

The Trustee-Manager was incorporated in Singapore under the Companies Act on 29 September 2006. It has an issued and paid up capital of S$1.0 million and its registered office is located at 111 Somerset Road, #07-02, Singapore Power Building, Singapore 238164.

The Sponsor is the sole shareholder of the Trustee-Manager, holding 100% of the issued share capital of Nassim Investments, which in turn holds 100% of the issued share capital of the Trustee-Manager.

The Board is made up of individuals with a broad range of commercial experience, including expertise in the infrastructure industry. The Board consists of Mr Sunny George Verghese, the Chairman and an Independent director, Mr Yeo Wico, Mr Peter Foo, and Mr Mark Yeo as Independent Directors (as defined herein), and Ms Margaret Lui-Chan Ann Soo and Mr Fai Au Yeung, as Non-Independent Directors (as defined herein).

Role of Trustee-Manager

The Trustee-Manager has the dual responsibility of safeguarding the interests of Unitholders, and managing the business conducted by CitySpring. The Trustee-Manager has general powers of management over the business and the assets of CitySpring and its main responsibility is to manage CitySpring's assets and liabilities for the benefit of Unitholders as a whole. The Trustee-Manager will set the strategic direction of CitySpring and decide on the acquisition, divestment or enhancement of assets of CitySpring in accordance with its stated investment strategy.

(See "The Trustee-Manager of CitySpring" for further details.)

Certain Fees

The following is a summary of certain fees payable by CitySpring in connection with the establishment and on-going management and operation of CitySpring:

	Payable by CitySpring	**Amount payable**
(a)	Base Fee	1.00% per annum of the market capitalisation of CitySpring (being, in respect of any quarter, the weighted average number of Units on issue at closing during the last 15 Trading Days of the Quarter multiplied by the volume weighted average trading price of all Units traded on the SGX-ST over those 15 Trading Days), subject to a minimum of S$3.5 million per annum and payable quarterly in arrears (See "Fees payable to the Trustee-Manager of CitySpring — Base Fee".)
(b)	Performance Fee	20% of the total return on the Units in any Quarter above the total return on the benchmark index, the MSCI Asia Pacific (excluding Japan) Utilities Index (rebased in Singapore Dollars) for the Quarter, subject to carry forward and make-up of deficits, payable quarterly in arrears (See "Fees payable to the Trustee-Manager of CitySpring — Performance Fee".)

THE OFFERING

CitySpring	CitySpring Infrastructure Trust is a trust established in Singapore and constituted by a trust deed dated 5 January 2007 (the "**Trust Deed**") and registered as a business trust with the Authority on 8 January 2007. (See "The Business of CitySpring" for further details on the key investment highlights and strategy of CitySpring.)
The Trustee-Manager	CitySpring Infrastructure Management Pte. Ltd., a private company limited by shares incorporated in Singapore. (See "The Trustee-Manager of CitySpring" for further details on the roles and fees of the Trustee-Manager.)
The Sponsor.	Temasek Holdings (Private) Limited, a private company limited by shares incorporated in Singapore. (See "The Sponsor" for further details on the Sponsor and its role in relation to CitySpring.)
The Initial Businesses	Upon the Listing, the initial businesses (the "**Initial Businesses**") of CitySpring will comprise (i) 100% of the units in the City Gas Trust and 100% of the City Gas Notes, and (ii) 70% of the units in the SingSpring Trust and 70% of the SingSpring Notes. (See "Restructuring Exercise".) Upon the Listing, the City Gas Trust will hold the assets and business undertakings of City Gas, the sole producer and retailer of town gas in Singapore, and the SingSpring Trust will hold the assets and business undertakings of SingSpring, Singapore's first and only large-scale seawater desalination plant. (See "The Initial Businesses — City Gas and SingSpring".)
The Offering	321,750,000 Units offered under the Placement Tranche and the Public Offer.
The Placement Tranche	Units offered by way of an international placement to investors, including institutional and other investors in Singapore. The Units have not been and will not be registered under the Securities Act and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined in Regulation S) outside the United States to non-U.S. persons in reliance on Regulation S.
The Public Offer	Units offered by way of a public offer in Singapore. An indicative minimum of 25,000,000 Units will be offered under the Public Offer.
Clawback and Re-allocation . . .	The Units may be re-allocated between the Placement Tranche and the Public Offer, at the discretion of the Underwriters, in the event of an excess of applications in one and a deficit of applications in the other.

Subscription by Bartley Investments and Napier Investments . . . .

In conjunction with, but separate from, the Offering, Bartley Investments and Napier Investments, both wholly-owned subsidiaries of the Sponsor and private companies limited by shares incorporated in Singapore, have agreed, subject to the Listing, to subscribe for 67,500,000 Units and 60,750,000 Units, respectively (making a total of 128,250,000 Units), at the Offering Price.

Subscription by the Cornerstone Investors. . . . .

In connection with the Offering, Fidelity Investments Management (Hong Kong) Limited ("**Fidelity**") and Indus Capital Partners, LLC ("**Indus**") (collectively, the "**Cornerstone Investors**") have committed to subscribe for an aggregate of 43,435,000 Offer Units under the Placement Tranche at the Offering Price, conditional upon, *inter alia*, (i) the Underwriting Agreement having been entered into and having become effective and unconditional in all respects and not having been terminated in accordance with the terms thereof, (ii) the Offering Price being agreed upon between the Underwriters, the Sponsor and the Trustee-Manager, (iii) the Offering not being withdrawn prior to the Listing Date for any reason whatsoever and (iv) the respective commitment letters not being terminated pursuant to their terms. The Units to be held by the Cornerstone Investors will in aggregate constitute 13.5% of the Offer Units (assuming the Over-allotment Option is not exercised) and 9.7% of the total number of Units expected to be in issue immediately after the completion of the Offering.

Indicative Offering Price Range . . . .

S$0.77 to S$0.89 per Unit.

Price Determination . . . .

The Offering Price will be determined following a book-building process by agreement between the Underwriters, the Sponsor and the Trustee-Manager on the Price Determination Date, which is expected to be 5 February 2007, which date is subject to change. The Offering Price so determined may be lower than the Minimum Offering Price. If for any reason the Offering Price is not agreed between the Underwriters, the Sponsor and the Trustee-Manager, the Offering will not proceed and all application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor) to all applicants at their own risk, provided that such refunds are made in accordance with the procedures set out in Appendix M — "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore". Among the factors that will be taken into account in determining the Offering Price are the demand for the Units under the Offering and the prevailing conditions in the securities markets. Notice of the actual Offering Price will be published in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao,* not later than two calendar days after the Price Determination Date.

Subscription for the Public Offer	Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix M — "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the Maximum Offering Price in Singapore dollars on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case, without interest or any share of revenue or other benefit arising therefrom and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor) where (i) an application is rejected or accepted in part only, (ii) the Offering does not proceed for any reason, or (iii) the Offering Price is less than the Maximum Offering Price for each Unit. For illustrative purposes, an investor who applies for 1,000 Units by way of an Application Form or an Electronic Application under the Public Offer will have to pay S$890, which is subject to a refund of the full amount or the balance thereof (in each case, without interest or any share of revenue or other benefit arising therefrom and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor), as the case may be, upon the occurrence of any of the foregoing events. The minimum initial subscription is for 1,000 Units. An applicant may subscribe for a larger number of Units in integral multiples of 1,000. Investors in Singapore must follow the application procedures set out in Appendix M — "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore". Subscriptions under the Public Offer must be paid for in Singapore dollars. No fee is payable by applicants for the Units, save for an administration fee of S$1.00 for each application made through automated teller machines and the internet banking websites of certain Participating Banks.
Over-allotment Option	In connection with the Offering, the Underwriters have been granted the Over-allotment Option by Napier Investments, exercisable in full or in part on one or more occasions by the Stabilising Manager in consultation with the other Underwriters, from the date of commencement of trading of the Units on the SGX-ST until the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriters) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units, to purchase up to an aggregate of 32,175,000 Units at the Offering Price from Napier Investments, solely to cover the over-allotment of Units (if any). The total number of Units in issue immediately after the completion of the Offering will be 450,000,000 Units. The exercise of the Over-allotment Option will not increase the total number of Units in issue. (See "Plan of Distribution — Over-allotment Option".)
Lock-up Arrangements	Each of Bartley Investments and Napier Investments has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, sell or contract to sell or otherwise dispose of (i) any of the Sponsor Units during the period commencing from the Listing Date until the date falling six months after the Listing Date (the "**First Lock-up Period**") and (ii) more than 50% of the Sponsor Units during the period of six months commencing from the day immediately following the expiry of the First Lock-up Period (the "**Second Lock-up Period**"), save for certain exceptions.

	The Trustee-Manager has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, issue or contract to issue any new Units during the First Lock-up Period, save for certain exceptions. The Sponsor has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, sell or contract to sell or otherwise dispose of any of (i) its direct or indirect interest in any of the Sponsor Units during the First Lock-up Period and (ii) its direct or indirect interest in more than 50% of the Sponsor Units during the Second Lock-up Period. (See "Unitholders — Lock-up Arrangements" and "Plan of Distribution — Lock-up Arrangements".) The Cornerstone Investors are not subject to any lock-up arrangements in respect of their Unitholdings.
Capitalisation and Indebtedness .	S$702,915,000 (based on the Maximum Offering Price). (See "Capitalisation and Indebtedness".)
Use of Proceeds.	See "Use of Proceeds".
Listing and Trading.	Prior to the Offering, there has been no market for the Units. Application has been made for, and CitySpring has received, a letter of eligibility from the SGX-ST for the listing and quotation on the Main Board of the SGX-ST of all the Offer Units, the Sponsor Units as well as all the Units which may be issued to the Trustee-Manager from time to time in full or part payment of the Trustee-Manager's fees. Such permission will be granted when CitySpring is admitted to the Official List of the SGX-ST. The Units will, upon their issue, listing and quotation on the SGX-ST, be traded in Singapore dollars under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited ("**CDP**"). The Units will be traded in board lot sizes of 1,000 Units. (See "Clearance and Settlement".)
Stabilisation	In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may, in consultation with the other Underwriters, over-allot Units or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriters) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units. (See "Plan of Distribution — Price Stabilisation".)

Distribution Currency	Distributions will be declared in Singapore dollars. All Units will be held through CDP and Unitholders will receive their distributions in Singapore dollars. See “Risk Factors” and “Distributions” for a discussion of factors that may adversely affect the ability of CitySpring to make distributions to Unitholders.
Fees and Commissions payable by CitySpring to the Underwriters	The Trustee-Manager has agreed to pay the Underwriters for their services in connection with the offering of Units under the Offering an underwriting commission, selling concession and management commission of approximately S$7.4 million (including GST) and a discretionary incentive fee (the “**Incentive Fee**”) of up to approximately S$2.3 million (including GST) (assuming that the Offering Price is the Maximum Offering Price and the Over-allotment Option is not exercised).
Risk Factors	Prospective investors should carefully consider certain risks connected with an investment in the Units, as discussed under “Risk Factors”.
Taxation of distributions to Unitholders and Taxation of CitySpring	Distributions in respect of the Units received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. Based on the Income Tax (Amendment) Bill 2006 and assuming the relevant provisions come into force, with effect from the year of assessment 2008, distributions in respect of units in the Sub-Trusts made by the Sub-Trusts out of their income from trade or business carried on by the Sub-Trustees will be tax exempt in the hands of CitySpring as a unitholder in the Sub-Trusts. On 1 November 2006, the Authority issued a circular to introduce a package of tax incentives to stimulate the growth of the project finance industry through Singapore’s capital markets. One of the tax incentives is the exemption from tax of interest income paid in respect of qualifying project debt securities. The Notes issued by the Sub-Trusts will qualify as qualifying project debt securities if certain conditions are met, and the interest income from the Notes will be tax exempt if it is onward-declared for distribution to the Unitholders within six months from the end of the financial year in which the interest income was actually received by CitySpring from the Notes. (See “Taxation” for further information on the Singapore income tax consequences of the purchase, ownership and disposition of the Units.)

INDICATIVE TIMETABLE

An indicative timetable for the Offering and trading of the Units is set out below for the reference of applicants for the Units:

Date and time	Event
31 January 2007, 8.00 a.m.	Opening date and time for the Public Offer.
5 February 2007, 12.00 p.m.	Closing date and time for the Public Offer.
5 February 2007	Price Determination Date.
6 February 2007	Balloting of applications, if necessary. Commence returning or refunding of application monies to unsuccessful or partially successful applicants and commence returning or refunding of application monies to successful applicants for the amount paid in excess of the Offering Price, if necessary.
12 February 2007, at or before 2.00 p.m. . . .	Completion of the acquisition of the Initial Businesses.
12 February 2007, 2.00 p.m.	Commence trading on a "ready" basis.
15 February 2007.	Settlement date for all trades done on a "ready" basis on 12 February 2007.

The above timetable is indicative only and is subject to change. It assumes (i) that the closing of the application list for the Public Offer (the "**Application List**") is 5 February 2007, (ii) that the Listing Date is 12 February 2007, (iii) compliance with the SGX-ST's unitholding spread requirement and (iv) that the Units will be issued and fully paid up prior to 2.00 p.m. on 12 February 2007. All dates and times referred to above are Singapore dates and times.

Trading in the Units through the SGX-ST on a "ready" basis is expected to commence at 2.00 p.m. on 12 February 2007 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units through the SGX-ST on a "ready" basis have been fulfilled), as the completion of the acquisition of the Initial Businesses by CitySpring is expected to take place at or before 2.00 p.m. on 12 February 2007. (See "Restructuring Exercise".) If the acquisition of the Initial Businesses is not completed by 2.00 p.m. on 12 February 2007 (being the time and date of commencement of trading in the Units through the SGX-ST), the Offering will not proceed and the application monies will be returned in full (without interest or any share of revenue or other benefit arising therefrom and at each applicant's own risk and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor).

In the event of any early or extended closure of the Application List or the shortening or extension of the time period during which the Offering is open, the Trustee-Manager will publicly announce the same:

- via SGXNET, with the announcement to be posted on the internet at the SGX-ST website: http://www.sgx.com; and
- in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

Investors should consult the SGX-ST announcement on the "ready" listing date on the internet (at the SGX-ST website), INtv or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

The Trustee-Manager will provide details and results of the Public Offer via SGXNET and in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

The Trustee-Manager reserves the right to reject or accept, in whole or in part, or to scale down or ballot any application for Units, without assigning any reason therefor. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

Where an application is accepted or rejected in part only or if the Offering does not proceed for any reason, or if the Offering Price is less than the Maximum Offering Price, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, and without any right or claim against CitySpring, the Trustee-Manager, the Underwriters or the Sponsor.

Where an application is not successful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, within 24 hours (or such shorter period as the SGX-ST may require) after the close of the Offering (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix M — "Terms, Conditions and Procedures for Application and Acceptance of the Units in Singapore").

Where an application is accepted in full or in part only, any balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, within 14 Market Days after the close of the Offering (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix M — "Terms, Conditions and Procedures for Application and Acceptance of the Units in Singapore").

Where the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will, within three Market Days after the Offering is discontinued, be returned to the applicants at their own risk (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix M — "Terms, Conditions and Procedures for Application and Acceptance of the Units in Singapore").

SUMMARY FINANCIAL DATA

The Group

You should read the following summary financial data in conjunction with the full text of this Prospectus, including the "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries and the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries for the year ended 31 March 2006 and the six-month period ended 30 September 2006", as set out in Appendix A.

CitySpring Summary Pro Forma Income Statement

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**
Revenue	221,810	128,941
Other income (net)	16,359	8,881
Operating expenses		
Fuel and electricity costs	(80,555)	(49,337)
Transportation costs	(67,973)	(34,067)
Staff costs	(15,183)	(10,215)
Depreciation and amortisation	(19,185)	(9,845)
Finance costs, net	(7,709)	(6,430)
Management fee	(3,500)	(1,750)
Operating and maintenance costs	(1,500)	(2,588)
Other operating expenses	(35,946)	(19,938)
	(231,551)	(134,170)
Profit before income tax	6,618	3,652
Income tax expense	(418)	(829)
Net profit after tax	6,200	2,823
Attributable to:		
Unitholders of CitySpring	4,981	1,381
Minority interest	1,219	1,442
	6,200	2,823
EBITDA(1)	33,512	19,927
Earnings per unit (cents)	1.11	0.31

Notes:

(1) EBITDA is calculated as profit after tax plus depreciation, amortisation, net finance costs and income tax expense.

CitySpring Summary Pro Forma Balance Sheet

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Cash and cash equivalents	26,847	32,679
Trade and other receivables	29,585	32,121
Inventories	11,475	12,814
Derivative financial instruments	14,907	10,619
Finance lease receivable (current)	5,955	6,029
Intangibles	133,100	141,400
Goodwill	294,476	292,760
Property, plant and equipment	92,154	87,316
Finance lease receivable (non-current)	192,025	187,772
Total assets	801,619	804,461
Borrowings	284,238	282,783
Total liabilities	400,310	400,481
Net assets	401,309	403,980
Unitholders' funds	385,620	387,490
Minority interest	15,689	16,490
Total Unitholders' funds	401,309	403,980

CitySpring Summary Pro Forma Cash Flow Statement

	Group	
	1 April 2005 to 31 March 2006	1 April 2006 to 30 September 2006
	S$'000	S$'000
Net cash from operating activities	12,322	18,770
Net cash used in investing activities	(663,552)	(658,388)
Net cash from financing activities	676,043	675,814
Net increase in cash and cash equivalents	24,813	36,196
Cash and cash equivalents at end of year/period	24,813	36,196

City Gas

You should read the following summary financial data in conjunction with the full text of this Prospectus, including the following:

— Auditors' Report on the Financial Statements of City Gas and the Financial Statements of City Gas for the years ended 31 March 2004 and 2005, as set out in Appendices C and D;

— Auditors' Report on the Financial Statements of City Gas and its subsidiary and the Financial Statements of City Gas and its subsidiary for the year ended 31 March 2006, as set out in Appendix E; and

— Review Report on the unaudited interim Financial Statements of City Gas and its subsidiary and the interim Financial Statements of City Gas and its subsidiary for the six months ended 30 September 2006, as set out in Appendix F.

Summary financial information of City Gas and its subsidiary

City Gas Summary Income Statement

	Audited			Unaudited	
	1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005	1 April 2005 to 31 March 2006	1 April 2005 to 30 September 2005	1 April 2006 to 30 September 2006
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	202,010	201,708	214,841	103,780	116,065
Other income	2,925	2,768	6,582	1,869	1,753
Expenses					
Fuel and Electricity costs	(57,090)	(61,202)	(77,694)	(36,368)	(44,345)
Transportation costs	(69,229)	(68,203)	(67,973)	(33,955)	(34,067)
Staff costs	(19,126)	(17,127)	(15,183)	(7,638)	(10,215)
Depreciation	(9,886)	(10,218)	(10,876)	(5,410)	(5,336)
Bad debts written off	(686)	(973)	(856)	—	—
Allowances for doubtful trade receivables	(4,941)	(1,179)	(572)	—	(335)
Other operating expenses	(22,622)	(23,255)	(25,798)	(12,379)	(11,460)
Total expenses	(183,580)	(182,157)	(198,952)	(95,750)	(105,758)
Profit before income tax	21,355	22,319	22,471	9,899	12,060
Income tax expense	(3,507)	(4,640)	(4,547)	(2,054)	(3,299)
Net profit after tax	17,848	17,679	17,924	7,845	8,761

City Gas Summary Balance Sheet

	Audited			Unaudited
	As at 31 March 2004	As at 31 March 2005	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000	S$'000	S$'000
Cash and cash equivalents	46,409	19,881	54,856	25,649
Trade and other receivables	30,406	24,718	23,180	25,974
Inventories	8,469	8,710	11,045	14,202
Property, plant and equipment	133,876	126,472	117,138	111,812
Club membership, at cost	—	—	108	108
Loan to holding company	—	60,000	25,000	44,000
Total assets	219,318	240,223	231,750	222,158
Total liabilities	50,832	54,058	62,661	61,308
Net assets	168,486	186,165	169,089	160,850
Total equity	168,486	186,165	169,089	160,850

City Gas Cash Flow Statement

	Audited			Unaudited	
	1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005	1 April 2005 to 31 March 2006	1 April 2005 to 30 September 2005	1 April 2006 to 30 September 2006
	S$'000	S$'000	S$'000	S$'000	S$'000
Net cash from operating activities .	30,208	35,576	35,735	14,676	6,420
Net cash used in investing activities .	(1,420)	(62,104)	(760)	(1,025)	(35,627)
Net cash used in financing activities .	(35,000)	—	—	—	—
Net (decrease)/ increase in cash and cash equivalents. . .	(6,212)	(26,528)	34,975	13,651	(29,207)
Cash and cash equivalents at beginning of year/ period	52,621	46,409	19,881	19,881	54,856
Cash and cash equivalents at end of year/period	46,409	19,881	54,856	33,532	25,649

SingSpring

You should read the following summary financial data in conjunction with the full text of this Prospectus, including the Auditors' Report on the Financial Statements of SingSpring and the Financial Statements of SingSpring for the year ended 31 December 2005 and the three months ended 31 March 2006 set out in Appendices G and H and the Review Report on the unaudited interim Financial Statements of SingSpring and the interim Financial Statements of SingSpring for the six months ended 30 September 2006 as set out in Appendix I.

SingSpring Summary Income Statement

	Restated(1)	**Audited**	**Unaudited**	
	1 January 2005 to 31 December 2005	**1 January 2006 to 31 March 2006**	**1 April 2005 to 30 September 2005**	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Finance lease income	962	5,515	—	11,189
Maintenance income	368	2,042	—	4,190
	1,330	7,557	—	15,379
Operating and maintenance expenses	(287)	(1,213)	—	(2,588)
Utilities charges	(433)	(2,428)	—	(4,992)
Finance costs, net	(260)	(1,763)	—	(3,672)
Bank charges	(11)	(44)	—	(99)
Fair value gain on derivative financial instruments(2) . . .	11,852	—	11,284	—
Gain on settlement of commodity swaps(3)	171	1,245	—	2,592
(Loss)/gain on settlement of interest rate swaps(3)	(18)	(13)	—	43
Foreign exchange gain/(loss), net	—	3	—	(1)
Other operating expenses. . . .	—	(196)	—	(319)
Total expenses	11,014	(4,409)	11,284	(9,036)
Profit before income tax . . .	12,344	3,148	11,284	6,343
Income tax expense	(2,410)	(605)	(2,257)	(1,285)
Net profit after tax.	9,934	2,543	9,027	5,058

Note:

(1) For Income Statement:

The SingSpring Plant commenced commercial operations on 16 December 2005.

Certain balances have been restated when compared to the audited financial statements for the financial year ended 31 December 2005 as set out in Appendix G of this Prospectus due to the adoption of the *Interpretation of Singapore Financial Reporting Standard 104 ("INT FRS 104") — Determining Whether an Arrangement contains a Lease*, which is mandatory for annual financial periods beginning on or after 1 January 2006.

The adoption of INT FRS 104 on 1 January 2006 has been applied retrospectively and resulted in the following adjustments to the income statement for the financial year ended 31 December 2005:

- A decrease in sale of desalinated water and depreciation charge by S$1,404,467 and S$309,381 respectively; and
- An increase in finance lease income and operating and maintenance income by S$962,515 and S$367,979 respectively.

(2) Prior to commencement of commercial operations in December 2005, the commodity swaps did not qualify for hedge accounting. Hence, the gain arising from changes in the fair value of the commodity swaps of S$11.9 million was taken to the income statement. Subsequent to December 2005, the commodity swaps qualified for hedge accounting. Consequently, any gains or losses arising from changes in the fair value of the commodity swaps were recognised in the hedging reserve.

(3) The effective portion of any gains or losses arising from changes in the fair value on commodity and interest rate swaps are recognised directly in the hedging reserve. Amounts taken to hedging reserve are transferred to the income statement as gain or loss on settlement of commodity swaps or interest rate swaps when the swaps are realised.

SingSpring Summary Balance Sheet

	Restated[1]	Audited	Unaudited
	As at 31 December 2005	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000	S$'000
Cash and bank balances	1,260	1,927	5,847
Trade receivables	2,157	5,704	5,527
Finance lease receivable (current)	1,278	1,370	1,463
Derivative financial instruments (current assets)	12,801	14,907	10,619
Amounts due from shareholder and related companies	108	228	272
Other receivables, deposits and prepayment	639	980	711
Finance lease receivable (non-current)	200,055	199,648	198,889
Total assets	218,298	224,764	223,328
Trade and other payables	3,124	2,055	2,263
Interest-bearing loans and borrowings (current)	2,512	3,504	4,032
Derivative financial instruments (current liability)	10,784	7,279	9,412
Amounts due to shareholder and related companies	9,499	1,255	511
Interest-bearing loans and borrowings (non-current)	149,070	155,153	153,170
Deferred tax liabilities	400	2,182	2,132
Shareholders' loans (non-current)	40,800	44,250	42,750
Total liabilities	216,189	215,678	214,270
Net assets	2,109	9,086	9,058
Total equity	2,109	9,086	9,058

Note:

(1) For Balance Sheet:

Certain balances have been restated when compared to the audited financial statements for the financial year ended 31 December 2005 as set out in Appendix G of this Prospectus due to the adoption of INT FRS 104, which is mandatory for annual financial periods beginning on or after 1 January 2006.

The adoption of INT FRS 104 on 1 January 2006 has been applied retrospectively and resulted in the following adjustments to the balance sheet as at 31 December 2005:

- A decrease in property, plant and equipment by S$201,097,766; and
- An increase in financial lease receivable and equity by S$201,333,174 and S$235,408 respectively.

SingSpring Summary Cash Flow Statement

	Audited		Unaudited	
	1 January 2005 to 31 December 2005	**1 January 2006 to 31 March 2006**	**1 April 2005 to 30 September 2005**	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Net cash from/(used in) operating activities	11,182	(9,857)	197	6,875
Net cash used in investing activities	(28,943)	—	(11,894)	—
Net cash from/(used in) financing activities	17,735	10,524	12,762	(2,955)
Net (decrease)/increase in cash and cash equivalents	(26)	667	1,065	3,920
Cash and cash equivalents at beginning of year/period. . .	1,286	1,260	26	1,927
Cash and cash equivalents at end of year/period.	1,260	1,927	1,091	5,847

Profit and Cash Flow Projections

The following is an extract from "Profit and Cash Flow Projections". Statements in this extract that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out on pages 76 and 85 of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy or reasonableness of the underlying assumptions by CitySpring, the Trustee-Manager, the Sponsor, the Underwriters, the Joint Financial Advisers or any other person, or that these results will be achieved or are likely to be achieved. See "Forward-looking Statements" and "Risk Factors". Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.

None of CitySpring, the Trustee-Manager, the Sponsor, the Underwriters, the Joint Financial Advisers, or any other person guarantees the performance of CitySpring, the repayment of capital or the payment of any distributions, or any particular return on the Units.

The following tables set forth CitySpring's projected pro forma income statements and cash flow statements for the two-month period from 1 February 2007 to 31 March 2007 (the "**Projection Period 2007**") and the 12-month period from 1 April 2007 to 31 March 2008 (the "**Projection Year 2008**"). The financial year end of CitySpring is 31 March. CitySpring's first accounting period is for the period from 8 January 2007, being the date of its registration with the Authority, to 31 March 2008 and its next accounting period will be for the period from 1 April 2008 to 31 March 2009.

The distribution per Unit for the Projection Period 2007 is calculated on the assumption that the Units are issued on 1 February 2007 and are eligible for distributions arising from operations from 1 February 2007 to 31 March 2007. Notwithstanding that the Projection Period 2007 commenced prior to the Listing Date, the profit and cash flow projections for the period from 1 February 2007 to 31 March 2007 would still be valid based on the assumptions set out in pages 76 and 85 of this Prospectus. However, since Units will be issued at a later date, the actual distribution per Unit for the Projection Period 2007 will differ as investors will only be entitled to distributions arising from operations from the date of issue of the Units to 31 March 2007.

The profit and cash flow projections are based on the assumptions set out in the section "Profit and Cash Flow Projections". Investors in the Units should read the whole of the "Profit and Cash Flow Projections" together with the report set out in Appendix B, "Reporting Auditors' Report on the Profit and Cash Flow Projections".

Pro Forma Projected Income Statement

	Group	
	Projection Period 2007[1]	Projection Year 2008[2]
	S$'000	**S$'000**
Revenue	41,721	262,005
Other income	5,119	1,347
Total operating expenses	(46,451)[3]	(244,261)[3]
Fuel and electricity costs	(13,879)	(88,457)
Transportation costs	(11,152)	(69,033)
Operating & maintenance costs	(1,149)	(7,113)
Energy costs	(2,084)	(12,902)
Staff costs	(2,553)	(15,677)
Depreciation and amortisation	(3,232)	(20,012)
Unit issue expenses[4]	(6,323)	—
Other operating expenses	(6,079)	(31,067)
Management fees	(566)	(3,500)
Total net finance costs	(2,077)	(12,842)
Net finance costs from borrowings	(1,920)	(11,868)
Net finance costs from minority interest	(157)	(974)
(Loss)/profit before income tax	(2,254)	2,749
Income tax expense	—	—
Net (loss)/profit after tax	(2,254)	2,749
Attributable to:		
Unitholders of CitySpring	(3,374)	4,912
Minority interest	1,120	(2,163)
	(2,254)	2,749
EBITDA[5]	3,055	35,603
(Loss)/earnings per unit (cents)	(0.75)	1.1

Notes:

(1) Projection Period 2007 is defined as the period from 1 February 2007 to 31 March 2007.

(2) Projection Year 2008 is defined as the period from 1 April 2007 to 31 March 2008.

(3) Operating expenses include projected trustee fees of S$6,466 and S$40,000 for the Projection Period 2007 and Projection Year 2008, respectively, which are eliminated upon consolidation.

(4) Unit issue expenses are recognised in the income statement in accordance with Singapore Financial Reporting Standard 32 (2004) — Financial Instruments: Disclosure and Presentation.

(5) EBITDA is calculated as (loss)/profit after tax plus depreciation, amortisation, net finance costs and income tax expense.

Pro Forma Projected Cash Flow Statement

	Group	
	Projection Period 2007	Projection Year 2008
	S$'000	S$'000
Cash flows from operating activities		
Net (loss)/profit	(2,254)	2,749
Adjustments for:		
Depreciation and amortisation	3,232	20,012
Finance costs	2,107	13,027
Interest income	(30)	(185)
Other income	(4,907)	—
Expenses paid from proceeds raised	6,974	—
Operating cash flows before working capital changes	5,122	35,603
Changes in operating assets and liabilities		
Trade, lease and other receivables	1,566	5,842
Inventories	(433)	—
Trade and other payables	(1,191)	345
Cash generated from operation	5,064	41,790
Income tax paid	—	(25,294)
Net cash from operating activities	5,064	16,496
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(200)
Interest received	30	185
Acquisition of subsidiaries, net of cash acquired	(647,203)	—
Net cash used in investing activities	(647,173)	(15)
Cash flows from financing activities		
Net proceeds raised from issue of units	384,055	—
Proceeds from notes payable issued to minority interest	15,000	—
Proceeds from borrowings	284,231	1,575
Repayment of borrowings	(565)	(3,050)
Interest paid	(2,072)	(12,607)
Distribution to Unitholders	(4,321)	(27,000)
Net cash from/(used in) financing activities	676,328	(41,082)
Net increase/(decrease) in cash and cash equivalents	34,219	(24,601)
Cash and cash equivalents at beginning of period/year	—	34,219
Cash and cash equivalents at end of period/year	34,219	9,618

RISK FACTORS

Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described below before deciding to invest in the Units as these may, inter alia, adversely affect CitySpring's ability to make distributions to Unitholders.

This Prospectus also contains forward-looking statements (including profit and cash flow projections) that involve risks, uncertainties and assumptions. The actual results of CitySpring could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by CitySpring as described below and elsewhere in this Prospectus.

Investors should not expect short-term gains from their investment in CitySpring. Investors should be aware that the price of the Units, and the income from them, may fall or rise. Investors should note that they may not get back their original investment. Before deciding to invest in the Units, prospective investors should seek professional advice from the relevant advisers about their particular circumstances.

RISKS RELATING TO THE BUSINESS OF CITYSPRING

There is a risk that the distributions declared by the City Gas Trust and the SingSpring Trust will be less than the distributions referred to in the "Profit and Cash Flow Projections" section, which would adversely affect the ability of CitySpring to meet its projected distributions

The Trustee-Manager has determined the financial projections of CitySpring for Projection Period 2007 (the two-month period ending 31 March 2007) and Projection Year 2008 (the 12-month period ending 31 March 2008) based upon the projection as to the anticipated distributions of each of City Gas Trust and SingSpring Trust (whether in respect of the units in the Sub-Trusts or interest and/or principal payments under the Notes) over the same periods. In the event that either City Gas Trust and/or SingSpring Trust is unable to meet its anticipated distributions, CitySpring may be unable to meet its financial projections.

The distributions expected to be received from the Initial Businesses account for substantially all of CitySpring's expected receipts in the two-month period ending 31 March 2007 and year ending 31 March 2008. Should either of the City Gas Trust and/or the SingSpring Trust be unable to make the distributions expected of them (whether in respect of units or Notes) for any reason whatsoever, including the risks described in "Risks relating to City Gas" and "Risks relating to SingSpring", this would materially and adversely affect CitySpring's ability to meet its financial projections.

Furthermore, the New Loans (as defined herein) impose certain covenants on the City Gas Trustee and the SingSpring Trustee, respectively. The City Gas Trustee must have sufficient funds to pay under the New City Gas Loan all scheduled interest due in respect of the New City Gas Loan for the next three months, and sufficient funds or credit facilities to fund its capital expenditure requirements for the next six months, before it may pay interest on the City Gas Notes. No principal payments under the City Gas Notes are permitted while the New City Gas Loan is outstanding. Under the New SingSpring Loan, the SingSpring Trustee must have sufficient funds to pay the principal and interest on the New SingSpring Loan for the next three months before it may pay interest and/or principal on the SingSpring Notes. Further, for so long as there are outstanding energy cost loans made by Hyflux to SingSpring pursuant to the energy costs support arrangement described in "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements — Hyflux Support for Energy Costs", the SingSpring Trust may not make any distributions whether in respect of units or under the SingSpring Notes. These covenants may have the effect of restricting the distributions that the City Gas Trustee and the SingSpring Trustee may make to their respective unitholders, which will in turn restrict the amount of distributions that CitySpring can make to the Unitholders.

City Gas Trust and SingSpring Trust will comprise the only businesses from which CitySpring will receive most of its income upon Listing

CitySpring's initial investments in the City Gas Trust and the SingSpring Trust will account for substantially all of CitySpring's assets upon Listing and any diminution in value of either City Gas Trust or SingSpring Trust will have a significant impact on the value of CitySpring. In addition, any material deterioration in the business of either City Gas or SingSpring may result in a material adverse effect on the operating results and financial condition of CitySpring.

The Trustee-Manager, the Initial Businesses and any future businesses that the Trustee-Manager invests in depend, and are likely to depend, on key personnel

The operational success of CitySpring is dependent on the continued efforts of the management teams of the Initial Businesses and of businesses that it may invest in, in the future. The loss of these key personnel, or the inability of the relevant businesses to retain or replace qualified employees, could have an adverse effect on the relevant businesses and their ability to pay distributions to CitySpring which could adversely affect its operating results and its ability to generate cash and make distributions to Unitholders.

CitySpring's performance also depends in part, upon the continued service and performance of key staff members of the Trustee-Manager. These key personnel may leave the Trustee-Manager in the future or become employees of companies or entities which compete with the Trustee-Manager and CitySpring. The loss of any of these key personnel could have a material adverse effect on CitySpring's operations and financial condition.

Neither CitySpring nor the Trustee-Manager, as new entities, has an established operating history and this will make it more difficult for CitySpring's future performance to be assessed

CitySpring was established on 5 January 2007 and the Trustee-Manager was incorporated on 29 September 2006. Accordingly, neither CitySpring (as a business trust) nor the Trustee-Manager (as the trustee-manager of a business trust) has long operating histories by which its past performance as such may be judged. This will make it more difficult for investors to assess their future performance. There can be no assurance that CitySpring will be able to generate sufficient revenue from its operations to make distributions to Unitholders or that such distributions will be in line with those set out in "Profit and Cash Flow Projections".

The Trustee-Manager may not be able to execute its acquisition strategy successfully

The Trustee-Manager's investment strategy includes growing CitySpring's portfolio of infrastructure businesses to enhance returns for Unitholders while improving portfolio diversification and enhancing flexibility. There can be no assurance that the Trustee-Manager will be able to implement its investment strategy successfully or that it will be able to expand CitySpring's portfolio at all, or at any specified rate or to any specified size. The Trustee-Manager may not be able to make acquisitions or investments on favourable terms or within a desired time frame. Even if CitySpring was able to successfully make additional acquisitions or investments, there can be no assurance that CitySpring will achieve its expected returns on such acquisitions or investments.

A major component of CitySpring's strategy is to acquire additional infrastructure businesses both within the infrastructure sector in which the Initial Businesses operate and in sectors and regions where CitySpring will initially have no presence. CitySpring expects to face competition for acquisition opportunities, and competitors for these opportunities may have greater financial resources or access to financing on more favourable terms than CitySpring. Further, it may be that the type of investments sought by the Trustee-Manager are small in number. This competition, and possible limits in the number of available opportunities, may limit acquisition opportunities, lead to higher acquisition prices, or both.

Acquisitions involve a number of special risks, including the failure of the acquired business to achieve expected results, the failure to identify material risks or liabilities associated with the acquired business prior to its acquisition, diversion of the Trustee-Manager's attention and the failure to retain key personnel of the acquired business, some or all of which could have a material adverse effect on CitySpring's business, cash flow and ability to make distributions to Unitholders.

CitySpring may not be able to successfully fund future acquisitions of new infrastructure investments due to the unavailability of debt or equity financing on acceptable terms, which could impede the implementation of its acquisition strategy and negatively impact its business

CitySpring will rely on equity financing or other external sources of funding to expand its portfolio of investments through acquisitions, which may not be available on favourable terms or at all.

Debt financing to fund an acquisition may not be available on short notice or may not be available on acceptable terms. Since the timing and size of acquisitions cannot be readily predicted, CitySpring may need to be able to obtain funding on short notice to benefit fully from opportunities. In addition, the level of indebtedness of CitySpring's investments if held through subsidiaries may impact its ability to borrow.

CitySpring may also fund the consideration (in whole or in part) for future acquisitions through the issuance of additional Units and other securities. It may not be able to complete the issuance of the required number of Units on short notice or at all due to a lack of investor demand for the Units at prices that it considers to be in the interests of then-existing Unitholders. As a result of a lack of funding, CitySpring may not be able to pursue its acquisition strategy successfully. Potential vendors may also view the prolonged time frame and lack of certainty generally associated with the raising of equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Debt financing may increase CitySpring's vulnerability to general adverse economic and industry conditions by limiting its flexibility in planning for or reacting to changes in its business and its industry. CitySpring will also be subject to the risk that certain covenants in connection with any future borrowings may limit or otherwise adversely affect its operations and its ability to make distributions to Unitholders. Such covenants may also restrict CitySpring's ability to acquire infrastructure businesses or undertake other capital expenditure by requiring it to dedicate a substantial portion of its cash flows from operations to payments on its debt.

CitySpring may incur significant capital expenditure in connection with its future plans and therefore may require additional funding and new capital in the future

CitySpring is not able to assure investors that it will be able to obtain debt and/or additional equity financing on terms that are acceptable to it or at all. An inability to secure debt and/or additional equity financing may adversely affect CitySpring's business, operating results and implementation of its business strategy and future plans.

The Initial Businesses are, and CitySpring may make future investments in, illiquid assets that may not be able to be sold for a price that equates to CitySpring's valuation of the assets and any sale of such assets under such circumstances may have an adverse effect on the price of the Units

The Initial Businesses are, and CitySpring may invest in, assets that are not listed on a stock exchange or for which there are only a limited number of potential buyers. As a consequence, the realisable value of an asset may be less than the full value based on its estimated future cash flows. Any sale of such assets under such circumstances may have an adverse effect on the price of Units.

If CitySpring holds investments in foreign businesses in the future, foreign currency movements are likely to influence returns to Unitholders

Adverse movements in currency exchange rates have the potential to reduce investment returns. Investments could be denominated in multiple currencies and therefore the value of those investments may fluctuate as a result of changes in currency exchange rates. Distribution income and a substantial proportion of expenses are also likely to be denominated in other currencies in the event that CitySpring makes such foreign investments. Movements in exchange rates between these currencies and the Singapore dollar may therefore have a material effect on CitySpring's operating results to the extent they are not hedged. Where possible, CitySpring may enter into and monitor foreign currency hedging arrangements with respect to the expected dividends, distributions, interest, loan repayments and swap payments payable to CitySpring from these foreign investments at the appropriate time.

The Units are denominated in Singapore dollars, and therefore may be subject to any fluctuation in the rate of exchange between the Singapore dollar and the domestic currency of each investment. Such fluctuations may have an adverse effect on the price of Units and distributions to Unitholders.

Infrastructure businesses are often regulated. CitySpring's strategy of investing in such businesses may therefore be adversely affected by the impact of such regulations. In addition, the operations and business of its investments may be adversely affected by government policies, laws or regulations

CitySpring's strategy is to invest in infrastructure businesses globally, but with a primary geographic focus on Asia, the Middle East, Australia and New Zealand. Government policies, laws and regulations often have a significant influence over infrastructure businesses or infrastructure sectors generally. The application of these policies, laws and regulations may affect the implementation of CitySpring's strategy. For example, a government's decision to limit privatisation in a particular sector will reduce the possible investments available to CitySpring in that country.

In countries where CitySpring invests, the government policies, laws or regulations in those countries could have an adverse effect on the operations and business of CitySpring's investments. The nature of many infrastructure businesses requires them to comply with laws and regulations in their jurisdictions of operations including but not limited to those relating to the environment, and also to obtain and maintain governmental permits in relation to the use, storage, discharge and disposal of toxic or otherwise hazardous materials used in their businesses. If these businesses fail to comply with any applicable laws and regulations, they could be subject to civil or criminal liability and fines, which could be substantial. In addition, any failure or any claim that there has been a failure to comply with applicable laws or regulations may cause delays in operations or expansion activities as well as adversely affect the public image of these businesses.

Changes in government policies, laws or regulations or their application affecting the business activities of the relevant infrastructure business may adversely affect its operating results, business and financial condition. For example, there may be a need to incur additional costs or limit business activities to comply with new laws or regulations, such as stricter environmental or safety controls. This may in turn have a material adverse effect on the financial condition and operating results of the Group. In addition, any change in government policies, laws or regulations which result in increased competition in a particular sector in which CitySpring may have an investment could adversely impact that business or make it more difficult for it to pursue possible acquisitions in that country.

(See also "Risks relating to City Gas" and "Risks relating to SingSpring" for a discussion of the possible impact of specific government policies, laws and regulations or changes to them, on the Initial Businesses.)

Political, economic and/or other risks in the markets where CitySpring acquires infrastructure businesses may cause serious disruptions to these businesses, which in turn may result in a decline in the value of its Units. The Initial Businesses are located in Singapore which makes CitySpring susceptible to the political, economic and social conditions of Singapore

The political, economic and/or social conditions in any of the markets where CitySpring acquires infrastructure businesses may have an effect on those businesses and their financial condition which may in turn affect the stability of income flow to CitySpring and the value of the Units. For example, the Initial Businesses are located in Singapore, and CitySpring's performance will be susceptible to the political, economic and social conditions of Singapore.

There may be conflicts of interest between CitySpring, the Trustee-Manager and the Sponsor

The Sponsor, its subsidiaries, related corporations and associates are engaged in, among other things, infrastructure businesses such as utilities, transportation/logistics and communications.

The Sponsor will, immediately after the completion of the Offering, hold 128,250,000 Units (constituting 28.5% of the total number of Units expected to be in issue then) through its wholly-owned subsidiaries, Bartley Investments and Napier Investments, assuming that the Over-allotment Option is not exercised. In addition to the Units which will be subscribed for by Bartley Investments and Napier Invesments, the Trustee-Manager may take up additional Units as payment of its fees.

The Sponsor may also exercise influence over the activities of CitySpring through the Trustee-Manager, a wholly-owned subsidiary of Nassim Investments, which is in turn a wholly-owned subsidiary of the Sponsor. There can be no assurance that the interests of CitySpring will not conflict with those of the Sponsor, its subsidiaries, related corporations and associates, in relation to matters such as future acquisitions of infrastructure businesses. In particular, CitySpring does not have any rights to participate in investments originated or identified by the Sponsor.

RISKS RELATING TO CITY GAS

City Gas is vulnerable to any disruption to its production facilities which are all located at 26 Senoko Avenue, Singapore 758312 ("Senoko Gasworks")

All of City Gas's production facilities are located at Senoko Gasworks in Singapore. A fire, natural calamity or any event (whether natural or man-made) that causes damage to City Gas's facilities or disruptions to its operations at Senoko Gasworks could have a material adverse impact on City Gas's operations, business and financial conditions. There can be no assurance that any precautionary or safety measures taken by City Gas can or will prevent damage to City Gas's production facilities or disruptions to its operations. In addition, City Gas's existing insurance policies may not adequately cover any damage to, or loss of, its production facilities, and do not cover disruption to its operations. Even if insurance coverage for disruption to its operations is obtained, such insurance may not adequately cover disruption to its operations.

City Gas relies on GSPL, PowerGas and SP Services for the supply of natural gas, transportation of piped gas and the provision of gas-meter reading, billing and collection services, respectively

City Gas has arrangements with GSPL, PowerGas and SP Services for the supply of natural gas, the transportation of piped gas and the provision of gas-meter reading, billing and collection services, respectively.

City Gas requires natural gas to produce town gas and has entered into a long-term supply contract with GSPL (the "**Gas Purchase Agreement**") to purchase a specified amount of natural gas at a price based on a formula with variable components that fluctuate from time to time. Under the Gas Purchase Agreement, City Gas is entitled to purchase up to 112 thousand billion Btu of natural gas over a period of 20 years and at least 55% of the annual contract quantity (which is 5,748 billion Btu per year) must be purchased by City Gas between the third year and 20th year of the Gas Purchase Agreement. In addition, City Gas is permitted to buy additional gas from another supplier only after City Gas has first negotiated in good faith with GSPL to purchase additional gas, and both City Gas and GSPL are unable to agree on the terms within 30 days from the commencement of the negotiation. If City Gas takes delivery of gas under an alternative gas sales agreement rather than under the Gas Purchase Agreement, the amount of gas that City Gas will be required to take and pay for, or pay for if not taken, shall be increased for the duration of such alternative gas sales agreement in accordance with the formula set out in the Gas Purchase Agreement. (See also "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers — Natural Gas Purchase Agreement".)

The gas transportation system for the delivery of piped gas from City Gas to its customers is owned and operated by PowerGas, the sole transporter of piped gas in Singapore. Accordingly, City Gas relies on PowerGas for the piped transportation of gas to City Gas's customers at the tariffs (which are subject to price control by EMA) imposed by PowerGas. Any increase in the tariffs charged by PowerGas for such transportation will increase City Gas's operating costs. (See also "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers — Transportation Tariffs".)

City Gas has also appointed SP Services to provide it with gas-meter reading, billing and collection services. Although City Gas does not have an exclusive contract with SP Services, the costs for City Gas in undertaking gas-meter reading, billing and collection on its own are likely to be higher than the cost of outsourcing such services to SP Services (being the main provider of such services to the utilities and waste collection companies in Singapore). Accordingly, City Gas relies on SP Services to provide such services at an agreed price which may be reviewed once in any calendar year and any increase is subject to a cap of 5% over the prevailing price. (See also "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers — Utilities Support Services Agreement".)

If any of GSPL, PowerGas or SP Services fails to perform its obligations or provide its services or supplies, City Gas's operations, business and financial condition would be materially and adversely affected. Further, any increase in the price charged to City Gas for these services or supplies would adversely affect City Gas's operations, business and financial condition if town gas tariffs are not adjusted adequately to cover the increase in costs or the adjusted tariffs become uncompetitive. (See "Risk Factors — Risks Relating to City Gas — City Gas's tariffs are subject to price control by EMA".) In addition, any natural or man-made event which causes disruption to the supplies or services provided by GSPL, PowerGas or SP Services may adversely affect City Gas's operations, business and financial condition.

City Gas faces price competition from retailers of LPG and may face price competition from retailers of electricity and other energy sources

City Gas faces price competition from retailers of LPG, which is an alternative product used by consumers in Singapore for cooking. The price of City Gas's town gas relative to the price of LPG could affect the revenue which City Gas generates from certain segments of the commercial market in Singapore. City Gas's town gas tariffs are based on, among other factors, HSFO 180 cst prices and the exchange rates between the U.S. dollar and the Singapore dollar (See also "The Initial Businesses — City Gas and SingSpring — City Gas — Regulation — Tariff Regulatory Framework".), and changes in such prices and/or exchange rates could impact the price competitiveness of the town gas supplied by City Gas. City Gas's revenue, business and financial condition would be adversely affected if its customers decide to use LPG instead of town gas due to the lack of price competitiveness on the part of town gas supplied by City Gas.

Certain industrial equipment, such as boilers, could be powered by either gas, diesel or electricity. Similarly, certain household appliances, such as cooking stoves, water heaters and dryers, could be powered by either gas or electricity. The tariffs for town gas supplied to residential and non-industrial customers are currently lower than the tariffs for electricity supplied to similar types of customers. If City Gas faces greater competition from electricity and other fuels in the future, City Gas's revenue could be adversely affected if, as a result of such competition, its customers decide to use electricity or these other fuels instead of town gas.

City Gas may face increasing competition if and when the piped gas supply network is converted to carry natural gas

City Gas is not certain about the extent of competition that could develop in the gas industry in Singapore if and when the piped gas supply network is converted to carry natural gas (See "Risk Factors — Risks Relating to City Gas — City Gas operates in a highly regulated industry and any changes in the regulatory environment in which it operates may adversely impact it" and "The Initial Businesses — City Gas and SingSpring — City Gas — Conversion of the Network".). City Gas faces the risk of losing market share if its exclusive franchise to retail low pressure piped gas expires upon completion of the conversion (See also "The Initial Businesses — City Gas and SingSpring — City Gas — Competition — Competition After Conversion".). Competition post-conversion may take the form of direct competition from other piped natural gas retailers or indirect competition from retailers of alternative products or fuels. For example, the Gas Purchase Agreement has a 20-year term and there are financial disincentives for City Gas to obtain natural gas supply from alternative suppliers. (See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers".) If other natural gas retailers are able to obtain natural gas on terms that are better than those provided for under the Gas Purchase Agreement, these natural gas retailers may be able to offer cheaper natural gas to customers.

In addition, the planned construction of an LNG terminal to facilitate the importation of LNG could impact the gas market in Singapore (See "The Initial Businesses — City Gas and SingSpring — City Gas — Overview of the Gas Industry in Singapore — Natural Gas".) The operations, business and financial condition of City Gas could be adversely affected in the face of increased competition and the impact would be material if City Gas loses significant market share or is unable to adapt its business model in time or at all to suit a changing business environment.

City Gas's tariffs are subject to price control by EMA

The Public Utilities Act (1996 Revised Edition) requires any change in town gas tariffs to be approved by the EMA. On certain occasions, City Gas has been allowed by the EMA to adjust the tariff to take into account increases in fuel prices (such as the prices of naphtha and natural gas) (See "The Initial Businesses — City Gas and SingSpring — City Gas — Regulation — Tariff Regulatory Framework".) In the event that the EMA does not allow City Gas to increase its tariff for whatever reason, City Gas may not be able to generate sufficient revenue to cover its increased costs which would adversely affect its operations, business and financial condition.

While the EMA may allow an adjustment to the tariffs to cover costs (for example, due to a change in fuel prices), there can be no assurance that the adjustments, if any, would be sufficient to cover any increase in business expenses of City Gas. There is also the risk that any increase in the tariffs would result in the adjusted tariffs, and therefore the price of town gas, becoming less competitive. (See also "Risk Factors — Risks Relating to City Gas — City Gas faces price competition from retailers of LPG and may face price competition from retailers of electricity and other energy sources" and "Risk Factors — Risks Relating to City Gas — City Gas may face increasing competition if and when the piped gas supply network is converted to carry natural gas".)

Further, as the supply of town gas is a public utility which is regulated by the EMA, there can be no assurance that City Gas will be able to increase tariffs in time, or at all, to take advantage of market opportunities.

City Gas operates in a highly regulated industry and any changes in the regulatory environment in which it operates may adversely impact it

The Singapore gas industry is subject to government regulations and licensing requirements (See "The Initial Businesses — City Gas and SingSpring — City Gas — Regulation — The Regulatory Regime for the Gas Industry".), including tariff regulations (as discussed in the risk factor above). In addition, City Gas is required to comply with applicable laws and regulations, and obtain and maintain governmental permits. If City Gas fails to comply with applicable laws and regulations, it could be subject to civil or criminal liability and fines, which could be substantial. In addition, any failure, or any claim that City Gas has failed to comply with any of these laws or regulations could lead to restrictions on its operations or expansion plans as well as adversely affecting the public image of City Gas.

Changes in laws, regulations or government policies or their application affecting City Gas's business activities or those of its competitors could adversely affect its operations, business and financial condition. Examples of such changes include City Gas being required to incur additional costs or limit its business activities to comply with new laws or regulations, such as stricter environmental or safety controls; changes to the legal regime governing the gas industry when relevant provisions of the Gas Act come into force (See "The Initial Businesses — City Gas and SingSpring — City Gas — The Regulatory Regime for the Gas Industry — New Regulatory Regime".); and changes due to the application of new laws, regulations and government policies to City Gas.

The business of City Gas is the production of town gas and the retail of town gas and natural gas. When the relevant provisions of the Gas Act come into force, City Gas will be required to obtain a gas licence to retail gas that is conveyed through a gas pipeline or gas pipeline network. There are proposed amendments to the Gas Act (See "The Initial Businesses — City Gas and SingSpring — City Gas — The Regulatory Regime for the Gas Industry".), which if brought into force, will require City Gas to obtain a separate licence for the production of town gas. City Gas would in that event require both a gas retailer's licence and a town gas producer's licence to operate its business. The status of the proposed amendments is not currently known to City Gas and there can be no assurance that City Gas will be able to obtain these new licences.

City Gas's business may be adversely and materially affected by changes in the structure and regulation of the gas industry in Singapore

The structure and regulation of the gas industry in Singapore is currently in a state of transition. There have been discussions between City Gas, PowerGas and the EMA on the proposed conversion of the Network to carry natural gas that, if implemented, could involve City Gas incurring substantial conversion costs. So far as City Gas is aware, the EMA has not yet made a decision on whether, or when, the proposed conversion would be implemented.

A mechanism may be put in place to recover the costs of conversion. It is not certain that this recovery mechanism will be implemented or will be sufficient to cover the costs that may be incurred by City Gas in converting the Network to a system that carries natural gas. (See also "The Initial Businesses — City Gas and SingSpring — City Gas — Conversion of the Network".)

The proposed conversion, and any other changes to the structure or regulation of the gas industry in Singapore from time to time, could adversely and materially affect City Gas's operations, business and financial condition and its ability to pursue its business strategy. In addition, the uncertainty regarding the proposed conversion may in itself affect City Gas. For example, if City Gas expects the conversion to take place but is not certain about the timing of such conversion, City Gas may be deterred from expanding its existing town gas production facilities (which could be made redundant after the conversion), thereby resulting in City Gas being unable to meet projected demand for town gas prior to or during the conversion. Further, it is anticipated that City Gas will be required to incur substantial expenditure for the conversion from town gas to natural gas. City Gas cannot assure investors that it will be able to obtain adequate financing on terms acceptable to it, or at all, which may affect its business, operating results and financial condition.

(See also the risk factor "Risk Factors — Risks Relating to City Gas — City Gas operates in a highly regulated industry and any changes in the regulatory environment in which it operates may adversely impact it".)

RISKS RELATING TO SINGSPRING

For the duration of the WPA, SingSpring depends on PUB for substantially all of its revenue, and a failure by PUB to perform its obligations under the WPA would result in a significant loss of revenue, thereby impacting the results of its operations, business and financial condition

SingSpring is dependent on the WPA and PUB's performance of its obligations under the WPA, for substantially all of its revenue until the WPA expires or is terminated.

For the term of the WPA, SingSpring must make available the SingSpring Plant's capacity, and supply water from the SingSpring Plant, to PUB only. SingSpring may not, without PUB's consent, make available the SingSpring Plant's capacity, or supply water from the SingSpring Plant, to any other person. Furthermore, SingSpring may not engage in any business activity other than those specifically related to the SingSpring Plant. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Water Purchase Agreement" for a more detailed description of the terms and conditions of the WPA.)

After the Listing, the SingSpring Trust will continue to depend on PUB for almost all or a substantial portion of its revenues for the duration of the WPA. If PUB fails to make payments under the WPA, this may have a material adverse effect on the business, operating results and financial condition of the SingSpring Trust.

Under the WPA, SingSpring may be compelled to sell the SingSpring Plant upon the occurrence of particular events of default

The SingSpring Plant is the only substantial asset owned by SingSpring. Under the WPA, in the event of material default by SingSpring that is not cured within applicable cure and notice periods, PUB may purchase the SingSpring Plant at a purchase price which is equal to the interest and then-outstanding principal amount of the original project debt incurred for the construction of the SingSpring Plant. Furthermore, SingSpring will lose ownership and control of the SingSpring Plant and business to PUB and this will have a material adverse effect on the business, cash flows, operating results and financial condition of SingSpring.

Energy costs are a significant component of the total operating costs of SingSpring. Prior to December 2008, any significant increase in energy costs beyond that projected could significantly affect SingSpring's cash flows, thereby having a material adverse effect on its business, operating results and financial condition

In the desalination process, the cost of energy is the single largest variable cost item and energy costs are a significant component of the annual operating costs of SingSpring.

In March 2004 and November 2006, SingSpring entered into the Initial Energy Supply Agreement ("**Initial Energy Supply Agreement**") and Supplemental Energy Supply Agreement ("**Supplemental Energy Supply Agreement**") respectively, with Seraya Energy, pursuant to which Seraya Energy agreed to supply electricity to the SingSpring Plant for its commercial operations until December 2008.

Total energy costs to operate the SingSpring Plant for its first three years of commercial operations ending in December 2008, as provided for under the WPA, will vary with the cost of fuel and may be higher or lower than the fixed and variable energy components comprised in the Capacity and Output Payments under the WPA. SingSpring has entered into a series of fuel hedges with Standard Chartered Bank to reduce the volatility of its energy exposures for this initial three-year period. In entering into these hedges, SingSpring has assumed that the volume of water supplied by the SingSpring Plant will represent 50% of the SingSpring Plant's monthly capacity over this three-year period. From the commencement of commercial operations on 16 December 2005 to 31 March 2006, SingSpring has supplied an average of 32,600 m^3 per day of water, representing 24% of the SingSpring Plant's capacity, to PUB. For the six months ended 30 September 2006, SingSpring supplied an average of 34,316 m^3 per day of water, representing 25% of the SingSpring Plant's capacity, to PUB.

After December 2008, SingSpring will procure a new energy supply agreement on a tender basis and on the principles set out in the WPA. The fixed and variable energy components of the Capacity and Output Payments under the WPA will then be adjusted from December 2008 to reflect the new fixed and variable energy prices under the new energy supply agreement.

Accordingly, while the costs of energy will be completely passed from SingSpring to PUB after December 2008, prior to that time the amounts paid by PUB to SingSpring for its energy cost under the WPA may be less than the energy costs it incurs in the operation of the SingSpring Plant.

Further, should the average volume of water to be supplied to PUB in the three-year period ending in December 2008 (as provided for under the WPA) exceed 50% of the SingSpring Plant's capacity, SingSpring may not have an adequate hedge against increases in fuel prices in respect of the additional fuel required by the SingSpring Plant to supply the additional volume of water required to be supplied to PUB. On the other hand, if, in the three-year period ending in December 2008, the average volume of water to be supplied to PUB is less than 50% of the SingSpring Plant's capacity and the price of energy falls below the positions taken by SingSpring under the hedges, SingSpring may incur losses. Either situation may have a material adverse effect on its business, operating results and financial condition, which may in turn affect the level of distributions that are projected elsewhere in this Prospectus.

SingSpring is vulnerable to disruption at its desalination facilities and the insurance coverage that SingSpring has obtained may be inadequate or insufficient to cover potential liabilities and losses

All of SingSpring's desalination facilities are situated in one location, namely Tuas, Singapore. A fire, natural calamity (such as a tsunami), or any event (whether natural or man-made) that causes significant damage to the SingSpring Plant or any of its facilities or causes substantial disruptions to its operations, would have a material adverse impact on SingSpring's operations, business and financial condition. There is no assurance that any precautionary or safety measure taken by SingSpring can prevent damage to the SingSpring Plant or disruptions to its operations.

Although SingSpring maintains insurance that it believes is consistent with industry standards to protect against operating and other risks, not all risks are insured or insurable. For example, there is no insurance available for degradation in the quality of seawater around the SingSpring Plant, which is the source of water used in its desalination process. (See also "Risk Factors — Risks Relating to SingSpring — Pollution of the seawater supply to the SingSpring Plant may adversely affect its earnings".)

SingSpring's existing insurance policies may not be adequate to cover damage to or loss of its desalination facilities, replacement costs, lost revenues, increased expenses or liabilities to third parties. SingSpring has insurance policies insuring its real and personal property, third party liabilities and business interruption, but these may not adequately compensate for any ensuing loss of revenue that SingSpring may suffer as a result of any damage or disruption to its operations.

SingSpring cannot be certain that adequate insurance coverage for potential damages, losses and liabilities will be available in the future or on commercially reasonable terms or rates.

Pollution of the seawater supply to the SingSpring Plant may adversely affect its earnings

The desalination process of the SingSpring Plant requires seawater from the surrounding waters off the geographical land area of Tuas in Singapore, to produce desalinated water. In the event the seawater is polluted, and depending on the level of pollution, it may not be possible for the seawater to be desalinated at all, or to be desalinated into water that is in accordance with the standards provided for under the WPA. For example, the seawater could be polluted by contaminants from industrial discharge, oil spills, or other events which are outside the control of SingSpring.

Except for permanent seawater pollution which leads to adjustments in the tariffs under the WPA, pollution of the seawater used in the desalination process may adversely affect the operating costs or earnings of SingSpring by requiring it to incur additional expense to desalinate the water to be in compliance with the WPA or because of reduced payments by PUB under the WPA due to a reduced water availability or quality.

In the event that the degradation in seawater quality results in an inability by SingSpring to fully perform its obligation to provide water under the WPA, resulting in either a reduction or suspension of payment under the WPA, this would adversely and materially affect SingSpring's operations, business and financial condition. (See also "Risk Factors — Risk Relating to SingSpring — SingSpring is vulnerable to disruption at its desalination facilities and the insurance coverage that SingSpring has obtained may be inadequate or insufficient to cover potential liabilities and losses" above.)

SingSpring relies on counterparties to perform their obligations

SingSpring has arrangements with counterparties which are essential to the operation of the SingSpring Plant.

SingSpring has entered into the WPA with PUB and relies on PUB to make payments under the WPA. (See also "Risk Factors — Risks Relating to SingSpring — For the duration of the WPA, SingSpring depends on PUB for substantially all of its revenue, and a failure by PUB to perform its obligations under the WPA would result in a significant loss of revenue, thereby impacting the results of its operations, business and financial condition" and “Risk Factors — Risks Relating to SingSpring — Under the WPA, SingSpring may be compelled to sell the SingSpring Plant upon the occurrence of particular events of default”.)

Hydrochem is the EPC contractor of the SingSpring Plant under the EPC Agreement. SingSpring relies on Hydrochem to perform its obligations should there be a claim under the warranties given by Hydrochem under the EPC Agreement.

Hyflux Engineering is the O&M operator under the O&M Agreement. SingSpring relies on Hyflux Engineering for all aspects of the operation, maintenance and repair of the SingSpring Plant for so long as Hyflux Engineering remains the O&M operator.

If any of these key counterparties fails to perform its obligations or if the credit-worthiness of any of these counterparties deteriorates, SingSpring’s operations, business and financial condition may be materially and adversely affected. Furthermore, significant costs and time may have to be spent in order to find a replacement provider of the supplies or services. In addition, any material increase in the price charged to SingSpring for these services or supplies would adversely and materially affect SingSpring’s operations, business and financial condition.

It may be difficult to replace Hyflux Engineering as the O&M operator of the SingSpring Plant

In the event that the O&M Agreement is terminated and SingSpring is required to replace the O&M operator to operate, maintain and repair the SingSpring Plant, it may take a long time to locate another operator or it may be difficult to find another operator with the experience or expertise required to run the plant in a manner that will ensure SingSpring is able to comply with its obligations under the WPA. Furthermore, even if a suitable operator is found, it may have to be engaged at a higher cost or on terms that are less favourable when compared with the O&M Agreement. Any failure or delay to find a suitable replacement for Hyflux Engineering may adversely and materially affect SingSpring’s operations, business and financial condition. (See “The Initial Businesses — City Gas and SingSpring — SingSpring — Other Agreements with Hyflux Engineering and Hydrochem — O&M Agreement with Hyflux Engineering as O&M Operator”.)

SingSpring may be required to comply with laws, regulations and government policies, including technical and safety standards, applicable to the operations of the SingSpring Plant at significant cost, thereby adversely and materially affecting SingSpring’s business, operations and financial condition

The nature of the business of SingSpring requires it to comply with laws and regulations in Singapore including but not limited to those relating to the environment, and obtain and maintain governmental permits in relation to the use, storage, discharge and disposal of toxic or otherwise hazardous materials used in its desalination processes. If SingSpring fails to comply with any of the applicable laws and regulations, it could be subject to civil or criminal liability and fines, which could be substantial. In addition, any failure or any claim that SingSpring has failed to comply with any of these laws or regulations may cause delays in its operations as well as adversely affecting the public image of SingSpring.

Changes in laws, regulations or government policies or their application affecting SingSpring’s business activities may adversely affect its results of operations, business and financial condition. For example, SingSpring may be required to incur additional costs in or limit its business activities to comply with new laws or regulations, such as stricter environmental or safety controls.

RISKS RELATING TO AN INVESTMENT IN THE UNITS

The sale or possible sale of a substantial number of Units by Bartley Investments, Napier Investments (following the lapse of each of their lock-up arrangements) and/or the Cornerstone Investors in the public market could adversely affect the price of the Units

In conjunction with the Offering, (i) 128,250,000 Units (constituting 28.5% of the total number of Units expected to be in issue after the completion of the Offering) will be held by Bartley Investments and Napier Investments, assuming that the Over-allotment Option is not exercised and (ii) 43,435,000 Units (constituting 9.7% of the total number of Units expected to be in issue after the completion of the Offering) will be held by the Cornerstone Investors, immediately after the completion of the Offering.

Each of Bartley Investments and Napier Investments has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, sell or contract to sell or otherwise dispose of (i) any of the Sponsor Units during the First Lock-up Period and (ii) more than 50% of the Sponsor Units during the Second Lock-up Period, save for certain exceptions. The Cornerstone Investors are not subject to any lock-up arrangements in respect of their Unitholdings.

Units will be tradable on the Main Board of the SGX-ST. If any of Bartley Investments or Napier Investments (following the lapse of its lock-up arrangements or pursuant to any applicable waivers), or any of the Cornerstone Investors, directly or indirectly sells or is perceived as intending to sell a substantial number of its Units, or if a secondary offering of the Units is undertaken, the market price for the Units could be adversely affected. (See "Unitholders — Lock-Up Arrangements" and "Plan of Distribution — Lock-up Arrangements".)

The distributions per Unit may be diluted if new units are issued in future

Where new Units are issued, including Units which may be issued to the Trustee-Manager in payment of the Trustee-Manager's Base Fee or Performance Fee or to fund the acquisition of infrastructure businesses in future, the increase in equity may result in a dilution of distributions per Unit.

CitySpring may need to obtain financing to fund distributions and if the terms are not acceptable or financing is not available, CitySpring may not be able to make distributions

If the Trustee-Manager decides to distribute amounts to Unitholders that are greater than its cash flow from the operations of its investments, it may have to borrow to meet ongoing cash flow requirements in order to do so, since it may not have any reserves to draw on. There can be no assurance that such financing will be available on acceptable terms or at all.

The actual performance of CitySpring and the Initial Businesses could differ materially from the forward-looking statements in this Prospectus

This Prospectus contains forward-looking statements regarding, among other things, projected distributions for the two-month period ending 31 March 2007 and the 12-month period ending 31 March 2008. These forward-looking statements are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of CitySpring's control (See "Profit and Cash Flow Projections".). In addition, CitySpring's revenue is dependent on a number of factors (See "Profit and Cash Flow Projections".). These factors may adversely affect CitySpring's ability to achieve the projected distributions as some or all of the events and circumstances assumed may not occur as expected, or events and circumstances, which are not currently anticipated, may arise. Actual results may be materially different from the projected results. While the Trustee-Manager currently expects to meet the projected distribution levels, no assurance can be given that the assumptions will be realised and the actual distributions will be as projected.

The laws, regulations and accounting standards in Singapore to which CitySpring is subject may change

CitySpring may be affected by the introduction of new or revised legislation, regulations or accounting standards. There can be no assurance that any such changes will not have an adverse effect on the ability of the Trustee-Manager to carry out CitySpring's investment strategy or on the operations and financial condition of CitySpring.

Market and economic conditions may affect the market price and demand for the Units

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of and demand for the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units gives investors a lower return as compared to other investments.

BNP Paribas' report is not an opinion on the commercial merits and structure of the Offering or the Restructuring Exercise undertaken in connection with the Offering, nor is it an opinion, express or implied, as to the future trading price of Units in or the financial condition of CitySpring upon the Listing.

As described in "The Offering — Price Determination", the Offering Price will be determined following a book-building process.

Separately from the process of determination of the Offering Price and purely as a matter of regulatory compliance, the Board has appointed BNP Paribas to undertake an independent valuation of 100% of the City Gas Trust and 70% of the SingSpring Trust. BNP Paribas has issued a valuation report setting out its opinion as to the valuation range of the Sub-Trusts, a summary of which is set out in their letter in Appendix K and which investors are encouraged to read in its entirety.

Neither the report nor the valuation summary letter is an opinion on the commercial merits and structure of the Offering, nor is it an opinion, express or implied, as to the future trading price of Units in or the financial condition of CitySpring upon the Listing. (See "The Restructuring Exercise — Independent Valuation by BNP Paribas".)

The Units have never been publicly traded and the listing of the Units on the Main Board of the SGX-ST may not result in an active or liquid market for the Units

Prior to the Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. While the Trustee-Manager has received a letter of eligibility from the SGX-ST to have the Units listed and quoted on the Main Board of the SGX-ST, listing and quotation do not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units.

Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. CitySpring may not continue to satisfy the listing requirements for business trusts.

The price of the Units may decline after the Offering

The Offering Price of the Units is determined following a book building process by agreement between the Trustee-Manager and the Underwriters and may not be indicative of the market price for the Units after the completion of the Offering. The Units may trade at prices significantly below the Offering Price after the Offering. The trading price of the Units will depend on many factors, including:

- The perceived prospects of CitySpring's business and investments and the infrastructure industry;
- Differences between CitySpring's actual financial and operating results and those expected by investors and analysts;
- Changes in analysts' recommendations or projections;
- Changes in general economic or market conditions;
- The market value of CitySpring's assets;
- The perceived attractiveness of the Units against those of other equity or debt securities, including those not in the infrastructure industry;
- The balance of buyers and sellers of the Units;

- The future size and liquidity of the Singapore business trust market;
- Any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Singapore business trusts and to the City Gas Notes and SingSpring Notes;
- The ability on CitySpring's part to implement successfully its investment and growth strategies;
- Foreign exchange rates; and
- Broad market fluctuations, including weakness of the equity markets and increases in interest rates.

For these reasons, among others, the price of Units may fluctuate. To the extent that CitySpring retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on CitySpring's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not capital-protected products and there is no guarantee that Unitholders can regain the amount invested. If CitySpring is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

It is difficult to remove a trustee-manager of a registered business trust

The BTA requires the removal of a trustee-manager of a registered business trust to be by way of a resolution approved by unitholders holding not less than three-fourths of the voting rights of all the unitholders of the registered business trust present and voting. As the Sponsor will (through its wholly-owned subsidiaries Bartley Investments and Napier Investments) have an interest in 28.5% of the Units upon Listing (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full), it may be difficult for the Trustee-Manager (being a wholly-owned indirect subsidiary of the Sponsor) to be removed whether for underperformance by the Trustee-Manager or otherwise.

The business trust regime is new and its application has not been tested

The BTA came into operation on 12 October 2004 while the Business Trusts Regulations only came into operation on 6 January 2005. The first set of guidelines on business trusts (*i.e.* "Guidelines on Disclosure of Financial Information in Prospectus") was issued on 15 October 2005. As such, the legislation and regulations have not been applied frequently and some degree of uncertainty exists as to how the business trusts regime will evolve and be applied and/or interpreted.

The Trustee-Manager may change CitySpring's investment strategy

Subject to the Trust Deed, CitySpring's policies with respect to certain activities including investments and acquisitions will be determined by the Trustee-Manager. While the Trustee-Manager has stated that its investment strategy is to invest in infrastructure assets globally, but with a primary geographic focus on Asia, the Middle East, Australia and New Zealand, and such strategy may not be changed for a period of three years commencing from the Listing Date (as the Listing Manual prohibits a departure from the Trustee-Manager's stated investment strategy for CitySpring for the said period unless otherwise approved by a Special Resolution), the Trust Deed gives the Trustee-Manager wide powers of management and the Trustee-Manager may depart from the investment strategy after the three-year period. If the Trustee-Manager departs from such investment strategy after the three-year period, the Trustee-Manager will announce such change to Unitholders but is not required to seek the approval of Unitholders for this purpose.

Foreign Unitholders may not be permitted to participate in future rights issues by CitySpring

The Trust Deed provides that in relation to any rights issue, the Trustee-Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore and who have not provided CDP with addresses in Singapore for the service of notices and documents. The rights or entitlements to the Units to which such Unitholders would have been entitled will be offered for sale and sold in such manner, at such price and on such other terms and conditions as the Trustee-Manager may determine. The proceeds of any such sale, if successful, will be paid to Unitholders whose rights or entitlements have been thus sold, provided that where such proceeds payable to the relevant Unitholder are less than S$10, the Trustee-Manager is entitled to retain such proceeds as part of the Trust Property. The unitholding of the relevant Unitholder may be diluted as a result of such sale.

Singapore laws contain provisions that could discourage a take-over of CitySpring

CitySpring is subject to the Take-Over Code. The Take-Over Code contains provisions that may delay, deter or prevent a future take-over or change in control of CitySpring. Under the Take-Over Code, any person acquiring an interest, either individually or together with parties acting in concert, in 30.0% or more of the Units (being voting units in CitySpring) may be required to extend a take-over offer for the remaining Units in accordance with the Take-Over Code. A take-over offer is also required to be made if a person holding between 30.0% and 50.0% inclusive of the voting rights in CitySpring, either individually or in concert, acquires an additional 1.0% of the Units in any six-month period under the Take-Over Code. While the Take-Over Code will ensure equality of treatment among Unitholders, the provisions of the Take-Over Code may discourage or prevent certain types of transactions involving an actual or threatened change of control of CitySpring.

RISKS RELATED TO CITYSPRING'S TAX POSITION

Any adverse tax developments, including as a result of legislative change or interpretation, could have a material impact on CitySpring's tax position

On 1 November 2006, the Authority issued a circular to introduce a package of tax incentives to stimulate the growth of the project finance industry through Singapore's capital markets. One of the tax incentives is the exemption from tax of interest income in respect of qualifying project debt securities. The Notes issued by the Sub-Trusts will qualify as qualifying project debt securities if certain conditions are met and the interest income from the Notes will be tax exempt if it is onward-declared for distribution to the Unitholders of CitySpring within six months from the end of the financial year in which the interest income was actually received by CitySpring from the Notes. Any change, revocation or cessation of the tax incentive for the Notes issued by the Sub-Trusts, or failure to meet the conditions for the tax incentive, could adversely affect CitySpring's tax position which could in turn adversely affect its ability to make distributions to Unitholders. If the tax incentive is not, or ceases to be, applicable, interest on the Notes will be taxable in the hands of CitySpring at the prevailing corporate income tax rate (currently, 20.0%).

Any adverse tax developments, including as a result of legislative change or interpretation, could have a material impact on CitySpring's tax position. (See also "Taxation — Taxation of the Sub-Trusts".)

USE OF PROCEEDS

Issue Proceeds

The Trustee-Manager expects the proceeds from the issue of (i) the Units pursuant to the Offering will be between approximately S$247.7 million (based on the Minimum Offering Price) and approximately S$286.4 million (based on the Maximum Offering Price), and (ii) the Sponsor Units to Bartley Investments and Napier Investments will be between approximately S$98.8 million (based on the Minimum Offering Price) and approximately S$114.1 million (based on the Maximum Offering Price).

Use of Proceeds

The Trustee-Manager intends to apply the proceeds from the issue of the Units pursuant to the Offering and the Sponsor Units as follows:

(i) To subscribe for all the units in the City Gas Trust and all the City Gas Notes;

(ii) To subscribe for 70% of the units in the SingSpring Trust and 70% of the SingSpring Notes;

(iii) To pay for the costs and expenses related to the Offering (the "**Issue Expenses**");

(iv) To pay for the costs and expenses related to the establishment of CitySpring (the "**CitySpring Establishment Costs**"); and

(v) To provide for the working capital requirements of the Trustee-Manager.

Acquisition of Assets and Business Undertakings of City Gas and SingSpring

The City Gas Trustee will apply the proceeds from the issue of units in the City Gas Trust and the issue of the City Gas Notes, together with the proceeds of the New City Gas Loan, to pay to City Gas the purchase price of the assets and business undertakings of City Gas. The SingSpring Trustee will apply the proceeds from the issue of units in the SingSpring Trust and the SingSpring Notes, together with the proceeds of the New SingSpring Loan, to pay to SingSpring the purchase price of the assets and business undertakings of SingSpring. (See "The Restructuring Exercise" for more details on these acquisitions.)

Sources and Uses of Funds

The following tables, included for illustrative purposes, set out the intended source and application of the total proceeds from the issue of the Units pursuant to the Offering and the Sponsor Units.

Based on the Minimum Offering Price

Source	S$ million	Application	S$ million	As a dollar amount for each S$ of the total issue proceeds of the Offer Units and the Sponsor Units	As a dollar amount for each S$ of the total issue proceeds of the Offering
Issue of Units pursuant to Offering.	247.7	To subscribe for units in City Gas Trust	75.3	0.23	0.23
Issue of Sponsor Units	98.8	To subscribe for units in SingSpring Trust	25.4	0.07	0.07
		To subscribe for City Gas Notes	195.6	0.56	0.56
		To subscribe for SingSpring Notes.	35.0	0.10	0.10
		To pay for Issue Expenses.	14.5	0.04	0.04
		To pay for CitySpring Establishment Costs . . .	0.5	0.00	0.00
		To provide for working capital	0.2	0.00	0.00
Total	**346.5**	**Total**	**346.5**	**S$1.00**	**S$1.00**

Based on the Maximum Offering Price

Source	S$ million	Application	S$ million	As a dollar amount for each S$ of the total issue proceeds of the Offer Units and the Sponsor Units	As a dollar amount for each S$ of the total issue proceeds of the Offering
Issue of Units pursuant to Offering.	286.4	To subscribe for units in City Gas Trust	118.3	0.30	0.30
Issue of Sponsor Units	114.1	To subscribe for units in SingSpring Trust	35.0	0.09	0.09
		To subscribe for City Gas Notes	195.6	0.49	0.49
		To subscribe for SingSpring Notes.	35.0	0.09	0.09
		To pay for Issue Expenses.	15.9	0.03	0.03
		To pay for CitySpring Establishment Costs . . .	0.5	0.00	0.00
		To provide for working capital	0.2	0.00	0.00
Total	**400.5**	**Total**	**400.5**	**S$1.00**	**S$1.00**

Issue Expenses

The estimated amount of the Issue Expenses includes the underwriting commission, selling concession, management commission, the Incentive Fee, professional and other fees and all other incidental expenses in relation to the Offering, and will be borne by CitySpring. A breakdown of these estimated Issue Expenses, based on the Maximum Offering Price, is as follows:

Item	S$ million(1)	As a dollar amount for each S$ of the total issue proceeds of the Offering
Underwriting commission, selling concession, management commission and the Incentive Fee(2)	9.6	0.03
Professional and other fees(3)	3.5	0.01
SGX-ST listing fees	0.1	0.00
Miscellaneous Offering expenses(4)	2.7	0.01
Total	**15.9**	**S$0.05**

Notes:

(1) Amounts include GST, where applicable.

(2) Based on the Maximum Offering Price, the underwriting commission, selling concession and management commission represent in aggregate 2.6% (including GST) of the total amount of the Offering and 2.6% (including GST) on a per Unit basis, and the discretionary Incentive Fee represents up to 0.8% (including GST) of the total amount of the Offering and up to 0.8% (including GST) on a per Unit basis (in each case assuming that the Over-allotment Option is not exercised).

(3) Includes fees for solicitors, the Reporting Auditors, the Independent Tax Adviser, the Independent Market Research Consultant, the Independent Valuer, the Independent Valuer (Property, Plant and Equipment) and other professionals' fees.

(4) Includes cost of prospectus production, roadshow expenses and certain other expenses incurred or to be incurred in connection with the Offering.

The Trustee-Manager will hold back part of the proceeds of the Offering to provide for the above fees and expenses. If and to the extent that the amount held back exceeds the actual amount of such fees and expenses, then the Trustee-Manager will pay or cause the payment of such excess to Temasek, Seletar and Hyflux in such proportions as shall be agreed by them. Conversely, if and to the extent that the amount held back is insufficient to pay the actual amount of such fees and expenses, then Temasek, Seletar and Hyflux shall pay or cause the payment of such shortfall to the Trustee-Manager in the same proportions.

Other Matters

Pending the deployment of the net proceeds of the Offering and issue of the Sponsor Units, the funds will be placed in deposits with banks and institutions, or used for investment in short-term money market instruments or debt instruments, as the Trustee-Manager may deem fit.

The Directors of the Trustee-Manager believe, in their reasonable opinion, that the amounts allocated to CitySpring's working capital from the proceeds of the Offering, taken together with the projected distributions to be received by CitySpring from the City Gas Trust and SingSpring Trust, will be sufficient for CitySpring's working capital requirements over the next 12 months following the close of the Offering.

UNITHOLDERS

Subscription for Units by Bartley Investments and Napier Investments

In conjunction with, but separate from, the Offering, Bartley Investments and Napier Investments, both wholly-owned subsidiaries of the Sponsor, have agreed, subject to the Listing, to subscribe for a total of 128,250,000 Sponsor Units at the Offering Price. The Sponsor Units will, immediately after the completion of the Offering, represent 28.5% of the total number of Units expected to be in issue then.

Subscription for Units by the Cornerstone Investors

In connection with the Offering, Fidelity and Indus have committed to subscribe for an aggregate of 43,435,000 Offer Units under the Placement Tranche at the Offering Price, conditional upon, inter alia, (i) the Underwriting Agreement having been entered into and having become effective and unconditional in all respects and not having been terminated in accordance with the terms thereof, (ii) the Offering Price being agreed upon between the Underwriters, the Sponsor and the Trustee-Manager, (iii) the Offering not being withdrawn prior to the Listing Date for any reason whatsoever and (iv) the respective commitment letters not being terminated pursuant to their terms. The Units to be held by the Cornerstone Investors will in aggregate constitute 13.5% of the Offer Units (assuming the Over-allotment Option is not exercised) and 9.7% of the total number of Units expected to be in issue immediately after the completion of the Offering.

Subscription for Units by the Directors

The Directors may subscribe for Units under the Offering and in such cases, the Trustee-Manager will make announcements via SGXNET as soon as practicable. Save for the Trustee-Manager's internal policy which prohibits the Directors from dealing in the Units at certain times, there is no restriction on the Directors disposing of or transferring all or any part of their Units. (See "The Trustee-Manager of CitySpring" and "Corporate Governance" for further details.)

Options on Units

No option to subscribe for Units has been granted to any of the Directors or the Executive Officers.

PRINCIPAL UNITHOLDERS AND THEIR UNITHOLDINGS

On 5 January 2007, one Unit has been issued to each of Bartley Investments and Napier Investments upon the constitution of CitySpring. The issue price of these two Units will be equal to the final Offering Price. No other Units have been issued.

The following table sets out the principal Unitholders and their Unitholdings after the Offering:

	After the Offering (assuming the Over-allotment Option is not exercised)				After the Offering (assuming the Over-allotment Option is exercised in full)			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
Unitholders	**Number of Units ('000)**	**%**	**Number of Units ('000)**	**%**	**Number of Units ('000)**	**%**	**Number of Units ('000)**	**%**
Bartley Investments	67,500	15.0	—	—	67,500	15.0	—	—
Napier Investments	60,750	13.5	—	—	28,575	6.4	—	—
Temasek	—	—	128,250	28.5	—	—	96,075	21.4
Public and Institutional Investors[(1)]	321,750	71.5	—	—	353,925	78.6	—	—
Total	**450,000**	**100**			**450,000**	**100**		

Note:

(1) Includes 43,435,000 Offer Units which the Cornerstone Investors, comprising Fidelity and Indus, have agreed to subscribe for under the Placement Tranche. (See "Plan of Distribution".)

Immediately after the completion of the Offering, the Sponsor, through Bartley Investments and Napier Investments, will hold 28.5% and 21.4% of all the issued Units, assuming the Over-allotment Option is not exercised and has been exercised in full, respectively. As the Sponsor will have an interest in 15% or more of all the issued Units, the Sponsor will be regarded as a controlling Unitholder for the purposes of the "interested person transaction" rules under the Listing Manual. (See "Interested Person Transactions and Potential Conflict of Interests".)

Save as disclosed above and in "The Sponsor", to the best of the knowledge of the Directors, neither the Trustee-Manager nor CitySpring is directly or indirectly owned or controlled, whether severally or jointly, by any other person or government.

No different voting rights

None of the Units in which any of Bartley Investments, Napier Investments, the Trustee-Manager, the Sponsor or the Cornerstone Investors has an interest (direct or deemed), whether currently held or to be held upon Listing, carries or will carry different voting rights from the Offer Units.

LOCK-UP ARRANGEMENTS

Bartley Investments and Napier Investments

Each of Bartley Investments and Napier Investments has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, sell or contract to sell or otherwise dispose of (i) any of the Sponsor Units during the First Lock-up Period and (ii) more than 50% of the Sponsor Units during the Second Lock-up Period, save for certain exceptions.

Trustee-Manager

The Trustee-Manager has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, issue or contract to issue any new Units during the First Lock-up Period, save for certain exceptions.

The Sponsor

The Sponsor has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), offer, sell or contract to sell or otherwise dispose of (i) its direct or indirect interest in any of the Sponsor Units during the First Lock-up Period and (ii) its direct or indirect interest in more than 50% of the Sponsor Units during the Second Lock-up Period.

The Cornerstone Investors

The Cornerstone Investors are not subject to any lock-up arrangements in respect of their Unitholdings.

DISTRIBUTIONS

Statements contained in this "Distributions" section that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those which may be projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Underwriters, the Sponsor or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this Prospectus. See "Forward-looking statements".

Since the establishment of CitySpring, there have not been any distributions made on the Units.

Any proposed distributions by CitySpring will be paid from its residual cash flows. Residual cash flows comprise cash flows from distributions received by CitySpring from the City Gas Trust and the SingSpring Trust, principal and interest payments received by CitySpring from the City Gas Trust and the SingSpring Trust pursuant to the Notes, and any other cash received by CitySpring from the City Gas Trust and the SingSpring Trust, after such cash flows have been applied to:

(a) pay the operating expenses of CitySpring, including the Trustee-Manager's fees;

(b) repay principal amounts (including any premium or fee) under any debt or financing arrangement of CitySpring; and

(c) pay interest or any other financing expense on any debt or financing arrangement of CitySpring.

In considering the amount of any distributions to be made from residual cash flows, the Trustee-Manager may reduce the proposed amount of distributions so as to provide for the cash flow needs of CitySpring or to ensure that CitySpring has sufficient funds and/or financing resources to meet the short-term liquidity needs of CitySpring.

On 1 November 2006, the Authority issued a circular to introduce a package of tax incentives to catalyse the growth of the project finance industry through Singapore's capital markets. One of the tax incentives is the exemption from tax of interest income from qualifying project debt securities. The Notes issued by the Sub-Trusts will qualify as qualifying project debt securities if certain conditions are met, and the interest income from the Notes will be tax exempt if it is onward-declared for distribution to the Unitholders of CitySpring within six months from the end of the financial year in which the interest income was actually received by CitySpring from the Notes. As such, CitySpring plans to distribute to investors substantially all of the interest income on the Notes received from the City Gas Trust and the SingSpring Trust.

In making distributions and principal and interest payments pursuant to the Notes to CitySpring, the City Gas Trust and the SingSpring Trust may take into consideration their earnings, financial position and results of operations, as well as contractual restrictions, provisions of applicable law and other factors.

The New Loans impose certain covenants on the City Gas Trustee and the SingSpring Trustee, respectively. The City Gas Trustee must have sufficient funds to pay under the New City Gas Loan all scheduled interest due in respect of the New City Gas Loan for the next three months, and sufficient funds or credit facilities to fund capital expenditure requirements for the next six months, before it may pay interest on the City Gas Notes. No principal payments under the City Gas Notes are permitted while the New City Gas Loan is outstanding. Under the New SingSpring Loan, the SingSpring Trustee must have sufficient funds to pay the principal and interest on the New SingSpring Loan for the next three months before it may pay interest and/or principal on the SingSpring Notes. Further, for so long as there are outstanding energy cost loans made by Hyflux to SingSpring pursuant to the energy costs support arrangement described in "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements — Hyflux Support for Energy Costs", the SingSpring Trust may not make any distributions whether in respect of units or under the SingSpring Notes. These covenants may have the effect of restricting the distributions that the City Gas Trustee and the SingSpring Trustee may make to their respective unitholders, which will in turn restrict the amount of distributions that CitySpring can make to the Unitholders. (See "Risk Factors" for a discussion of factors that may adversely affect the ability of CitySpring to make distributions to the Unitholders.)

After CitySpring has been admitted to the Main Board of the SGX-ST, CitySpring intends to make distributions to the Unitholders on a quarterly basis, with the amount calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. However, CitySpring's first distribution after the Listing Date will be for the period from the Listing Date to 31 March 2007 and will be paid by the Trustee-Manager on or before the date falling 90 days thereafter. Subsequent distributions will take place on a quarterly basis. The Trustee-Manager intends to pay distributions within 90 days after the end of each distribution period. Distributions will be made in Singapore dollars.

The foregoing are statements of the present intentions of CitySpring which may be subject to modification (including the reduction or cancellation of any proposed distribution) in the sole and absolute discretion of the Trustee-Manager. The form, frequency and amount of future distributions (if any) on CitySpring's Units will depend on the earnings, financial position and results of operations of CitySpring, as well as contractual restrictions, provisions of applicable law and other factors which the Trustee-Manager may deem relevant.

(See "Taxation" and Appendix J — "Independent Taxation Report" for further information on the Singapore income tax consequences of the purchase, ownership and disposition of the Units.)

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the actual capitalisation and indebtedness of City Gas, SingSpring and their combined total and the pro forma capitalisation and indebtedness of the Group, as at 30 November 2006. The pro forma capitalisation and indebtedness of the Group is adjusted as if the restructuring, as described in "Restructuring Exercise", has occurred on 30 November 2006, and to give effect to the issuance and sale of the Offer Units and the Sponsor Units at the Maximum Offering Price of S$0.89, and the application of the net proceeds from the Offering and the Sponsor Units in the manner described in "Use of Proceeds".

You should read this table in conjunction with the section "Pro Forma Historical Information" and related notes, "Use of Proceeds", "Restructuring Exercise" and "Management's Discussion and Analysis of Pro Forma Financial Condition and Results of Operations", included elsewhere in this Prospectus.

	As at 30 November 2006			
	Actual City Gas	**Actual SingSpring**	**Actual Total**	**Proforma Group**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Long-term debt:				
Notes payable to minority interests (unsecured)	—	—	—	15,000
Borrowings (current portion, secured)	—	3,966	3,966	3,966
Borrowings (non-current portion, secured)	—	152,509	152,509	279,969
Shareholders' loan (unsecured)	—	42,750	42,750	—
Total long-term debt	—	199,225	199,225	298,935
Unitholders' funds	NA	NA	NA	403,980
Shareholders' equity	166,839	4,100	170,939	NA
Total capitalisation and indebtedness	166,839	203,325	370,164	702,915

NA - Not applicable

PRO FORMA HISTORICAL FINANCIAL INFORMATION

PRO FORMA FINANCIAL INFORMATION

The following tables present the Group's unaudited pro forma financial information for the financial year ended 31 March 2006 and the six months ended 30 September 2006. Such unaudited financial information should be read in conjunction with the unaudited pro forma financial statements included in as set out in the report in Appendix A — "Reporting Auditors' Report of Examination of the Pro Forma Financial Statements of CitySpring and its subsidiaries and the Pro Forma Financial Statements of CitySpring and its subsidiaries for the year ended 31 March 2006 and the six-month period ended 30 September 2006".

The unaudited pro forma financial statements were prepared for illustrative purposes only and are based on certain assumptions after making certain adjustments to illustrate what:

(a) the financial results of CitySpring and its subsidiaries ("the Group") for the financial year ended 31 March 2006 would have been if the Restructuring Exercise had occurred at 1 April 2005;

(b) the financial position of the Group as at 31 March 2006 would have been if the Restructuring Exercise had occurred at 31 March 2006;

(c) the cash flows of the Group for the financial year ended 31 March 2006 would have been if the Restructuring Exercise had occurred at 1 April 2005;

(d) the financial results of the Group for the six months ended 30 September 2006 would have been if the Restructuring Exercise had occurred at 1 April 2006;

(e) the financial position of the Group as at 30 September 2006 would have been if the Restructuring Exercise had occurred at 30 September 2006; and

(f) the cash flows of the Group for the six months ended 30 September 2006 would have been if the Restructuring Exercise had occurred at 1 April 2006.

The basis of assumptions and the accounting policies are set out in the report in Appendix A — "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of CitySpring and its subsidiaries and the Pro Forma Financial Statements of CitySpring and its subsidiaries for the year ended 31 March 2006 and the six-month period ended 30 September 2006".

The Group's unaudited pro forma financial information prepared are not necessarily indicative of the results of the operations, financial position, changes in equity and cash flows that would have been attained if the Group actually existed earlier and therefore may not give a true picture of the Group's actual results, financial position, changes in equity and cash flows.

CitySpring Summary Pro Forma Income Statement

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**
Revenue	221,810	128,941
Other income (net)	16,359	8,881
Operating expenses		
Fuel and electricity costs	(80,555)	(49,337)
Transportation costs	(67,973)	(34,067)
Staff costs	(15,183)	(10,215)
Depreciation and amortisation	(19,185)	(9,845)
Finance costs, net	(7,709)	(6,430)
Management fee	(3,500)	(1,750)
Operating and maintenance costs	(1,500)	(2,588)
Other operating expenses	(35,946)	(19,938)
	(231,551)	(134,170)
Profit before income tax	6,618	3,652
Income tax expense	(418)	(829)
Net profit after tax	6,200	2,823
Attributable to:		
Unitholders of CitySpring	4,981	1,381
Minority interest	1,219	1,442
	6,200	2,823
EBITDA[1]	33,512	19,927
Earnings per unit (cents)	1.11	0.31

(1) EBITDA is calculated as profit after tax plus depreciation, amortisation, net finance costs and income tax expense.

CitySpring Summary Pro Forma Balance Sheet

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Cash and cash equivalents	26,847	32,679
Trade and other receivables	29,585	32,121
Inventories	11,475	12,814
Derivative financial instruments	14,907	10,619
Finance lease receivable (current)	5,955	6,029
Intangibles	133,100	141,400
Goodwill	294,476	292,760
Property, plant and equipment	92,154	87,316
Finance lease receivable (non-current)	192,025	187,772
Total assets	801,619	804,461
Borrowings	284,238	282,783
Total liabilities	400,310	400,481
Net assets	401,309	403,980
Unitholders' funds	385,620	387,490
Minority interest	15,689	16,490
Total Unitholders' funds	401,309	403,980

CitySpring Summary Pro Forma Cash Flow Statement

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**
Net cash from operating activities	12,322	18,770
Net cash used in investing activities	(663,552)	(658,388)
Net cash from financing activities	676,043	675,814
Net increase in cash and cash equivalents	24,813	36,196
Cash and cash equivalents at end of year/period	24,813	36,196

City Gas

You should read the following summary financial data in conjunction with the full text of this Prospectus, including the following:

— Auditors' Report on the Financial Statements of City Gas and the Financial Statements of City Gas for the years ended 31 March 2004 and 2005, as set out in Appendices C and D;

— Auditors' Report on the Financial Statements of City Gas and its subsidiary and the Financial Statements of City Gas and its subsidiary for the year ended 31 March 2006, as set out in Appendix E; and

— Review Report on the unaudited interim Financial Statements of City Gas and its subsidiary and the interim Financial Statements of City Gas and its subsidiary for the six months ended 30 September 2006, as set out in Appendix F.

Summary Financial Information of City Gas and its Subsidiary

City Gas Summary Income Statement

	Audited			Unaudited	
	1 April 2003 to 31 March 2004	**1 April 2004 to 31 March 2005**	**1 April 2005 to 31 March 2006**	**1 April 2005 to 30 September 2005**	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Revenue	202,010	201,708	214,841	103,780	116,065
Other income	2,925	2,768	6,582	1,869	1,753
Expenses					
Fuel and Electricity costs	(57,090)	(61,202)	(77,694)	(36,368)	(44,345)
Transportation costs	(69,229)	(68,203)	(67,973)	(33,955)	(34,067)
Staff costs	(19,126)	(17,127)	(15,183)	(7,638)	(10,215)
Depreciation	(9,886)	(10,218)	(10,876)	(5,410)	(5,336)
Bad debts written off	(686)	(973)	(856)	—	—
Allowances for doubtful trade receivables	(4,941)	(1,179)	(572)	—	(335)
Other operating expenses	(22,622)	(23,255)	(25,798)	(12,379)	(11,460)
Total expenses	(183,580)	(182,157)	(198,952)	(95,750)	(105,758)
Profit before income tax	21,355	22,319	22,471	9,899	12,060
Income tax expense	(3,507)	(4,640)	(4,547)	(2,054)	(3,299)
Net profit after tax	17,848	17,679	17,924	7,845	8,761

City Gas Summary Balance Sheet

	Audited			Unaudited
	As at 31 March 2004	As at 31 March 2005	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000	S$'000	S$'000
Cash and cash equivalents	46,409	19,881	54,856	25,649
Trade and other receivables	30,406	24,718	23,180	25,974
Inventories	8,469	8,710	11,045	14,202
Property, plant and equipment	133,876	126,472	117,138	111,812
Club membership, at cost	—	—	108	108
Loan to holding company	—	60,000	25,000	44,000
Total assets	219,318	240,223	231,750	222,158
Total liabilities	50,832	54,058	62,661	61,308
Net assets	168,486	186,165	169,089	160,850
Total equity	168,486	186,165	169,089	160,850

City Gas Summary Cash Flow Statement

	Audited			Unaudited	
	1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005	1 April 2005 to 31 March 2006	1 April 2005 to 30 September 2005	1 April 2006 to 30 September 2006
	S$'000	S$'000	S$'000	S$'000	S$'000
Net cash from operating activities	30,208	35,576	35,735	14,676	6,420
Net cash used in investing activities	(1,420)	(62,104)	(760)	(1,025)	(35,627)
Net cash used in financing activities	(35,000)	—	—	—	—
Net (decrease)/ increase in cash and cash equivalents	(6,212)	(26,528)	34,975	13,651	(29,207)
Cash and cash equivalents at beginning of year/ period	52,621	46,409	19,881	19,881	54,856
Cash and cash equivalents at end of year/period	46,409	19,881	54,856	33,532	25,649

SingSpring

You should read the following summary financial data in conjunction with the full text of this Prospectus, including the Auditors' Report on the Financial Statements of SingSpring and the Financial Statements of SingSpring for the year ended 31 December 2005 and the three months ended 31 March 2006 set out in Appendices G and H and the Review Report on the Unaudited Interim Financial Statements of SingSpring and the Interim Financial Statements of SingSpring for the six months ended 30 September 2006 as set out in Appendix I.

SingSpring Summary Income Statement

	Restated[1]	**Audited**	**Unaudited**	
	1 January 2005 to 31 December 2005	**1 January 2006 to 31 March 2006**	**1 April 2005 to 30 September 2005**	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Finance lease income	962	5,515	—	11,189
Maintenance income	368	2,042	—	4,190
	1,330	7,557	—	15,379
Operating and maintenance expenses	(287)	(1,213)	—	(2,588)
Utilities charges	(433)	(2,428)	—	(4,992)
Finance costs, net	(260)	(1,763)	—	(3,672)
Bank charges	(11)	(44)	—	(99)
Fair value gain on derivative financial instruments[2]	11,852	—	11,284	—
Gain on settlement of commodity swaps[3]	171	1,245	—	2,592
(Loss)/gain on settlement of interest rate swaps[3]	(18)	(13)	—	43
Foreign exchange gain/(loss), net	—	3	—	(1)
Other operating expenses	—	(196)	—	(319)
Total expenses	11,014	(4,409)	11,284	(9,036)
Profit before income tax	12,344	3,148	11,284	6,343
Income tax expense	(2,410)	(605)	(2,257)	(1,285)
Net profit after tax	9,934	2,543	9,027	5,058

Note:

(1) For Income Statement:

The SingSpring Plant commenced commercial operations on 16 December 2005.

Certain balances have been restated when compared to the audited financial statements for the financial year ended 31 December 2005 as set out in Appendix G of this Prospectus due to the adoption of INT FRS 104, which is mandatory for annual financial periods beginning on or after 1 January 2006.

The adoption of INT FRS 104 on 1 January 2006 has been applied retrospectively and resulted in the following adjustments to the income statement for the financial year ended 31 December 2005:

- A decrease in sale of desalinated water and depreciation charge by S$1,404,467 and S$309,381 respectively; and
- An increase in finance lease income and operating and maintenance income by S$962,515 and S$367,979 respectively.

(2) Prior to commencement of commercial operations in December 2005, the commodity swaps did not qualify for hedge accounting. Hence, the gain arising from changes in the fair value of the commodity swaps of S$11.9 million was taken to the income statement. Subsequent to December 2005, the commodity swaps qualified for hedge accounting. Consequently, any gains or losses arising from changes in the fair value of the commodity swaps were recognised in the hedging reserve.

(3) The effective portion of any gains or losses arising from changes in the fair value of the commodity swaps on commodity and interest rate swaps are recognised directly in the hedging reserve. Amounts taken to hedging reserve are transferred to the income statement as gain or loss on settlement of commodity swaps or interest rate swaps when the swaps are realised.

SingSpring Summary Balance Sheet

	Restated[1]	Audited	Unaudited
	As at 31 December 2005	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000	S$'000
Cash and bank balances	1,260	1,927	5,847
Trade receivables	2,157	5,704	5,527
Finance lease receivable (current)	1,278	1,370	1,463
Derivative financial instruments (current assets)	12,801	14,907	10,619
Amounts due from shareholder and related companies	108	228	272
Other receivables, deposits and prepayment	639	980	711
Finance lease receivable (non-current)	200,055	199,648	198,889
Total assets	218,298	224,764	223,328
Trade and other payables	3,124	2,055	2,263
Interest-bearing loans and borrowings (current)	2,512	3,504	4,032
Derivative financial instruments (current liability)	10,784	7,279	9,412
Amounts due to shareholder and related companies	9,499	1,255	511
Interest-bearing loans and borrowings (non-current)	149,070	155,153	153,170
Deferred tax liabilities	400	2,182	2,132
Shareholders' loans (non-current)	40,800	44,250	42,750
Total liabilities	216,189	215,678	214,270
Net assets	2,109	9,086	9,058
Total equity	2,109	9,086	9,058

Note:

(1) For Balance Sheet:

Certain balances have been restated when compared to the audited financial statements for the financial year ended 31 December 2005 as set out in Appendix G of this Prospectus due to the adoption of INT FRS 104 which is mandatory for annual financial periods beginning on or after 1 January 2006.

The adoption of INT FRS 104 on 1 January 2006 has been applied retrospectively and resulted in the following adjustments to the balance sheet as at 31 December 2005:

- A decrease in property, plant and equipment by S$201,097,766; and
- An increase in financial lease receivable and equity by S$201,333,174 and S$235,408 respectively.

SingSpring Summary Cash Flow Statement

	Audited		Unaudited	
	1 January 2005 to 31 December 2005	1 January 2006 to 31 March 2006	1 April 2005 to 30 September 2005	1 April 2006 to 30 September 2006
	S$'000	S$'000	S$'000	S$'000
Net cash from/(used in) operating activities	11,182	(9,857)	197	6,875
Net cash used in investing activities	(28,943)	—	(11,894)	—
Net cash from/(used in) financing activities	17,735	10,524	12,762	(2,955)
Net (decrease)/increase in cash and cash equivalents	(26)	667	1,065	3,920
Cash and cash equivalents at beginning of year/period	1,286	1,260	26	1,927
Cash and cash equivalents at end of year/period . . .	1,260	1,927	1,091	5,847

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations is based on and should be read in conjunction with (i) the historical financial statements of City Gas for the years ended 31 March 2004, 2005 and 2006 and the six months ended 30 September 2005 and 2006, (ii) the historical financial statements of SingSpring for the year ended 31 December 2005, the three months ended 31 March 2005 and 2006 and the six months ended 30 September 2005 and 2006, and (iii) the pro forma financial statements of CitySpring for the year ended 31 March 2006 and the six months ended 30 September 2006, and related notes thereto, and other financial information, which are included elsewhere in this Prospectus. This discussion and analysis contains forward-looking statements that reflect the current views of City Gas, SingSpring and CitySpring with respect to future events and financial performance. The actual results of City Gas, SingSpring and CitySpring may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors" of this Prospectus.

OVERVIEW

Scope of discussion and analysis

City Gas had carried on business throughout the three and a half years ended 30 September 2006 and its results of operations and cash flows over this period are discussed and analysed below. As SingSpring had commenced commercial operations only in December 2005 when it completed the construction, testing and commissioning of the SingSpring Plant, it is not meaningful to discuss or analyse below its results of operations and cash flows for any period prior to that date.

CitySpring was constituted on 5 January 2007, has not carried on any business prior to that date and will acquire the business undertakings of City Gas and SingSpring only upon the Listing. There is accordingly no data for periods prior to the Listing Date in respect of which its results of operations and cash flows can be discussed and analysed.

Results of operations and cash flows aside, the discussion and analysis below will where appropriate relate to the liquidity and capital resources, commitments and contingencies and risks of not only City Gas but also those of SingSpring and CitySpring.

Business activities

CitySpring's initial assets will comprise 100% of City Gas Trust and 70% of SingSpring Trust. Each of City Gas Trust and SingSpring Trust will acquire the business undertakings of City Gas and SingSpring, respectively, upon the Listing.

City Gas is currently the sole producer and retailer of town gas in Singapore. City Gas supplies town gas, through a piped gas supply network owned and operated by PowerGas, to approximately 580,000 residential, commercial and industrial customers in Singapore at prices approved by EMA. City Gas also retails natural gas, supplies LPG, markets gas appliances and offers comprehensive after-sales customer services.

SingSpring owns and operates Singapore's first and only large-scale seawater desalination plant, the SingSpring Plant, which has commenced commercial operations in December 2005. The SingSpring Plant is capable of supplying up to 136,380 m^3 per day of desalinated potable water, which represents about 10% of Singapore's current water needs. In April 2003, SingSpring entered into the WPA with PUB for a 20-year term commencing December 2005 and expiring in December 2025. Over the 20-year term of the WPA, PUB will make fixed monthly Capacity Payments to SingSpring for making available the full water production capacity of the SingSpring Plant to PUB, as well as make variable Output Payments to SingSpring for the volume of water supplied by the SingSpring Plant to PUB.

BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES

The discussion and analysis set forth below is based upon the financial statements of City Gas, SingSpring and CitySpring, each of which have been prepared in accordance with Singapore Financial Reporting Standards. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies set out therein (for example, derivative financial instruments have been measured at their fair values).

The preparation of financial statements in accordance with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates and assumptions are based on the best knowledge of the management of the relevant businesses as to current events and actions, actual results may ultimately differ from those estimates and assumptions.

Critical accounting policies are policies that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates and assumptions about the effect of matters that are inherently uncertain, thereby creating a significant risk that a material adjustment may need to be made in subsequent periods to the carrying amounts of assets and liabilities involved. While a summary of the significant accounting policies of City Gas, SingSpring and CitySpring are described in their respective financial statements included elsewhere in this Prospectus, their critical accounting policies are described below (where appropriate, the entity in respect of which such policies are applicable are specifically identified below).

Purchase accounting and minority interest

CitySpring accounts for the acquisition of the City Gas Trust and the SingSpring Trust under the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Any excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost are recognised immediately in the income statement. If there is an excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill.

Minority interest is that part of the net results of operations and of net assets of the SingSpring Trust attributable to interests which are not owned directly or indirectly by CitySpring. It is measured at the minority's share of the fair value of SingSpring's identifiable assets and liabilities at the date of acquisition by CitySpring and the minority's share of changes in equity since the date of acquisition, except when the losses applicable to the minority exceed the minority interest in the equity of the SingSpring Trust. In such cases, the excess and further losses applicable to the minority are attributed to the Unitholders of the CitySpring, unless the minority has a binding obligation to, and is able to, make good the losses. When SingSpring Trust subsequently reports profits, the profits applicable to the minority are attributed to the Unitholders of CitySpring until the minority's share of losses previously absorbed by the Unitholders of the CitySpring has been recovered.

Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

Construction work-in-progress are stated at cost and depreciation commences upon work completion or usage, whichever is earlier. Expenditure relating to capital work-in-progress (including interest expenses) is capitalised when incurred. Subsequent expenditure as major renovations and restorations relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the entity and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

Intangible assets

Goodwill represents the excess of the cost of acquisition over the fair value at the date of acquisition of CitySpring's share of identifiable net assets.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions is determined after deducting the Group's share of their identifiable net assets and contingent liabilities. Goodwill is stated at cost less impairment losses. Goodwill is tested for impairment on an annual basis as well as when there is any indication that the goodwill may be impaired. Gains and losses on the disposal of the subsidiaries include the carrying amount of goodwill relating to the entity sold.

Impairment of assets

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired. For the purpose of impairment testing of goodwill, goodwill is allocated to each cash-generating-units ("**CGU**") expected to benefit from synergies arising from the business combination. An impairment loss is recognised in the income statement when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

Intangible assets, property, plant and equipment and investments in subsidiaries are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

Derivative financial instruments and hedging activities

SingSpring adopted *Singapore Financial Reporting Standards 39 — Financial Instruments: Recognition and Measurement,* prospectively on 1 January 2005, resulting in derivatives being initially recognised at fair value on the date the derivative contracts are entered into and being subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether that derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. SingSpring designates its derivatives as hedges of exposures to variability to its cash flows (cash flow hedges).

SingSpring formally designates and documents at the inception of the hedge accounting, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. SingSpring also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

SingSpring has entered into interest rate and commodity (fuel) swaps that are cash flow hedges for its exposure to interest rate risk on its borrowings and fuel risk on its electricity commitments, respectively. The interest rate swap entitles SingSpring to receive interest at floating rates and oblige it to pay interest at fixed rates, thus allowing it to hedge its floating interest rates risk on its existing bank loan. The commodity swaps allow SingSpring to receive floating fuel prices and pay fixed fuel prices on the same notional principal quantity, thus allowing SingSpring to hedge its electricity costs under the Initial Energy Supply Agreement and Supplemental Energy Supply Agreement with Seraya Energy.

The effective portion of any gains or losses arising from changes in the fair value on these swaps is recognised directly in the hedging reserve. Amounts taken to hedging reserve are transferred to the income statement as gain or loss on settlement of commodity swaps or interest rate swaps when the swaps are realised.

Prior to the commencement of commercial operations of the SingSpring Plant in December 2005, the commodity swaps did not qualify for hedge accounting. Hence, any gain or losses arising from changes in the fair value of the commodity swaps were taken to the income statement as changes in the fair value on derivative financial instruments. Subsequent to December 2005, the commodity swaps qualified for hedge accounting. Consequently, any gains or losses arising from changes in the fair value of the commodity swaps were recognised in the hedging reserve.

Finance lease

Prior to 1 January 2006, SingSpring accounted for the SingSpring Plant as a fixed asset in its balance sheet. On 1 January 2006, prior to the proposed acquisition of the assets and business undertakings of SingSpring by the SingSpring Trustee, SingSpring adopted *Interpretation of Singapore Financial Reporting Standard 104 — Determining whether an Arrangement contains a Lease*, which is mandatory for annual financial periods beginning on or after that date. In accordance with this interpretation, SingSpring determines its investment in the SingSpring Plant on the terms of the WPA to be a lease and, more specifically, a finance lease in accordance with *Singapore Financial Reporting Standard 17 (Revised) — Leases*, with SingSpring as lessor and PUB as lessee.

Pursuant to this reclassification, SingSpring recognises its investment in the SingSpring Plant as "finance lease receivable" in its balance sheet. This finance lease receivable consists of (i) the present value of the aggregate sum of the minimum finance lease receivable that SingSpring expects to receive over the 20-year term of the WPA and (ii) an amount which SingSpring determines is the present value of the residual value of the SingSpring Plant at the expiry of the WPA. The difference between the aggregate sum of the minimum finance lease receivable and the present value thereof will constitute unearned "finance lease income".

When SingSpring receives a payment representing the fixed capital component of the Capacity Payments under the WPA, it will apportion such payment between (i) a repayment of finance lease receivable, which will be credited against the carrying amount of the finance lease receivable in its balance sheet and (ii) finance lease income, which will be recognised as revenue in its income statement.

Over the term of the WPA, the proportion of the fixed capital component of the Capacity Payments under the WPA that will be allocated to the repayment of the finance lease receivable will increase while the proportion allocated to finance lease income will decrease, so as to reflect a constant rate of return on the investment in the SingSpring Plant as a finance lease.

As a result of the proposed acquisition of the assets and business undertakings of SingSpring by the SingSpring Trustee on the Listing Date, the finance lease receivable shall be fair valued in accordance with *Singapore Financial Reporting Standard 103 — Business Combinations*. Arising from the fair valuation exercise, the aggregate sum of the fixed capital component of the Capacity Payments that SingSpring expects to receive over the remaining term of the WPA will be divided between the fair value of the aggregate sum of the minimum finance lease receivable and service income. The fair value of the aggregate sum of the minimum finance lease receivable represents the amount that PUB has to pay for acquiring the right to use the SingSpring plant. The excess of the aggregate sum of fixed capital component of the Capacity Payments over the fair value of the aggregate sum of the minimum finance lease receivable represents the unearned service income.

Subsequent to the proposed acquisition of the assets and business undertakings of SingSpring by the SingSpring Trustee, when SingSpring receives a payment representing the fixed capital component of the Capacity Payments under the WPA, it will apportion such payment between (i) a repayment of the fair value of the finance lease receivable, which will be credited against the carrying amount of the fair value of the finance lease receivable in its balance sheet, (ii) finance lease income, which will be recognised as revenue in its income statement, and (iii) service income, which will be recognised as revenue in its income statement.

SingSpring recognises the fixed and variable O&M and energy components of the Capacity and Output Payments under the WPA as maintenance income in its income statement.

On 20 December 2006, IRAS issued a ruling that, notwithstanding that the SingSpring Plant is accounted for as a finance lease arrangement (as opposed to a fixed asset), it will allow (a) industrial building allowances on the qualifying capital expenditure incurred on the construction of the SingSpring Plant, and (b) capital allowances if the assets comprising the SingSpring Plant qualify as "plant and machinery" within the meaning of Sections 19 or 19A of the Income Tax Act, Chapter 134 of Singapore.

FACTORS AFFECTING RESULTS OF OPERATIONS — CITY GAS

City Gas's results of operations have historically been, and are expected to continue to be, affected primarily by the following factors.

Regulation of Town Gas Tariffs by EMA

Under the existing gas industry regulatory framework, EMA regulates the tariffs which City Gas may charge for the sale of town gas and any changes to such tariffs must be approved by EMA. Tariffs for town gas are determined with regard to the cost to City Gas of, among other things, fuel ("**fuel component**"), transportation ("**transportation component**"), and other expenses components (which include, among other things, cost of production of town gas, manpower and after-sales services) ("**other components**"). City Gas understands that EMA has historically been using a guideline of 7% to 8% of City Gas's return on total assets in its assessment of City Gas's tariffs.

Prices for sales of natural gas and LPG are not regulated.

Through a tariff review process, City Gas seeks to ensure that town gas tariffs adequately reflect its costs. The following table illustrates the revised town gas tariffs (expressed in Scents/kWh) that EMA has approved since formation of City Gas in 2002 to January 2007.

Tariff Category (in Scents/kWh)	**Jan 2002**	**Dec 2004**	**Sep 2005**	**Nov 2005**	**Jul 2006**	**Jan 2007**
General Tariff	15.23	15.70	15.98	16.91	17.60	16.76
Bulk Tariff A	14.23	14.70	14.98	15.91	16.60	15.76
Bulk Tariff B	13.73	14.20	14.48	15.41	16.10	15.26

As sales of town gas makes up most of City Gas's total sales (see paragraph below), town gas tariffs approved by EMA will be the primary determinant of City Gas's revenue.

Sales of Town Gas

City Gas's gas sales amounted to S$202.0 million, S$201.7 million and S$214.8 million for FY 2004, FY 2005 and FY 2006, respectively, 99% of which comprised sales of town gas for FY 2004, FY 2005 and FY 2006. Sales of town gas to residential customers comprised 44.7%, 44.1% and 43.9%, while sales of town gas to commercial customers comprised 52.3%, 52.5% and 52.2%, of total sales of town gas for FY 2004, FY 2005 and FY 2006, respectively, with sales of town gas to industrial customers making up the balance sales.

The table below summarises the breakdown of gas sales between town gas, natural gas and LPG, and between residential, commercial and industrial customers, in terms of sales revenue.

Sales in S$ million	**1 April 2003 to 31 March 2004**	**1 April 2004 to 31 March 2005**	**1 April 2005 to 31 March 2006**	**1 April 2005 to 30 September 2005**	**1 April 2006 to 30 September 2006**
Town Gas					
Residential	89.9	88.4	93.5	45.4	50.2
Commercial	105.1	105.4	111.2	54.1	59.5
Industrial	6.0	6.8	8.2	3.6	4.7
Sub-total	201.0	200.6	212.9	103.1	114.4
Natural Gas					
Commercial	0.1	0.2	0.2	0.1	0.1
Industrial	—	0.1	0.9	0.2	1.2
Sub-total	0.1	0.3	1.1	0.3	1.3
LPG	0.9	0.8	0.8	0.4	0.4
Total	**202.0**	**201.7**	**214.8**	**103.8**	**116.1**

The table below summarises the breakdown of gas sales between town gas, natural gas and LPG, and between residential, commercial and industrial customers, in terms of volume of gas sold.

Sales in volume (million kWh)[1]	**1 April 2003 to 31 March 2004**	**1 April 2004 to 31 March 2005**	**1 April 2005 to 31 March 2006**	**1 April 2005 to 30 September 2005**	**1 April 2006 to 30 September 2006**
Town Gas					
Residential	592.7	575.2	577.5	288.2	292.0
Commercial	724.5	720.9	749.5	373.8	376.8
Industrial	45.6	50.0	55.0	25.3	30.5
Sub-total	1,362.8	1,346.1	1,382.0	687.3	699.3
Natural Gas					
Commercial	0.4	1.2	1.6	0.7	0.8
Industrial	—	4.4	18.7	6.1	22.2
Sub-total	0.4	5.6	20.3	6.8	23.0
LPG	6.2	5.7	5.4	2.9	2.6
Total	**1,369.4**	**1,357.4**	**1,407.7**	**697.0**	**724.9**

Note:

(1) $1m^3 = 5.175$ kWh

As the tables above show, and further discussed below, City Gas's gas sales depend primarily on the sales of town gas, particularly to residential and commercial customers. Growth in sales of town gas and natural gas to industrial customers have also contributed to City Gas's gas sales for the year ended 31 March 2006.

Fuel Costs

City Gas produces its town gas at Senoko Gasworks, which has a production capacity of up to 313.9 million m^3 of town gas per annum. Senoko Gasworks produced 268.6 million m^3, 262.4 million m^3 and 269.4 million m^3 of town gas in FY 2004, FY 2005 and FY 2006, and 135.0 million m^3 and 136.0 million m^3, for the six months ended 30 September 2005 and 2006, respectively. While Senoko Gasworks had historically used naphtha to produce town gas, City Gas had in October 2003 started to convert Senoko Gasworks to use natural gas, instead of naphtha, as the primary feedstock to produce town gas as it is more cost-efficient to produce town gas from natural gas. In line with this, the proportion of natural gas used increased from approximately 23% in FY 2004 to approximately 70% in FY 2005 and approximately 90% in FY 2006. As at July 2006, almost all town gas produced at Senoko Gasworks is produced from natural gas.

In September 2003, City Gas entered into a long-term gas purchase agreement with GSPL. Under this agreement, City Gas is entitled to purchase up to 112 thousand billion Btu of natural gas over a 20-year period expiring in September 2023 and is committed to purchase at least 55% of the annual contracted quantity between the third and 20th year of this agreement. City Gas is currently purchasing close to 100% of the annual contracted quantity.

For FY 2006 and the period of six months ended 30 September 2006, fuel costs were City Gas's single largest cost component in producing and supplying town gas. Under the existing gas industry regulatory framework, City Gas is allowed to seek a review of the fuel component of the town gas tariffs approved by EMA to reflect increases or decreases in the price of fuel from time to time. The adjustments for town gas tariffs from January 2002 to July 2006 set out above were made primarily to reflect increases in the blended average price of fuel which is the main component of City Gas's costs. The reduction in town gas tariffs in January 2007 was made primarily to reflect a reduction in the price of fuel.

Transportation Costs

City Gas supplies its town gas through the Network (as defined herein) owned and operated by PowerGas. PowerGas charges City Gas a transportation cost for carrying town gas through the Network. The transportation cost charged by PowerGas is also regulated by EMA, and is charged based on the volume of gas carried. Changes in transportation cost charged by PowerGas must be approved by the EMA. City Gas paid transportation costs of S$69.2 million, S$68.2 million and S$68.0 million in FY 2004, FY 2005 and FY 2006, and S$34.0 million and S$34.1 million, for the six months ended 30 September 2005 and 2006, respectively, to PowerGas.

For FY 2006 and the six months ended 30 September 2006, transportation cost is City Gas's second largest cost component in producing and supplying town gas. Under the existing gas industry regulatory framework, the transportation component of the town gas tariffs approved by EMA reflects the transportation cost that City Gas has to pay to PowerGas.

Other Operating Expenses

Aside from fuel and transportation costs, City Gas has to manage its other costs in producing and supplying town gas within the other components of the town gas tariffs approved by EMA. Such other costs include production costs, manpower and after-sales services. An example of such other costs is the agency fees paid by City Gas to SP Services to act as its agent for gas-meter reading, billing and collection of its fees and charges for the supply of town gas. City Gas pays agency fees to SP Services based on the number of customer accounts and meters. These agency fees amounted to S$6.6 million, S$7.2 million and S$7.4 million in FY 2004, FY 2005 and FY 2006, and S$3.7 million and S$3.8 million for the six months ended 30 September 2005 and 2006, respectively.

PRINCIPAL COMPONENTS OF INCOME STATEMENT — CITY GAS

Set forth below is a discussion of the principal components of City Gas's income statement:

Revenue

Revenue comprised sales of town gas, natural gas and LPG. Sales of town gas comprised 99% of total gas sales for FY 2004, FY 2005 and FY 2006. Sales of town gas to residential customers comprised 44.7%, 44.1% and 43.9%, while sales of town gas to commercial customers comprised 52.3%, 52.5% and 52.2%, of total sales of town gas for FY 2004, FY 2005 and FY 2006, respectively, with sales of town gas to industrial customers making up the balance of revenue.

Other income

Other income comprised mainly fees and services for gas supply-related activities, income from installation work, interest income and (for FY 2006) gains from a fuel hedge entered into in July 2005, which had expired in March 2006.

Fuel and electricity costs

Fuel costs comprised mainly the purchase price of naphtha and natural gas, which are used to produce town gas at Senoko Gasworks. Costs of naphtha accounted for 76.1%, 42.9% and 12.1%, while costs of natural gas accounted for 17.4%, 50.2% and 83.3%, of total fuel and electricity costs for FY 2004, FY 2005 and FY 2006, respectively, in line with City Gas's efforts to convert Senoko Gasworks to use natural gas, instead of naphtha, as the primary feedstock in producing town gas.

Electricity costs are regarded as part of the costs of producing town gas and fall within the other expenses component of the town gas tariffs approved by EMA.

Transportation costs

Transportation costs represented the costs paid by City Gas to PowerGas for supplying its town gas through the Network. Under the existing gas industry regulatory framework, transportation costs are regulated by EMA.

Staff costs

Staff costs comprised mainly wages and salaries, employer's contribution to defined contribution plans (including the Central Provident Fund) and certain termination and other benefits. City Gas carried out a voluntary retrenchment exercise in FY 2004 and FY 2005, which resulted in the retrenchment of 27 and 33 employees at the cost of S$2.2 million and S$2.1 million, respectively. City Gas's employees numbered 261, 225 and 226 as at the end of FY 2004, FY 2005 and FY 2006, respectively.

Depreciation

Depreciation comprised mainly depreciation of property, plant and equipment, in particular in respect of Senoko Gasworks.

Bad debts written off

Bad debts written off represented billings to customers which cannot be collected and have to be written off.

Allowances for doubtful trade receivables

Allowances for doubtful trade receivables are made against billings to customers.

Other operating expenses

Other operating expenses comprised mainly purchases of spare parts, accessories and materials, maintenance expenses, administrative expenses (including the agency fees payable to SP Services), and costs incurred in converting Senoko Gasworks to move towards using natural gas as the primary feedstock in producing town gas and marketing expenses.

Income tax expense

Income tax expense comprised tax on the income earned by City Gas.

RESULTS OF OPERATIONS — CITY GAS

The following table sets out City Gas's results of operations for FY 2004, FY 2005 and FY 2006 and for the six months ended 30 September 2005 and 2006:

S$'000	1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005	1 April 2005 to 31 March 2006	1 April 2005 to 30 September 2005	1 April 2006 to 30 September 2006
Revenue	202,010	201,708	214,841	103,780	116,065
% change		(0.1%)	6.5%		11.8%
Other income	2,925	2,768	6,582	1,869	1,753
Fuel and Electricity costs	(57,090)	(61,202)	(77,694)	(36,368)	(44,345)
Transportation costs	(69,229)	(68,203)	(67,973)	(33,955)	(34,067)
Staff costs	(19,126)	(17,127)	(15,183)	(7,638)	(10,215)
Depreciation	(9,886)	(10,218)	(10,876)	(5,410)	(5,336)
Bad debts written off	(686)	(973)	(856)	—	—
Allowances for doubtful trade receivables	(4,941)	(1,179)	(572)	—	(335)
Other operating expenses	(22,622)	(23,255)	(25,798)	(12,379)	(11,460)
Total expenses	(183,580)	(182,157)	(198,952)	(95,750)	(105,758)
% change		(0.8%)	9.2%		10.5%
Profit before income tax	21,355	22,319	22,471	9,899	12,060
% margin	10.6%	11.1%	10.5%	9.5%	10.4%
% change		4.5%	0.7%		21.8%
Income tax expense	(3,507)	(4,640)	(4,547)	(2,054)	(3,299)
Net profit after tax	17,848	17,679	17,924	7,845	8,761
% margin	8.8%	8.8%	8.3%	7.6%	7.6%
% change		(0.9%)	1.4%		11.7%

DISCUSSIONS OF RESULTS OF OPERATIONS FOR RELEVANT PERIODS — CITY GAS

Comparison between the six months ended 30 September 2006 and 2005

Revenue. Revenue increased by S$12.3 million or 11.8% from S$103.8 million for the six months ended 30 September 2005 to S$116.1 million for the six months ended 30 September 2006. This was due to a continued increase in sales, marketing and promotion efforts leading to increases in the volume of town gas sold to all three town gas customer segments (residential, commercial and industrial) and increases in the volume of natural gas sold to industrial customers, offset by a slight reduction in LPG sales. Increases in fuel costs, which led to adjustments in town gas tariffs approved by EMA in July 2006, also accounted for part of the increase in revenue.

Other income. Other income decreased by S$0.1 million or 6.2% from S$1.9 million for the six months ended 30 September 2005 to S$1.8 million for the six months ended 30 September 2006 due mainly to a one-off gain from a fuel hedge entered into in July 2005, which expired in March 2006 (City Gas does not have any other fuel hedge aside from this expired hedge). However, the decrease was offset by an increase in income from installation work and interest income.

Fuel and electricity costs. Fuel and electricity costs increased by S$8.0 million or 21.9% from S$36.4 million for the six months ended 30 September 2005 to S$44.3 million for the six months ended 30 September 2006 due mainly to increased fuel prices and an increased consumption of natural gas (as feedstock for town gas production) in order to meet the increased volume of gas sales.

Transportation costs. Transportation costs remained largely unchanged with a slight increase of S$0.1 million or 0.3% from S$34.0 million for the six months ended 30 September 2005 to S$34.1 million for the six months ended 30 September 2006 due to increased volume of gas sales and offset by reductions in transportation costs for certain market segments.

Staff Costs. Staff costs increased by S$2.6 million or 33.7% from S$7.6 million for the six months ended 30 September 2005 to S$10.2 million for the six months ended 30 September 2006 mainly due to employee termination benefits in relation to the winding down of its China subsidiary, an increase of unutilised leave provisions and salary increments.

Depreciation. Depreciation remained largely unchanged with a slight decrease of S$0.1 million or 1.4% from S$5.4 million for the six months ended 30 September 2005 to S$5.3 million for the six months ended 30 September 2006.

Allowances for doubtful trade receivables. Allowances for doubtful debts increased by S$0.3 million from nil for the six months ended 30 September 2005, to S$0.3 million for the six months ended 30 September 2006 as City Gas began to make general provisions for doubtful debts on a monthly basis as opposed to the previous practice of making provisions for doubtful debts only at the end of the financial year.

Other operating expenses. Other operating expenses decreased by S$0.9 million or 7.4% from S$12.4 million for the six months ended 30 September 2005 to S$11.5 million for the six months ended 30 September 2006 mainly due to an overall reduction in maintenance and marketing expenses, offset by an increase in administrative expense.

Total expenses. As a result of the above, total expenses increased by S$10.0 million or 10.4% from S$95.7 million for the six months ended 30 September 2005 to S$105.8 million for the six months ended 30 September 2006.

Profit before income tax. As a result of the above, profit before income tax increased by S$2.2 million or 21.8% from S$9.9 million for the six months ended 30 September 2005 to S$12.1 million for the six months ended 30 September 2006.

Income tax expense. Income tax expense increased by S$1.2 million or 60.6% from S$2.1 million for the six months ended 30 September 2005 to S$3.3 million for the six months ended 30 September 2006 due mainly to an increase in profits before tax by S$2.2 million from S$9.9 million for the six months ended 30 September 2005 to S$12.1 million for the six months ended 30 September 2006, and under-provision of tax in the previous year by S$0.7 million for the six months ended 30 September 2006.

Net profit after tax. As a result of the above, net profit after tax increased by S$0.9 million or 11.7% from S$7.8 million for the six months ended 30 September 2005 to S$8.8 million for the six months ended 30 September 2006.

Comparison between FY 2006 and FY 2005

Revenue. Revenue increased by S$13.1 million or 6.5% from S$201.7 million in FY 2005 to S$214.8 million in FY 2006 as increased sales, marketing and promotion efforts led to a slight increase in the volume of town gas sold to residential customers and stronger increases in the volume of town gas sold to commercial customers and of natural gas to industrial customers. Increase in fuel costs, which led to adjustments in town gas tariffs approved by EMA in November 2005, also accounted for part of the increase in revenue.

Other income. Other income increased by S$3.8 million or 137.8% from S$2.8 million in FY 2005 to S$6.6 million in FY 2006 due mainly to a one-off gain from a fuel hedge entered into in July 2005, which expired in March 2006, and increases in miscellaneous income (such as sales of gas appliances and interest income), offset by a decline in income from installation work.

Fuel and electricity costs. Fuel and electricity costs increased by S$16.5 million or 26.9% from S$61.2 million in FY 2005 to S$77.7 million in FY 2006 due mainly to increased fuel prices.

Transportation costs. Transportation costs declined by S$0.2 million or 0.3% from S$68.2 million in FY 2005 to S$68.0 million in FY 2006 despite increased volume of gas sales due to reductions in transportation costs for commercial and industrial customers who enjoy volume discounts.

Staff Costs. Staff costs declined by S$1.9 million or 11.3% from S$17.1 million in FY 2005 to S$15.2 million in FY 2006 as staff costs in FY 2005 included a charge for a voluntary retrenchment exercise undertaken (such change being amounts paid to staff who agreed to retire voluntarily pursuant to such exercise).

Depreciation. Depreciation increased by S$0.7 million or 6.4% from S$10.2 million in FY 2005 to S$10.9 million in FY 2006 due to an upgrading of City Gas's computer system.

Bad debts written off. Bad debts declined by S$0.1 million or 12.0% from S$1.0 million in FY 2005 to S$0.9 million in FY 2006 as a result of increased efforts by City Gas in managing its trade receivables.

Allowances for doubtful trade receivables. Allowances for doubtful debts declined by S$0.6 million or 51.5% from S$1.2 million in FY 2005 to S$0.6 million in FY 2006 as a result of the increased efforts by City Gas to manage the collections of its trade receivables.

Other operating expenses. Other operating expenses increased by S$2.5 million or 10.9% from S$23.3 million in FY 2005 to S$25.8 million in FY 2006 as City Gas stepped up its sales, marketing and promotion efforts to increase sales and also increased maintenance at Senoko Gasworks.

Total expenses. As a result of the above, total expenses increased by S$16.8 million or 9.2% from S$182.2 million in FY 2005 to S$199.0 million in FY 2006.

Profit before income tax. As a result of the above, profit before income tax increased by S$0.2 million or 0.7% from S$22.3 million in FY 2005 to S$22.5 million in FY 2006.

Income tax expense. Income tax expense remained largely unchanged at S$4.6 million in both FY 2005 and FY 2006.

Net profit after tax. As a result of the above, net profit after tax increased by S$0.2 million or 1.4% from S$17.7 million in FY 2005 to S$17.9 million in FY 2006.

Comparison between FY 2005 and FY 2004

Revenue. Revenue declined by S$0.3 million or 0.1% from S$202.0 million in FY 2004 to S$201.7 million in FY 2005 due mainly to lower volume of town gas sales to residential customers, offset by increased sales of town gas to other segments and increased sales of natural gas.

Other income. Other income decreased by S$0.1 million or 5.4% from S$2.9 million in FY 2004 to S$2.8 million in FY 2005 due to lower fees and services for gas supply-related activities and income from installation work, offset by increase in interest income and sale of gas appliances.

Fuel and Electricity Costs. Fuel and electricity costs increased by S$4.1 million or 7.2% from S$57.1 million in FY 2004 to S$61.2 million in FY 2005 due to increased fuel prices.

Transportation costs. Transportation costs declined by S$1.0 million or 1.5% from S$69.2 million in FY 2004 to S$68.2 million in FY 2005 as a result of a decline in volume of town gas sold.

Staff costs. Staff costs declined by S$2.0 million or 10.4% from S$19.1 million in FY 2004 to S$17.1 million in FY 2005 as a result of savings from the reduced headcount following the voluntary retrenchment exercise undertaken in FY 2004, which was partially offset by a charge for the voluntary retrenchment exercise undertaken in FY 2005.

Depreciation. Depreciation increased marginally by S$0.3 million or 3.4% from S$9.9 million in FY 2004 to S$10.2 million in FY 2005 as a result of increased capital expenditure incurred in connection with the conversion of the Senoko Gasworks to using natural gas, as the primary feedstock in producing town gas.

Bad debts written off. Bad debts increased by S$0.3 million or 41.8% from S$0.7 million in FY 2004 to S$1.0 million in FY 2005 as City Gas wrote off uncollectible bad debts.

Allowances for doubtful trade receivables. Allowances for doubtful debts declined by S$3.8 million or 76.1% from S$4.9 million in FY 2004 to S$1.2 million in FY 2005. City Gas had made allowances of S$4.9 million in FY 2004 to increase its total allowances for doubtful debts to S$5.0 million and, in light of this, a smaller amount of allowance was needed for FY 2005.

Other operating expenses. Other operating expenses increased by S$0.7 million or 2.8% from S$22.6 million in FY 2004 to S$23.3 million in FY 2005 due to increases in the agency fees payable to SP Services which was partially offset by lower spending on sales, marketing and promotion efforts.

Total expenses. As a result of the above, total expenses declined by S$1.4 million or 0.8% from S$183.6 million in FY 2004 to S$182.2 million in FY 2005.

Profit before income tax. As a result of the above, profit before income tax increased by S$0.9 million or 4.5% from S$21.4 million in FY 2004 to S$22.3 million in FY 2005.

Income tax expense. Income tax expense increased by S$1.1 million or 32.3% from S$3.5 million in FY 2004 to S$4.6 million in FY 2005 to reflect increase in profit before income tax.

Net profit after tax. As a result of the above, net profit after tax declined by S$0.1 million or 0.9% from S$17.8 million in FY 2004 to S$17.7 million in FY 2005.

LIQUIDITY AND CAPITAL RESOURCES

Historical liquidity needs and capital resources — City Gas and SingSpring

City Gas's primary liquidity needs have historically been in relation to financing its operations, working capital needs and capital expenditure. Working capital is required principally to finance trade receivables and inventory. Capital expenditure consists primarily of works and improvements on Senoko Gasworks, including works to convert it to use natural gas, instead of naphtha, as the primary feedstock in producing town gas.

Except for the conversion works in respect of Senoko Gasworks described above, City Gas did not have any material expenditure, capital investment or make any divestments (including any interest in any corporation other than CityGas China Pte Ltd, which has been placed under voluntary liquidation) for the three years ended 31 March 2006 and since 1 April 2006 up to the Latest Practicable Date.

While City Gas had in place credit facilities as at 31 March 2006, City Gas had not drawn down on any external borrowings and has relied on its cash flows from operating activities to fund its primary liquidity needs and dividend payments for the last three and a half years ended 30 September 2006.

SingSpring's primary liquidity needs have been in relation to financing the construction and the operations of the SingSpring Plant, financed through funds drawn pursuant to the project debt incurred by SingSpring for the construction of the SingSpring Plant, shareholders' loans and revenue received from PUB pursuant to the WPA.

Future liquidity needs and capital resources — City Gas and SingSpring

The City Gas Trustee and SingSpring Trustee expect their future primary liquidity needs to include financing their respective operations, working capital needs, capital expenditures and principal repayment of bank loans and interest expenses, as well as to fund distributions to holders of units in the City Gas Trust and the City Gas Notes and to holders of units in the SingSpring Trust and the SingSpring Notes, respectively.

As at the Latest Practicable Date, neither City Gas nor SingSpring had any material commitments for capital expenditures or material capital investment which is being made or divested. City Gas has made no provisions in relation to the conversion of the gas supply network to carry natural gas only as there is no certainty as to when such conversion will be implemented and the costs that would be incurred. City Gas may seek debt financing to fund the costs involved in the conversion of the Network.

In January 2007, the City Gas Trustee and the SingSpring Trustee entered into the New City Gas Loan and the New SingSpring Loan, the proceeds of which will be used to pay part of the purchase price of the business undertakings of City Gas and SingSpring, respectively, upon the Listing.

Based upon City Gas's current level of operations, the Directors of the Trustee-Manager, in their reasonable opinion believe, and the City Gas Trustee, in its reasonable opinion believes, that City Gas's cash flows from operating activities, cash and cash equivalents, the net proceeds of the issue of the units in the City Gas Trust and the City Gas Notes and existing credit facilities, which includes the working capital facility that City Gas entered into in January 2007, and which is described in further detail in "Interested Person Transactions and Potential Conflict of Interests — Present and Ongoing Interested Persons Transactions of City Gas — Bank Facility with DBS Bank", will be adequate to meet City Gas's anticipated cash requirements for working capital, capital expenditures, payments of interest under the New City Gas Loan and distributions to holders of units in the City Gas Trust and the City Gas Notes for the next 12 months.

Based upon SingSpring's current level of operations, the Directors of the Trustee-Manager, in their reasonable opinion believe, and the SingSpring Trustee in its reasonable opinion believes, that SingSpring's cash flows from operating activities and cash and cash equivalents will be adequate to meet SingSpring's anticipated cash requirements for working capital, payments of principal and/or interest under the New SingSpring Loan and distributions to holders of units in the SingSpring Trust and the SingSpring Notes for the next 12 months.

Cash Flows — City Gas

The following table summarises City Gas's cash flows for FY 2004, FY 2005 and FY 2006 and for the six months ended 30 September 2005 and 2006:

S$ ('000)	1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005	1 April 2005 to 31 March 2006	1 April 2005 to 30 September 2005	1 April 2006 to 30 September 2006
Net cash from operating activities	30,208	35,576	35,735	14,676	6,420
Net cash used in investing activities	(1,420)	(62,104)	(760)	(1,025)	(35,627)
Net cash used in financing activities	(35,000)	—	—	—	—
Net (decrease)/ increase in cash and cash equivalents	(6,212)	(26,528)	34,975	13,651	(29,207)
Cash and cash equivalents at beginning of year/period	52,621	46,409	19,881	19,881	54,856
Cash and cash equivalents at end of year/ period	46,409	19,881	54,856	33,532	25,649

Net Cash from Operating Activities

Net cash flow from operating activities was S$30.2 million, S$35.6 million and S$35.7 million in FY 2004, FY 2005 and FY 2006, and S$14.7 million and S$6.4 million for the six months ended 30 September 2005 and 2006, respectively.

The decrease in cash flow from operating activities for the six months ended 30 September 2006 as compared to the six months ended 30 September 2005 is mainly due to increases in inventories and in trade and other receivables and decrease in trade and other payables. Inventories increased due to naphtha build-up: following the conversion of the Senoko Gasworks to use natural gas (instead of naphtha) as the primary feedstock in producing town gas, City Gas purchased naphtha less frequently, but in greater volume each time so as to minimise having to pay higher unit costs. These purchase patterns also accounted for the decrease in trade and other payables. Trade and other receivables increased in line with the increase in sales.

The increase in cash flow from operating activities in FY 2005 as compared to FY 2004 is mainly due to changes in working capital, primarily from improvement in trade and other receivables.

Net Cash Used in Investing Activities

Net cash used in investing activities was S$1.4 million, S$62.1 million and S$0.8 million in FY 2004, FY 2005 and FY 2006, and S$1.0 million and S$35.6 million, for the six months ended 30 September 2005 and 2006, respectively.

For the six months ended 30 September 2006, City Gas made a loan of S$36.0 million to its holding company of which S$17.0 million was repaid by way of a set-off against a dividend of S$17.0 million declared by City Gas; there were no actual cash flows involved in this set-off. The balance of this loan will be repaid before the Listing.

In FY 2005, City Gas made a loan of S$60.0 million to its holding company. In FY 2006, S$35.0 million of this loan was repaid by way of a set-off against a dividend of S$35.0 million declared by City Gas; there were no actual cash flows involved in this set-off.

Net Cash Used in Financing Activities

Net cash used in financing activities was S$35.0 million in FY 2004 and nil in FY 2005, FY 2006, and for the six months ended 30 September 2005 and 2006, respectively.

In FY 2004, City Gas paid a dividend of S$35.0 million to its holding company. In FY 2006, City Gas declared a dividend of S$35.0 million, which was set-off against S$35.0 million of the loan owing to City Gas from its holding company; there were no actual cash flows involved in this set-off.

Other Contractual Obligations and Commitments — City Gas and SingSpring

City Gas's other contractual obligations and commitments as at 31 March 2006 consisted of its operating lease commitments and gas purchase commitment. As at that date, City Gas's future aggregate minimum lease payments under non-cancellable operating leases amounted to S$0.9 million within one year and S$1.3 million after one year but within five years. In September 2003, City Gas entered into a Gas Purchase Agreement with GSPL. Under the Gas Purchase Agreement, City Gas is entitled to purchase up to 112 thousand billion Btu of natural gas over a period of 20 years (expiring in 2023) and at least 55% of the annual contracted quantity (which is 5,748 billion Btu per year) must be purchased by City Gas between the third year and 20th year of the Gas Purchase Agreement. City Gas is currently purchasing close to 100% of the annual contracted quantity.

As at 31 March 2006, SingSpring holds four financial derivatives, namely one interest rate swap and three fuel swaps. The interest rate swap (expiring in 2014) is used to hedge at least 75% of the interest rate risks of the project debt incurred by SingSpring for the construction of the SingSpring Plant. The interest rate swap is expected to be novated and applicable to the New SingSpring Loan. The fuel swaps are used to hedge part of SingSpring's fuel exposures to the risk that energy prices required to operate the SingSpring Plant may be higher (though energy prices might also be lower) than the fixed and variable energy components of the Capacity and Output Payments receivable from PUB for the first three years of its commercial operations ending December 2008.

FINANCIAL RISK MANAGEMENT

The activities of City Gas, SingSpring and CitySpring expose them to a variety of financial risks, including the effects of changes in foreign currency exchange rate, credit, interest rate, liquidity and fuel price. Risk management is integral to their business, with their overall risk management programme focusing on the unpredictability of financial markets and seeking to minimise potential adverse effects on their financial performance.

Foreign exchange risk

City Gas's business is exposed to foreign exchange risk arising from currency exposure primarily with respect to US dollars. City Gas manages its foreign exchange risk by primarily purchasing and accumulating US dollars as well as entering into forward contracts, when the rate of the US dollar against the Singapore dollar is low.

SingSpring is exposed to an embedded foreign currency risk as the fuel prices on purchase of electricity is denominated in US dollars.

SingSpring aims to reduce its exposure to fluctuations between the US dollar and the Singapore dollar. It has arranged for the settlement of its electricity charges and commodity swaps in Singapore dollars, which are computed using the same average exchange rate for the month of consumption.

Except in situations when the SingSpring Plant runs at an operating capacity which exceeds the anticipated capacity used by SingSpring in entering into hedging transactions, SingSpring's exposure to foreign currency risk is minimal as its revenue and other major operating expenses are denominated in Singapore dollars.

Credit risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle its financial and contractual obligations as and when they fall due.

Due to the nature of its customer base, City Gas has no significant concentration of credit risk of trade debt. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of gas sales accounts. City Gas has appointed SP Services as its billing and collection agent.

SingSpring has a significant concentration of credit risk to PUB, which is its only customer. Under the WPA, SingSpring must make available all of the SingSpring Plant's capacity, and supply water from the SingSpring Plant, to PUB only. SingSpring may not, without PUB's consent, make available the SingSpring Plant's capacity, or supply water from the SingSpring Plant, to any other person.

Cash and fixed deposits are placed with banks and financial institutions which are regulated and have sound credit ratings. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

City Gas and SingSpring obtain additional financing through bank loans. Their policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, SingSpring and City Gas enter into and may enter into interest rate swaps from time to time. The interest rate swaps allow them to reduce variability in cash flows arising from interest rate fluctuations.

Surplus funds are placed with reputable banks with sound credit ratings. Information relating to interest rate exposure is also disclosed in the notes on borrowings in the financial statements included elsewhere in this Prospectus.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Regular cash management and monitoring activities ensure that City Gas and SingSpring are not faced with significant liquidity risk.

Commodity price risk

Under the existing gas industry regulatory framework, the fuel component of the town gas tariffs approved by EMA may be adjusted from time to time to reflect increases in fuel costs, which is one of City Gas's largest cost components in producing and supplying town gas.

Electricity is a major component in the total operating costs of the SingSpring Plant. The cost of electricity is affected by the volatility in fuel prices and consequently, SingSpring is exposed to fuel price risk on purchase of electricity. SingSpring manages its fuel price risk by entering into fuel swaps to hedge this risk based on anticipated capacity demand of the SingSpring Plant so as to provide SingSpring with protection against sudden and significant increases in fuel prices. This in turn helps to reduce variability in cash flows arising from fuel price fluctuations.

TAXATION

A description of the Singapore taxation rules relevant to City Gas Trust, SingSpring Trust, CitySpring and the Unitholders is set forth under "Taxation".

PROFIT AND CASH FLOW PROJECTIONS

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out on pages 76 and 85 of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy or reasonableness of the underlying assumptions by CitySpring, the Trustee-Manager, the Sponsor, the Underwriters, the Joint Financial Advisers or any other person, or that these results will be achieved or are likely to be achieved. See "Forward-looking Statements" and "Risk Factors". Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.

None of CitySpring, the Trustee-Manager, the Sponsor, the Underwriters, the Joint Financial Advisers or any other person guarantees the performance of CitySpring, the repayment of capital or the payment of any distributions, or any particular return on the Units.

The following tables set forth CitySpring's projected pro forma income statements and cash flow statements for the two-month period from 1 February 2007 to 31 March 2007 (the "**Projection Period 2007**") and the 12-month period from 1 April 2007 to 31 March 2008 (the "**Projection Year 2008**"). The financial year end of CitySpring is 31 March. CitySpring's first accounting period is for the period from 8 January 2007, being the date of its registration with the Authority, to 31 March 2008 and its next accounting period will be for the period from 1 April 2008 to 31 March 2009.

The distribution per Unit for the Projection Period 2007 is calculated on the assumption that the Units are issued on 1 February 2007 and are eligible for distributions arising from operations from 1 February 2007 to 31 March 2007. Notwithstanding that the Projection Period 2007 commenced prior to the Listing Date, the profit and cash flow projections for the period from 1 February 2007 to 31 March 2007 would still be valid based on the assumptions set out on pages 76 and 85 of this Prospectus. However, since the Units will be issued at a later date, the actual distribution per Unit for the Projection Period 2007 will differ as investors will only be entitled to distributions arising from operations from the date of issue of the Units to 31 March 2007.

The profit and cash flow projections are based on the assumptions set out in this section of the Prospectus. Investors in the Units should read the whole of this "Profit and Cash Flow Projections" section together with the report set out in Appendix B, "Reporting Auditors' Report on the Profit and Cash Flow Projections".

PRO FORMA PROJECTED INCOME STATEMENT

	Group	
	Projection Period 2007[1]	Projection Year 2008[2]
	S$'000	S$'000
Revenue	41,721	262,005
Other income	5,119	1,347
Total operating expenses	(46,451)[3]	(244,261)[3]
Fuel and electricity costs	(13,879)	(88,457)
Transportation costs	(11,152)	(69,033)
Operating and maintenance costs	(1,149)	(7,113)
Energy costs	(2,084)	(12,902)
Staff costs	(2,553)	(15,677)
Depreciation and amortisation	(3,232)	(20,012)
Unit issue expenses[4]	(6,323)	—
Other operating expenses	(6,079)	(31,067)
Management fee	(566)	(3,500)
Total net finance costs	(2,077)	(12,842)
Net finance costs from borrowings	(1,920)	(11,868)
Net finance costs from minority interest	(157)	(974)
(Loss)/profit before income tax	(2,254)	2,749
Income tax expense	—	—
Net (loss)/profit after tax	(2,254)	2,749
Attributable to:		
Unitholders of CitySpring	(3,374)	4,912
Minority interest	1,120	(2,163)
	(2,254)	2,749
(Loss)/earnings per unit (cents)	(0.75)	1.1

Notes:

(1) Projection Period 2007 is defined as the period from 1 February 2007 to 31 March 2007.

(2) Projection Year 2008 is defined as the period from 1 April 2007 to 31 March 2008.

(3) Operating expenses include projected trustee fees of S$6,466 and S$40,000 for the Projection Period 2007 and Projection Year 2008, respectively, which are eliminated upon consolidation.

(4) Unit issue expenses are recognised in the income statement in accordance with Singapore Financial Reporting Standard 32 (2004) — Financial Instruments: Disclosure and Presentation.

PRO FORMA PROJECTED CASH FLOW STATEMENT

	Group	
	Projection Period 2007	Projection Year 2008
	S$'000	**S$'000**
Cash flows from operating activities		
Net (loss)/profit	(2,254)	2,749
Adjustments for:		
Depreciation and amortisation	3,232	20,012
Finance costs	2,107	13,027
Interest income	(30)	(185)
Other income	(4,907)	—
Expenses paid from proceeds raised	6,974	—
Operating cash flows before working capital changes	5,122	35,603
Changes in operating assets and liabilities		
Trade, lease and other receivables	1,566	5,842
Inventories	(433)	—
Trade and other payables	(1,191)	345
Cash generated from operation	5,064	41,790
Income tax paid	—	(25,294)
Net cash from operating activities	5,064	16,496
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(200)
Interest received	30	185
Acquisition of subsidiaries, net of cash acquired	(647,203)	—
Net cash used in investing activities	(647,173)	(15)
Cash flows from financing activities		
Net proceeds raised from issue of units	384,055	—
Proceeds from notes payable issued to minority interest	15,000	—
Proceeds from borrowings	284,231	1,575
Repayment of borrowings	(565)	(3,050)
Interest paid	(2,072)	(12,607)
Distribution to Unitholders	(4,321)	(27,000)
Net cash from/(used in) financing activities	676,328	(41,082)
Net increase/(decrease) in cash and cash equivalents	34,219	(24,601)
Cash and cash equivalents at beginning of period/year	—	34,219
Cash and cash equivalents at end of period/year	34,219	9,618

The projected yields stated in the following table are calculated based on (i) the Minimum Offering Price and the Maximum Offering Price and (ii) the assumption that the Listing Date is 1 February 2007. Such yields will vary accordingly if the Listing Date is after 1 February 2007 or in relation to investors who purchase Units in the secondary market at a market price that differs from the Minimum Offering Price and the Maximum Offering Price or to investors who do not hold the Units for the whole of the Projection Period 2007 or Projection Year 2008.

	Based on the Minimum Offering Price		Based on the Maximum Offering Price	
	Projection Period 2007	Projection Year 2008	Projection Period 2007	Projection Year 2008
Issue price (S$)	0.77	0.77	0.89	0.89
Projected distribution (S$'000)	4,321	27,000	4,321	27,000
Number of Units (million)	450	450	450	450
Market Capitalisation (S$'000)	346,500	346,500	400,500	400,500
Distribution per Unit (Scents)	1.0	6.0	1.0	6.0
Annualised distribution yield (%)	7.7%	7.8%	6.7%	6.7%

Income Statements Material Assumptions

The Trustee-Manager has prepared the profit projections for the Projection Period 2007 and Projection Year 2008 based on the Offering Price and the material assumptions listed below. The Trustee-Manager considers these assumptions to be appropriate and reasonable as at the Latest Practicable Date. However, investors should consider these assumptions as well as the profit projections and make their own assessment of the future performance of CitySpring.

(I) Revenue

	Group Revenue	
	Projection Period 2007	Projection Year 2008
	S$'000	**S$'000**
City Gas revenue	37,172	233,851
SingSpring revenue	4,549	28,154
Total revenue	**41,721**	**262,005**

City Gas

	City Gas Revenue and Volume	
	Projection Period 2007	Projection Year 2008
Town gas		
Revenue (S$'000)	36,657	228,031
Volume (million kWh)	227	1,404
Natural gas		
Revenue (S$'000)	375	4,951
Volume (million kWh)	6	81
LPG		
Revenue (S$'000)	140	869
Volume (million kWh)	1	5

Revenue consists primarily of sales of town gas, which is projected to be S$36.7 million and S$228.0 million for the Projection Period 2007 and the Projection Year 2008, respectively. Revenue from town gas is projected to represent 98.6% and 97.5% of City Gas total revenue for the Projection Period 2007 and Projection Year 2008, respectively. Revenue also consists, to a lesser extent, of sales of natural gas and LPG.

Town gas

Tariffs for town gas are determined based on the cost to City Gas of fuel, transportation of gas, and non-fuel components (which include, among other factors, the cost of production of town gas, manpower, and after-sales services). Through a quarterly tariff review process with the EMA, City Gas seeks to ensure that its costs are adequately reflected in the tariffs, including the recovery of costs arising from fuel price volatility and transportation of town gas. The projected average tariff for the Projection Period 2007 and Projection Year 2008 are 16.1 Scents per kWh and 16.2 Scents per kWh, respectively. Tariffs are projected to rise primarily due to the assumption of an increase in fuel cost.

The volume of town gas sales is projected to be 227 million kWh and 1,404 million kWh for the Projection Period 2007 and Projection Year 2008, respectively. The volume of town gas sales within the residential segment is projected to grow marginally on an annualised basis, while the commercial segment is anticipated to face increased competition from LPG suppliers in the short term.

Natural gas

Natural gas revenue is projected to be S$0.4 million for the Projection Period 2007 and S$5.0 million for the Projection Year 2008. Volume of natural gas is projected to be 6 million kWh and 81 million kWh for the Projection Period 2007 and Projection Year 2008, respectively. On an annualised basis, the increase in natural gas sales is projected as part of City Gas's strategy to expand into complementary businesses.

LPG

LPG revenue is projected to be S$0.1 million for the Projection Period 2007 and S$0.9 million for the Projection Year 2008. On an annualised basis, LPG sales volume is projected to remain materially unchanged due to the continued supply of LPG to long-standing customers.

SingSpring

	SingSpring Revenue and Volume	
	Projection Period 2007	**Projection Year 2008**
	S$'000	**S$'000**
Finance lease income	973	5,909
Service income	1,858	11,527
Maintenance income	1,718	10,718
Total revenue	**4,549**	**28,154**
50% capacity utilisation (m^3 per day)	68,190	68,190

Revenue consists of finance lease income, service income, and maintenance income from the PUB.

The fixed capital component of the Capacity Payments under the WPA is apportioned between finance lease income, service income, and repayment of the finance lease receivable from the PUB. Finance lease income and service income are recognised in the income statement. Finance lease income is projected to be S$1.0 million and S$5.9 million for the Projection Period 2007 and Projection Year

2008, respectively. Service income is projected to be S$1.9 million and S$11.5 million for the Projection Period 2007 and Projection Year 2008, respectively. The repayment of the finance lease receivable is projected to be S$1.0 million and S$6.3 million for the Projection Period 2007 and Projection Year 2008, respectively.

Maintenance income represents income earned on the fixed O&M and energy components of the Capacity Payment and all of the Output Payments in accordance with the WPA, i.e. the variable O&M and energy components under the WPA. Maintenance income is projected to be S$1.7 million and S$10.7 million for the Projection Period 2007 and Projection Year 2008, respectively.

PUB has the right under the WPA to require SingSpring to supply water at 0% (in the case of no draw down of water) or between 23% and 100% (in the case of draw down of water) of the SingSpring Plant's capacity. The daily volume of water supplied to PUB from 16 December 2005 (beginning of commercial operations of SingSpring) to 30 September 2006 averaged 25% of the SingSpring Plant's operating capacity.

Capacity and Output Payments are based on the hypothetical assumption that the volume supplied by the SingSpring Plant will average 50% of its capacity during the Projection Period 2007 and Projection Year 2008. (See "Sensitivity Analysis — SingSpring Plant Capacity Utilisation Rate" below for the effects on the Projection Period 2007 and the Projection Year 2008, had the SingSpring Plant been operating at the operating capacity of 25%.)

SingSpring has assumed an average supply of water at 50% capacity for the following reasons. The assumed supply at 50% capacity is higher than the average supply at 25% capacity for the period from the commencement of commercial operations of the SingSpring Plant from 16 December 2005 to 30 September 2006, but takes into account PUB's right under the WPA to require SingSpring to supply water at a higher capacity within a day's notice. An assumption of supply at full (100%) capacity is not likely to be reasonable, as desalinated water is the most expensive form of water compared to the other sources of water supply available to the PUB (namely, local catchment water, imported water and NEWater) and a supply on a regular basis at this capacity during the projection periods is, in the Directors' view, less likely in comparison to a supply at 50% capacity. Further, as SingSpring only commenced commercial operations on 16 December 2005, SingSpring is unable to refer to a meaningful average historical supply volume. SingSpring thus deems a supply at 50% capacity, while being a hypothetical assumption made by the Directors of CitySpring in order to determine the profit projections of SingSpring Trust, a reasonable one to make in light of the above. This assumption of 50% capacity is also accepted for the purposes of the Project Facility Agreement that had been entered into in 2003 and in the New SingSpring Loan.

(See "The Initial Businesses — City Gas and SingSpring" for details, and also in the report in Appendix B — "Reporting Auditors' Report on the Profit and Cash Flow Projections".)

(II) Other Income

City Gas's other income consists primarily of fees and services from gas meter installation, cut-offs and replacements, and income from installation work and projects. Other income is projected to be S$0.2 million and S$1.3 million for the Projection Period 2007 and Projection Year 2008, respectively. The increase in other income on an annualised basis is primarily due to higher projected number of customers for the Projection Period 2007 and Projection Year 2008.

SingSpring's other income represents the excess of the net fair value of identifiable assets, liabilities and contingent liabilities over purchase consideration. This will not affect the projected distributions per Unit for the Projection Period 2007 because it is a non-cash item and is added back to net profit after tax in arriving at the cash available for distribution.

(III) Operating Expenses

	Group Operating Expenses	
	Projection Period 2007	Projection Year 2008
	S$'000	S$'000
City Gas	(34,633)	(217,422)
SingSpring	(4,251)	(25,379)
CitySpring	(1,250)	(1,500)
Unit issue expenses	(6,323)	—
Total operating expenses	(46,457)	(244,301)

CitySpring's operating expenses are projected to be S$1.3 million and S$1.5 million for the Projection Period 2007 and Projection Year 2008, respectively. Operating expenses include auditor and tax adviser fees, Unitholder reporting fees, investor communication expenses, printing and stationery fees, SGX-ST fees, and other miscellaneous expenses.

The costs associated with the issuance of the Units will be paid for by CitySpring. Those costs directly attributable to the issuance of the Units are charged against Unitholders' funds in the balance sheet and have no impact on net profit; those costs not directly attributable to the issuance of the Units are taken to the income statement. Unit issue expenses are projected to be S$15.9 million for the Projection Period 2007, of which S$6.3 million is taken into the income statement and S$9.6 million is charged against Unitholders' funds.

City Gas

	City Gas Operating Expenses[1]	
	Projection Period 2007	Projection Year 2008
	S$'000	S$'000
Fuel and electricity costs	(13,879)	(88,457)
Transportation costs	(11,152)	(69,033)
Staff costs	(2,553)	(15,677)
Depreciation	(1,507)	(9,339)
Other operating expenses	(4,440)	(28,096)
Amortisation of intangibles	(1,102)	(6,820)
Total operating expenses	(34,633)	(217,422)

1 Operating expenses include projected trustee fees of S$3,233 and S$20,000 for the Projection Period 2007 and Projection Year 2008, respectively, which are eliminated upon consolidation.

Fuel and electricity costs

Total fuel costs are projected to be S$13.0 million and S$82.6 million for the Projection Period 2007 and Projection Year 2008, respectively. Fuel costs consist primarily of the costs of natural gas and are projected to increase slightly due to the projected increase in natural gas prices. Fuel costs are recoverable from the fuel component of the town gas tariffs determined by the EMA. Natural gas prices are calculated based on a pre-determined formula pursuant to the Gas Purchase Agreement and are linked to HSFO 180 cst prices. HSFO 180 cst prices for the Projection Period 2007 and Projection Year 2008 are projected based on forward rates.

Electricity costs relate primarily to electricity used in the production of town gas at Senoko Gasworks and are projected to be S$0.9 million and S$5.9 million for the Projection Period 2007 and Projection Year 2008, respectively. Electricity costs are assumed to be primarily dependent on total gas sales volume.

Transportation

Transportation costs are projected to be S$11.2 million and S$69.0 million for the Projection Period 2007 and Projection Year 2008, respectively. Transportation costs are the costs incurred for the transportation of town gas manufactured at Senoko Gasworks to City Gas's town gas consumers. Transportation costs are regulated by the EMA as PowerGas, which owns and operates the town gas distribution network, is the sole gas transporter. Transportation costs form part of the total tariff charged to the customer. Transportation costs are projected to grow in line with sales volume growth.

Staff Costs

Staff costs consist of salaries, wages, CPF contributions and other benefits. Staff costs are projected to be S$2.6 million and S$15.7 million for the Projection Period 2007 and Projection Year 2008, respectively.

Depreciation

Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives, from three to 30 years. Depreciation is projected to be S$1.5 million and S$9.3 million for the Projection Period 2007 and Projection Year 2008, respectively. The depreciation charge will not affect the projected distributions per Unit for the Projection Period 2007 and Projection Year 2008 because it is a non-cash item and is added back to net profit after tax in arriving at the cash available for distribution.

Other Operating Expenses

Other operating expenses consist primarily of plant maintenance fees, agency fees, marketing expenses and insurance. Other operating expenses are projected to be S$4.4 million and S$28.1 million for the Projection Period 2007 and Projection Year 2008, respectively.

(See "The Initial Businesses — City Gas and SingSpring" for details.)

Amortisation of Intangibles

Amortisation of intangibles are projected to be S$1.1 million and S$6.8 million for the Projection Period 2007 and Projection Year 2008, respectively. The amortisation charge will not affect the projected distributions per Unit for the Projection Period 2007 and the Projection Year 2008 because it is a non-cash item and is added back to net profit after tax in arriving at the cash available for distribution.

(See section XI — "Goodwill/Intangibles" for details.)

SingSpring

	SingSpring Operating Expenses[2]	
	Projection Period 2007	**Projection Year 2008**
	S$'000	**S$'000**
O&M costs	(1,149)	(7,113)
Energy costs	(2,084)	(12,902)
Other expenses	(395)	(1,511)
Amortisation of intangibles	(623)	(3,853)
Total operating expenses	(4,251)	(25,379)
50% capacity utilisation (m^3 per day)	68,190	68,190

SingSpring's operating costs consist primarily of operating and maintenance ("O&M") costs, energy costs, and other expenses.

O&M costs are projected to be S$1.1 million and S$7.1 million for the Projection Period 2007 and Projection Year 2008, respectively. Energy costs are projected to be S$2.1 million and S$12.9 million for the Projection Period 2007 and Projection Year 2008, respectively. SingSpring has entered into a series of fuel hedges with Standard Chartered Bank to reduce the volatility of its energy exposures for its first three years of commercial operations, ending in December 2008. In entering into these fuel hedges, SingSpring has assumed that the volume of water supplied by the SingSpring Plant will average 50% of its capacity over this three-year period. O&M and energy costs are based on the assumption that the volume supplied by the SingSpring Plant will average 50% of its capacity during the Projection Period 2007 and Projection Year 2008.

Other expenses include insurance, administration, utilities, and corporate services fees and are projected to be S$0.4 million and S$1.5 million for the Projection Period 2007 and Projection Year 2008, respectively.

Depreciation

On 1 January 2006, SingSpring adopted "INT FRS 104 — Determining Whether an Arrangement Contains a Lease", which is mandatory for annual financial periods beginning on or after 1 January 2006[3]. In accordance with INT FRS 104, the WPA is determined to be a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) – Leases. The costs of developing and building the SingSpring Plant previously capitalised as property, plant and equipment are now recognised in the balance sheet as a finance lease receivable. Hence, depreciation is not applicable to the SingSpring Plant.

Amortisation of Intangibles

Amortisation of intangibles is projected to be S$0.6 million and S$3.9 million for the Projection Period 2007 and Projection Year 2008, respectively. The amortisation charge will not affect the projected distributions per Unit for the Projection Period 2007 and Projection Year 2008 because it is a non-cash item and is added back to net profit after tax in arriving at the cash available for distribution.

(See section XI — "Goodwill/Intangibles" for details.)

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2 Operating expenses include projected trustee fees of S$3,233 and S$20,000 for the Projection Period 2007 and Projection Year 2008, respectively, which are eliminated upon consolidation.

3 This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. In accordance with INT FRS 104, the WPA is a lease arrangement and is classified as finance lease in accordance with FRS 17 (Revised) — Leases.

(IV) Management Fees

Pursuant to the Trust Deed, the Trustee-Manager is entitled to a Base Fee (as defined herein) calculated as 1.00% per annum of the Market Capitalisation (as defined herein) of the Units in CitySpring, subject to a minimum of S$3.5 million per annum. The Trustee-Manager may elect to receive the fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine), subject to the Trust Deed.

The Trustee-Manager has assumed that, for the Projection Period 2007 and Projection Year 2008, the Base Fee is equal to the Minimum Base Fee (as defined herein) payable and will be paid in cash. No provision has been included in the Projection Period 2007 and the Projection Year 2008 for the Performance Fee (as defined herein).

(See "Fees Payable to the Trustee-Manager of CitySpring" for details.)

(V) Net Finance Costs from Borrowings

Net finance costs from borrowings comprise borrowing costs less interest income.

Borrowing Costs

City Gas

Net finance costs from borrowings is projected to be S$0.8 million for the Projection Period 2007 and S$5.1 million for the Projection Year 2008, respectively.

City Gas has entered into the New City Gas Loan, which is a secured five-year floating rate term loan facility of S$130.0 million. The facility is assumed to be drawn down on the Listing Date. It is assumed that the effective weighted-average interest rate is 3.92% per annum for the Projection Period 2007 and the Projection Year 2008, based on the three-months Singapore dollar Swap Offer Rate plus a margin, calculated based on the average debt balance outstanding for the relevant period. The management of City Gas will consider hedging its interest rate exposure under this loan.

SingSpring

Net finance costs from borrowing is projected to be S$1.1 million for the Projection Period 2007 and S$6.7 million for the Projection Year 2008, respectively.

SingSpring has entered into the New SingSpring Loan, which is a secured 18-year floating rate term loan facility of S$155.5 million. The facility is assumed to be drawn down on the Listing Date.

SingSpring has an existing interest rate swap agreement with DBS Bank expiring in 2014. On the Listing Date, the notional amount of the interest rate swap is assumed to be S$118.1 million. It is assumed that the notional amount of the interest rate swap will be subject to a fixed rate effective weighted-average interest rate of 4.35% per annum, including an applicable margin. It is assumed that loan amounts not subject to the interest rate swap will be subject to an effective weighted-average interest rate of 4.53% per annum for the Projection Period 2007 and the Projection Year 2008, based on the Singapore dollar Swap Offer Rate plus an applicable margin, calculated based on the average debt balance outstanding for the relevant period.

Interest Income

Interest rate earned on cash is assumed at 2.0% per annum, for both the Projection Period 2007 and the Projection Year 2008.

(VI) Net Finance Costs from Minority Interest

Net finance costs from minority interest represents interest costs due to minority shareholders.

(VII) Income Tax Expense

For the City Gas Trust, interest expense on the New City Gas Loan is tax deductible and interest expense on the City Gas Notes is expected to be tax deductible, assuming satisfaction of certain conditions and the appropriate approvals have been obtained from the Authority. No tax is projected to be payable by City Gas Trust for both the Projection Period 2007 and the Projection Year 2008.

After the Restructuring Exercise, it is assumed that the SingSpring Trust will be entitled to claim tax allowances which can be offset against its taxable income. (See "Management's Discussion And Analysis Of Financial Condition And Results of Operations — Basis Of Presentation And Critical Accounting Policies — Finance Leases".) The estimated tax allowances based on the valuation of the SingSpring Plant as at 28 September 2006 is S$186.7 million. In addition, interest expense on the New SingSpring Loan is tax deductible and interest expense on the SingSpring Notes is expected to be tax deductible, assuming satisfaction of certain conditions and the appropriate approvals have been obtained from the Authority. No tax is projected to be payable by SingSpring Trust for both the Projection Period 2007 and the Projection Year 2008.

The receipts of CitySpring will comprise substantially of distributions from the Sub-Trusts, and the principal repayments and interest payments pursuant to the Notes issued by the Sub-Trusts. CitySpring's taxable income after adjusting for allowable expenses and permitted allowances, if any, would be subject to Singapore income tax at the prevailing corporate tax rate, currently 20% (after deducting the applicable tax exemption on the first S$100,000 of chargeable income). Based on the Income Tax (Amendment) Bill 2006 and assuming the relevant provisions come into force, with effect from the Year of Assessment 2008, distributions made by the Sub-Trusts out of their income from trade or business carried on by the Sub-Trustees would be tax exempt in the hands of CitySpring as a unitholder in each of the Sub-Trusts.

Principal repayments on the Notes received from the Sub-Trusts are not taxable since they are capital in nature. On 1 November 2006, the Authority issued a circular to introduce a package of tax incentives to catalyse the growth of the project finance industry through Singapore's capital markets. One of the tax incentives is the exemption from tax of interest income from qualifying project debt securities. The Notes issued by the Sub-Trusts qualify as qualifying project debt securities assuming certain conditions are met and the appropriate approvals have been obtained from the Authority (these approvals had been obtained from the Authority on 19 January 2007), and the interest income from the Notes is tax exempt assuming it is onward-declared for distribution to the Unitholders of CitySpring within six months from the end of the financial year in which the interest income was actually received by CitySpring from the Notes. Accordingly, no tax is projected to be payable by CitySpring for both the Projection Period 2007 and the Projection Year 2008.

(See "Taxation" for details.)

(VIII) Minority Interest

Minority interest represents the 30% share of the projected net profit after tax of the SingSpring Trust that Hyflux expects to have after the Listing Date.

(IX) Distribution Reinvestment Arrangement

The Trust Deed allows the Trustee-Manager, where appropriate, the option of activating an arrangement whereby Unitholders may elect to re-invest all or part of their distribution entitlement in return for an issue of additional Units. It has been assumed that the Trustee-Manager will not activate the distribution reinvestment arrangement before 31 March 2008. This assumption does not, however, preclude the Trustee-Manager from exploring the implementation of such a distribution reinvestment arrangement before 31 March 2008.

(X) Distributions

Projected distributions from the City Gas Trust and the SingSpring Trust to CitySpring Trust, and from CitySpring Trust to the Unitholders, are based on residual cash flows, which may be in excess of the net profit after tax at the Sub-Trusts and CitySpring levels. It is projected that all cash received by CitySpring from the Sub-Trusts, after paying management fees and operating expenses will be distributed to Unitholders.

(XI) Goodwill/Intangibles

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquired Sub-Trust. Goodwill on the acquisition of the assets and business undertakings of City Gas on a pro forma basis assuming the acquisition occurred on 30 September 2006 amount to S$292.8 million. Goodwill is stated at cost less impairment losses. Goodwill is tested for impairment on an annual basis, as well as when there is any indication that the goodwill may be impaired.

Other intangible assets with finite useful lives are stated at cost less accumulated amortisation and impairment losses. Intangible assets of S$68.2 million and S$73.2 million are assumed to be recognised based on an independent valuation as at 30 September 2006, following the acquisition of the assets and business undertakings of City Gas and SingSpring, respectively. These finite life intangible assets are amortised on a straight-line basis over their estimated useful lives of 10 years in the case of City Gas and 19 years in the case of SingSpring.

(XII) Accounting Standards

The Trustee-Manager has projected that there will be no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the projected net profit.

Significant accounting policies adopted by the Trustee-Manager in the preparation of the profit projection are set out in the report in Appendix A, "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries and the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries for the year ended 31 March 2006 and the six-month period ended 30 September 2006".

(XIII) Other Assumptions

The Trustee-Manager has made the following additional assumptions in preparing the profit projected for the Projection Period 2007 and the profit projection for Projection Year 2008:

- That the asset portfolio of CitySpring remains unchanged and there is no impairment of assets during the periods;
- That no further capital will be raised during the projection periods;
- Where derivative financial instruments are undertaken by the Group, there is no change in fair values of the derivative instruments during the periods, save for changes due to the passage of time;
- Exchange rates of S$1.59/US$1.00 for the Projection Period 2007 and S$1.56/US$1.00 for the Projection Year 2008;
- Average HSFO 180 cst prices of US$319.0/tonne for the Projection Period 2007 and US$330.1/tonne for the Projection Year 2008;
- That there will be no change in taxation legislation or other applicable legislation;

- That the proposed qualifying project debt security scheme announced by the Authority as described in a circular issued on 1 November 2006 will be put into effect by the Listing Date and that the Notes will qualify for the concessionary tax treatment under the proposed scheme;
- That there will be no adverse fluctuations in oil prices;
- That neither City Gas nor SingSpring will be required to expend material capital expenditure;
- That there will be no material changes in the general economic and business conditions that would impact on the operating and financing environment of City Gas and SingSpring, which include, *inter alia*, the levels of interest rates and exchange rates, and regulating policies;
- That there will be no material amendment to any material agreements relating to City Gas and SingSpring (such as the Gas Purchase Agreement with GSPL and the WPA with the PUB); and
- That there will be no material degradation in the quality of the seawater to be used in the desalination process of the SingSpring Plant.

Cash Flow Assumptions

No repayments of borrowings are projected at City Gas for the Projection Period 2007 and the Projection Year 2008, respectively.

Borrowings are projected to be repaid by SingSpring in the amount of S$0.6 million and S$3.1 million for the Projection Period 2007 and the Projection Year 2008, respectively.

The City Gas and SingSpring assets and business undertakings shall be acquired at a purchase price of S$667.4 million, which is the cash consideration payable on the Listing Date based on the Maximum Offering Price. The acquisition shall be funded from the net proceeds of the Offering of S$384.0 million and bank borrowings of S$283.4 million.

The cash acquired as at Listing Date is projected to be S$35.2 million.

(See "The Restructuring Exercise".)

The projected distribution to Unitholders of S$4.3 million for the Projection Period 2007 is the cash flow available for distribution after setting aside minimum operating cash requirements of S$8.9 million, balancing charge payable of S$17.4 million and tax liability of S$7.9 million. The balancing charge payable arises from the disposal of the assets and business undertakings by City Gas and SingSpring and the tax liability payable by City Gas and SingSpring are assumed to be paid by the companies in the Projection Year 2008.

The projected distribution to Unitholders of S$27.0 million in the Projection Year 2008 is the cash flow available for distribution after setting aside minimum operating cash requirements of S$9.6 million.

Sensitivity Analysis

This sensitivity analysis does not form part of the profit and cash flow projections, and is intended only for the purposes as set out below.

The projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above. The projected distributions are also subject to a number of risks as set out in "Risk Factors".

Investors should be aware that future events cannot be predicted with any certainty and deviations from the figures projected in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the profit projections, a series of tables demonstrating the sensitivity of the net profit and cash flow from operations are set out below.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

City Gas Sales Volume

Changes in City Gas sales volume will impact the net profit after tax of CitySpring and, consequently, the cash available for distribution to Unitholders. The assumptions for City Gas sales volume have been set out earlier in the section.

The effect of variations in City Gas sales volume on net profit after tax and cash flow from operations is set out below:

	Group Increase/(Decrease)			
	Projection Period 2007	**Projection Period 2007**	**Projection Year 2008**	**Projection Year 2008**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Percentage change in City Gas sales volume	+1.0%	–1.0%	+1.0%	–1.0%
Change in net profit after tax	129	(131)	691	(847)
Change in cash flow from operation	44	(44)	822	(822)

SingSpring Plant Capacity Utilisation Rate

Changes in the SingSpring Plant capacity utilisation rate will impact the net profit after tax of CitySpring and, consequently, the cash available for distribution to Unitholders. In addition to the assumptions for the SingSpring Plant capacity utilisation rate which have been set out earlier in the section, a discount rate of 3.68% has been assumed in computing the estimated fair values of the fuel hedges.

The effect of variations in the SingSpring Plant capacity utilisation rate on net profit after tax and cash flow from operation is set out below:

	Group Increase/(Decrease)	
	Projection Period 2007	**Projection Year 2008**
	S$'000	**S$'000**
SingSpring Plant capacity utilisation rate 55%		
Change in net profit after tax	(56)	(1,453)
Change in cash flow from operation	(37)	(1,307)
SingSpring Plant capacity utilisation rate 45%		
Change in net profit after tax	(51)	43
Change in cash flow from operation	18	464
SingSpring Plant capacity utilisation rate 25%		
Change in net profit after tax	744	4,570
Change in cash flow from operation	720	6,592

SingSpring has entered into a series of fuel hedges with Standard Chartered Bank to reduce the volatility of its energy exposures for its first three years of commercial operations, ending in December 2008. In entering into these fuel hedges, SingSpring has assumed that the volume of water supplied by the SingSpring Plant will average 50% of its capacity over this three-year period. Pursuant to "FRS 39 — Financial Instruments: Recognition and Measurement", in the case that the capacity utilisation of the SingSpring Plant averages less than 50%, the ineffective portion of the fuel hedges should be reported in the income statement. Assuming that the acquisition of the assets and business undertakings of SingSpring occurs on 1 February 2007, these projected impacts are reflected in the table above, where appropriate. In the case of SingSpring Plant capacity utilisation rate of 45%, the projected impact on net profit after tax from the mark-to-market loss for the ineffective component of the fuel hedges is S$0.1 million for the Projection Period 2007 and S$0.4 million for the Projection Year 2008, respectively. In the case of SingSpring Plant capacity utilisation rate of 25%, the projected impact on net profit after tax from the mark-to-market loss for the ineffective component of the fuel hedges is S$0.3 million for the Projection Period 2007 and S$2.1 million for the Projection Year 2008, respectively.

After December 2008, SingSpring will procure a new energy supply agreement on a tender basis and on the principles set out in the WPA and the fixed and variable energy components of the Capacity and Output Payments under the WPA will then be adjusted from December 2008 to reflect the new fixed and variable energy prices under the new energy supply agreement. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements" for further details.).

Borrowing Costs

Changes in borrowing costs will impact the net profit after tax of CitySpring and, consequently, the cash available for distribution to Unitholders. The assumptions for borrowing costs have been set out earlier in the section.

The effect of variations in borrowing costs on net profit after tax and cash flow from operations is set out below:

	Group Increase/(Decrease)			
	Projection Period 2007	**Projection Period 2007**	**Projection Year 2008**	**Projection Year 2008**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Percentage change in borrowing costs. . . .	+0.5%	–0.5%	+0.5%	–0.5%
Change in net profit after tax	(231)	231	(1,477)	1,346
Change in cash flow from operation	—	—	—	—

HSFO 180 cst Prices

Changes in HSFO 180 cst prices will impact the net profit after tax of CitySpring and, consequently, the cash available for distribution to Unitholders. The assumptions for HSFO 180 cst prices have been set out earlier in the section.

The effect of variations in HSFO 180 cst prices on net profit after tax and cash flow from operations is set out below:

	Group Increase/(Decrease)			
	Projection Period 2007	**Projection Period 2007**	**Projection Year 2008**	**Projection Year 2008**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Percentage change in HSFO 180 cst prices	+10.0%	–10.0%	+10.0%	–10.0%
Change in net profit after tax	(12)	12	60	(60)
Change in cash flow from operation	183	(183)	42	(42)

RESTRUCTURING EXERCISE

Overview

City Gas and SingSpring have put in place arrangements for a restructuring exercise (the "**Restructuring Exercise**") in preparation for, and which will be effected upon, the Listing of CitySpring.

City Gas Restructuring

Prior to the Listing, City Gas is owned 100% by Temasek.

Upon the Listing, City Gas, in its capacity as trustee (the "**City Gas Trustee**"), will acquire and hold the assets and business undertakings of City Gas on trust (the "**City Gas Trust**") for CitySpring, as beneficial owner of 100% of the units. The City Gas Trustee will fund the purchase of the assets and business undertakings of City Gas by drawing down the New City Gas Loan referred to below and issuing the New City Gas Notes referred to below and units in City Gas Trust to CitySpring.

The City Gas Trustee will continue to be the legal owner of the assets and business undertakings of City Gas and the contracting party to the material agreements for carrying on the business of City Gas. The City Gas Trustee will be a wholly-owned subsidiary of CitySpring.

SingSpring Restructuring

Prior to the Listing, SingSpring is owned 50:50 by Hyflux and Seletar Investments Pte Ltd ("**Seletar**"), a wholly-owned indirect subsidiary of Temasek.

Upon the Listing, SingSpring, in its capacity as trustee (the "**SingSpring Trustee**"), will acquire and hold the assets and business undertakings of SingSpring on trust (the "**SingSpring Trust**") for CitySpring and Hyflux, as beneficial owners of 70% and 30%, respectively, of the units. The SingSpring Trustee will fund the purchase of the assets and business undertakings of SingSpring by drawing down the New SingSpring Loan referred to below and issuing the SingSpring Notes referred to below and units in the SingSpring Trust to CitySpring and Hyflux in the proportion of 70% and 30%, respectively.

The SingSpring Trustee will continue to be the legal owner of the assets and business undertakings of SingSpring and the contracting party to the material agreements for carrying on the business of SingSpring. The SingSpring Trustee will be a wholly-owned subsidiary of CitySpring.

New City Gas Loan and New SingSpring Loan

The City Gas Trustee and the SingSpring Trustee have secured a S$130.0 million five-year term loan (the "**New City Gas Loan**") and a S$155.5 million 18-year term loan (the "**New SingSpring Loan**"), respectively, from certain lenders. On the Listing Date, the City Gas Trustee and the SingSpring Trustee will draw down the New City Gas Loan and the New SingSpring Loan (collectively, the "**New Loans**") to pay part of the purchase price of the assets and business undertakings of City Gas and SingSpring, respectively.

Set forth below is a summary of the key terms of the New Loans.

The City Gas Trustee and the SingSpring Trustee will borrow pursuant to the New Loans solely in their capacities as trustees of the City Gas Trust and the SingSpring Trust, respectively. Recourse of the lenders under the New Loans will be limited to the assets of the City Gas Trust and the SingSpring Trust and neither the City Gas Trustee nor the SingSpring Trustee shall incur any personal liability under the New Loans, except in the event of negligence, fraud or breach of trust. Further, the liabilities of the City Gas Trustee under the New City Gas Loan shall not be borne by CitySpring or the SingSpring Trustee and *vice versa*.

The New City Gas Loan will be repayable in one lump sum on maturity, while the New SingSpring Loan will be repayable in instalments. The New Loans bear interest at a floating rate (based on the relevant Singapore dollar Swap Offer Rate) plus a margin. The New Loans are secured over the assets and business undertakings of City Gas and SingSpring, respectively. The New SingSpring Loan is in addition secured by a charge over the units in the SingSpring Trust held by CitySpring and Hyflux and by a charge over the shares held by the Trustee-Manager in the SingSpring Trustee.

The New Loans impose certain covenants on the City Gas Trustee and the SingSpring Trustee, respectively. The City Gas Trustee must have sufficient funds to pay under the New City Gas Loan all scheduled interest due in respect of the New City Gas Loan for the next three months, and sufficient funds or credit facilities to fund capital expenditure requirements for the next six months, before it may pay interest on the City Gas Notes. No principal payments under the City Gas Notes are permitted while the New City Gas Loan is outstanding. Under the New SingSpring Loan, the SingSpring Trustee must have sufficient funds to pay the principal and interest on the New SingSpring Loan for the next three months before it may pay interest and/or principal on the SingSpring Notes. Further, for so long as there are outstanding energy cost loans made by Hyflux to SingSpring pursuant to the energy costs support arrangement described in "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements — Hyflux Support for Energy Costs", the SingSpring Trust may not make any distributions whether in respect of units or under the SingSpring Notes.

City Gas will consider hedging its interest rate exposure under the New City Gas Loan. SingSpring will novate the existing interest rate swap (which will expire in January 2014) it has in respect of the original project debt incurred for the construction of the SingSpring Plant to hedge its interest rate exposure under the New SingSpring Loan. Under the New SingSpring Loan, the SingSpring Trust will be required to hedge its interest rate exposure under the loan for successive periods of five years, with the first such period commencing upon the expiry of the existing interest rate swap, such that not less than 75% of the aggregate principal amount of the loan outstanding at any time will be so hedged.

City Gas and SingSpring Notes

On the Listing Date, CitySpring will apply part of the issue proceeds of the Units to subscribe for up to S$195,600,000 subordinated notes due 2037 (the "**City Gas Notes**") to be issued by the City Gas Trustee and up to S$50,000,000 subordinated notes due 2025 (the "**SingSpring Notes**") to be issued by the SingSpring Trustee. The City Gas Trustee and the SingSpring Trustee will apply the issue proceeds of the City Gas Notes and the SingSpring Notes (collectively, the "**Notes**") to pay part of the purchase price of the assets and business undertakings of City Gas and SingSpring, respectively.

Set forth below is a summary of the key terms of the Notes.

The City Gas Notes and the SingSpring Notes will mature in 2037 and in 2025, respectively, but may be redeemed prior to maturity by the relevant issuer. Interest on the Notes will be payable quarterly in arrears at a fixed rate, subject to a reset to a floating rate based on the three-month Singapore dollar Swap Offer Rate plus a margin.

No amount under the Notes shall be due or payable on any date if the relevant issuer is not able to meet its liabilities after payment of such amount ("**solvency condition**"). Such non-payment will not constitute a default under the Notes. However, any interest not paid due to the solvency condition not being met will continue to accrue and will bear interest at the rate applicable to the Notes. In addition, if the Notes cannot be redeemed in full upon maturity due to the solvency condition not being met, the Notes and other obligations ranking *pari passu* with them will be redeemed or repaid in equal proportion out of and to the extent of surplus assets available after paying all obligations ranking senior to the Notes.

The Notes will be direct, unsecured and subordinated obligations of the relevant issuer. On winding-up, holders of the City Gas Notes will be subordinated to the senior creditors of the City Gas Trustee but will rank senior to the holders of units in the City Gas Trust, while holders of the SingSpring Notes will be subordinated to (i) the senior creditors of the SingSpring Trustee and (ii) Hyflux (in respect of the energy support loans that Hyflux may advance to the SingSpring Trust) but will rank senior to the holders of units in the SingSpring Trust.

All payments in respect of the Notes will be made without deduction or withholding of any taxes, unless such deduction or withholding is required by law. In that event (and subject to the solvency condition being met), such payments shall be grossed-up so as to ensure that holders of the Notes will receive the same amount had such deduction or withholding not been required, subject to customary exceptions.

The Notes are intended to qualify for concessionary tax treatment under the proposed qualifying project debt security scheme by the Authority as described in a circular issued on 1 November 2006. (See "Risk Factors — Risks related to CitySpring's Tax Position".)

Offering Price and Purchase Price of the Initial Businesses

In connection with the Restructuring Exercise, CitySpring, Temasek (as the 100% owner of City Gas and 50% owner of SingSpring) and Hyflux (as a 50% owner of SingSpring) have agreed that the purchase price of the assets and business undertakings of City Gas and SingSpring to be acquired by CitySpring will be determined by the net proceeds of the Offering. This is because CitySpring will apply such net proceeds, together with the New Loans, to pay for the purchase price of the assets and business undertakings of City Gas and SingSpring.

As described in "The Offering - Price Determination", the Offering Price will be determined following a book-building process. In this process, indicative demand and prices will be received from potential institutional investors, who are expected to take into account various factors in arriving at the price at which they wish to subscribe for Units pursuant to the Offering, including the expected cash flow distributions from the City Gas and SingSpring businesses, their capital structure and financing requirements (both for capital expenditures as well as on-going working capital requirements) and the factors described in "Risk Factors" above.

Accounting for Restructuring Exercise

As required under Singapore *Financial Reporting Standard 103 — Business Combinations* ("**FRS 103**"), CitySpring accounts for the acquisition of the business undertakings of City Gas and SingSpring under the purchase method. This requires CitySpring to (i) identify the assets and liabilities, including contingent assets and liabilities, of the City Gas and SingSpring business undertakings acquired, (ii) measure and recognise such assets and liabilities at their fair values on the acquisition date (being the Listing Date), (iii) recognise the excess of the purchase price of the acquisitions over such fair values as goodwill, which is carried as an asset on its balance sheet and (iv) recognised the excess of such fair values over the purchase price of the acquisitions immediately in the income statement.

Pursuant to this accounting exercise, a certain portion of the purchase price of the assets and business undertakings of the City Gas Trust and the SingSpring Trust has been allocated towards the property, plant and equipment of City Gas and SingSpring (and the Board has appointed Robert Khan & Co Pte Ltd to undertake an independent valuation in this regard), a certain portion has been allocated towards intangibles (largely representing the customer base of City Gas) and a certain amount has been recognised as goodwill arising from the acquisition of the assets and business undertakings of City Gas and SingSpring, details of which are as set out in "Pro Forma Historical Financial Information — CitySpring Summary Pro Forma Balance Sheet". Under FRS 103, CitySpring is required to review goodwill for impairment annually and as well as when there is indication that goodwill may be impaired. If and when goodwill is impaired, the write-off in goodwill will be charged as an expense in the income statement of CitySpring and may therefore cause CitySpring to recognise a net loss in the financial period in which such impairment loss occurs. However, such net loss should not adversely affect the distributions that CitySpring can make to Unitholders as such distributions will be based on the cash flows available for distribution and not on whether CitySpring makes an accounting profit or loss.

Independent Valuation by BNP Paribas

Separately from the process of determination of the Offering Price and the Restructuring Exercise as described above and purely as a matter of regulatory compliance, the Board has appointed BNP Paribas Capital (Singapore) Ltd. ("**BNP Paribas**") to undertake an independent valuation of 100% of the City Gas Trust and 70% of the SingSpring Trust. BNP Paribas has issued a valuation report setting out its opinion as to the valuation range of the Sub-Trusts, a summary of which is set out in their letter in Appendix K and which investors are encouraged to read in its entirety.

BNP Paribas has undertaken the valuation of the Sub-Trusts on a standalone basis (i.e. excluding any potential synergies that CitySpring could derive) by discounting the projected cash flow streams to CitySpring, comprising cash distributions from the respective Sub-Trusts and the principal and interest payments from the Notes issued by the respective Sub-Trusts.

In summary, BNP Paribas has arrived at a valuation range of S$312 million to S$355 million for 100% of the City Gas Trust and a valuation range of S$62 million to S$78 million for 70% of the SingSpring Trust (in each case, representing such value accruing to CitySpring as the holder of such number of units in, and Notes issued by, the respective Sub-Trusts). These valuations do not include the external net debt of the respective Sub-Trusts and is hence not the enterprise valuation of both 100% of the City Gas Trust and 70% of the SingSpring Trust.

BNP Paribas' report is not an opinion on the commercial merits and structure of the Offering or the Restructuring Exercise undertaken in connection with the Offering, nor is it an opinion, express or implied, as to the future trading price of Units in or the financial condition of CitySpring upon the Listing. The report is also not intended to be and is not included in this Prospectus, and does not purport to contain all the information that may be necessary or desirable to fully evaluate the Offering or an investment in CitySpring, the City Gas Trust or the SingSpring Trust. BNP Paribas did not conduct a comprehensive review of the business, operational or financial condition of CitySpring, the City Gas Trust or the SingSpring Trust and accordingly make no representation or warranty, express or implied, in this regard. (See Appendix K for further details.).

Remission of Stamp Duty

On 1 November 2006, the Authority issued a circular to introduce a package of tax incentives to stimulate the growth of the project finance industry through Singapore's capital markets. One of the tax incentives is that the stamp duty chargeable on any contract, agreement or instrument relating to the conveyance (including by the sale or declaration of trust), assignment or transfer on sale of qualifying infrastructure projects/assets (which includes shares of a company which is predominantly carrying on qualifying infrastructure projects/assets in Singapore) or any interest thereof shall be waived. This is conditional upon the qualifying infrastructure project/asset being transferred into an entity which is listed or will be listed on the SGX-ST within six months from the execution of such conveyance, assignment or transfer. Further in cases where the assets are not transferred into an entity which is listed or will be listed on the SGX-ST within six months, the remission will still apply provided 100% of the beneficial ownership of the qualifying infrastructure project/asset is held via an entity that is listed or will be listed within six months from the execution of such conveyance, assignment or transfer.

The remission will apply to such instruments executed during the period from 1 November 2006 to 31 December 2008, and should apply to any such instruments executed in connection with the City Gas restructuring or the SingSpring restructuring as described above.

Subsidiaries and Subsidiary Entities of CitySpring

The details of each subsidiary and subsidiary entity of CitySpring upon Listing are as follows:

Name	Date and Country of Incorporation or constitution	Principal business	Principal place of business	Type of Securities/ Percentage owned/ Voting rights
City Gas	15 September 2001, Singapore	Production and retail of town gas, retail of natural gas, supply of LPG and sales of gas appliances	Singapore	Shares – 100% held by the Trustee-Manager in its capacity as trustee-manager of, and for the benefit of, CitySpring
City Gas Trust . . .	5 January 2007, Singapore	N.A.	Singapore	Units and City Gas Notes – 100% held by the Trustee-Manager in its capacity as trustee-manager of, and for the benefit of, CitySpring
CityGas China Pte Ltd (In liquidation) .	26 October 2005, Singapore	Operation of and investment in gas related activities	Singapore	Shares – 100% held by the City Gas Trustee in its capacity as trustee of, and for the benefit of, the City Gas Trust
SingSpring	1 April 2002, Singapore	Development and operation of seawater desalination plant and sale of desalinated water	Singapore	Shares – 100% held by the Trustee-Manager in its capacity as trustee-manager of, and for the benefit of, CitySpring
SingSpring Trust . .	5 January 2007, Singapore	N.A.	Singapore	Units and SingSpring Notes – 70% held by the Trustee-Manager in its capacity as trustee-manager of, and for the benefit of, CitySpring – 30% held by Hyflux

THE BUSINESS OF CITYSPRING

OVERVIEW

CitySpring is the first infrastructure business trust registered with the Authority in Singapore. It has been established with the principal objective of investing in infrastructure assets and providing Unitholders with regular and predictable distributions and the potential for long-term capital growth.

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

The Trustee-Manager will be responsible for implementing CitySpring's investment and financing strategies, asset acquisition and disposal policies and the overall management of CitySpring's business (See "The Trustee-Manager of CitySpring".). The management team of the Trustee-Manager has extensive skills and experience in managing infrastructure assets.

The Trustee-Manager believes that there are opportunities to benefit from the Sponsor's international reach and its business network in sourcing infrastructure acquisitions.

Key Investment Highlights

Income and potential long-term capital growth via acquisitions of infrastructure assets

The Trustee-Manager intends to follow an investment strategy focused primarily on acquiring infrastructure assets which provide regular and predictable cash distributions and the potential for long-term capital growth. Such assets typically consist of businesses which operate in regulated industries or on the basis of long-term contracts or concessions or which possess a strategic advantage due to high barriers to entry. CitySpring expects to benefit from the trends and opportunities in the infrastructure industry, in particular the growth and potential of the Asian infrastructure market. According to Asian Development Bank estimates, the regions of East Asia and South Asia will require an estimated total of US$250 billion per annum up until 2010 to fund new infrastructure investment and to maintain existing facilities.[1]

Long-term, regular and predictable cash flows from the Initial Businesses

The Initial Businesses have been selected by CitySpring on the basis that they generate cash flows which will assist CitySpring in providing long-term, regular and predictable distributions to the Unitholders. City Gas is the sole producer and retailer of town gas and has the sole licence for the retailing of town gas in Singapore. City Gas has a strong position in the residential segment serving over 560,000 residential customers. At the same time, City Gas has a diverse customer base across the residential, commercial and industrial segments, which helps to reduce its dependency on any specific segment for revenue.

SingSpring has a 20-year water purchase agreement, the WPA, with PUB which was entered into in April 2003 and commenced commercial operations in December 2005. Under the WPA, SingSpring receives monthly capacity payments and output payments. Capacity payments are payable, irrespective of actual water output to PUB, to SingSpring for making available the full water capacity of the SingSpring Plant to PUB. Output payments are payable for the variable costs of dispatching water from the SingSpring Plant. Therefore, the WPA provides SingSpring with predictable contracted cash flows until December 2025.

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1 Estimated US$165 billion for East Asia and estimated US$88.1 billion for South Asia. Sources: Tito Yepes, "Expenditure on Infrastructure in East Asia Region, 2006-2010", 2004, Table 7; Isabel Chatterton and Olga Susana Puerto, "Estimation of Infrastructure Investment Needs in the South Asia Region", 2005, page 3. Please see paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding use of this source.

Strong track record of the Initial Businesses

City Gas is the sole producer and retailer of town gas in Singapore, with a reputation for reliability and safety. Through its predecessor entities, City Gas has a long track record having grown from a gas producer and retailer of town gas to a retailer of both town gas and natural gas with a customer base of approximately 580,000 customers in Singapore as of September 2006.

SingSpring is a single-purpose company formed to construct, develop, own and operate the SingSpring Plant. SingSpring has appointed Hyflux Engineering as the O&M operator. Hyflux Engineering is a wholly-owned subsidiary of Hyflux, one of Asia's leading water and fluid treatment companies and a company listed on the SGX-ST. Hyflux has provided guarantees for the performance of Hyflux Engineering under the O&M Agreement and Hydrochem under the EPC Agreement. As of the Latest Practicable Date, SingSpring is operating and maintaining the SingSpring Plant in accordance with the operational requirements under the WPA (including requirements as to maintaining water availability and quality), establishing the SingSpring Plant's record of reliability.

Strong management team with infrastructure expertise

The Trustee-Manager believes that CitySpring will benefit from the skills and experience of its management team in investing and managing infrastructure assets. Members of the management team of the Trustee-Manager have extensive experience in the infrastructure market and have established track records in negotiating, structuring and financing investments in infrastructure assets and managing infrastructure assets. (See "The Trustee-Manager of CitySpring — Executive Officers".)

Sponsorship from Temasek

Temasek owns the entire issued share capital of the Trustee-Manager. It fully supports CitySpring's aim, as the first infrastructure business trust in Singapore, to position itself as a leading player in a growing sector, by achieving significant growth through acquisitions.

Upon the Listing, Temasek will hold 28.5% of the Units (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full), making it the single largest Unitholder of CitySpring. Temasek presently intends to remain as CitySpring's single largest Unitholder and intends to position CitySpring as its key platform for infrastructure investments.

(See "The Business of CitySpring — Strategy — Acquisition Growth Strategy" and "The Sponsor — Role of the Sponsor".)

Innovative and tax-efficient capital structure

CitySpring has put in place a capital structure with regard to the Initial Businesses which is intended to be tax-efficient and thereby enhances potential returns to Unitholders.

To improve tax efficiencies on distributions to Unitholders, each of the City Gas Trust and the SingSpring Trust intends to utilise the qualifying project debt security incentive introduced by the Authority and issue the SingSpring Notes and the City Gas Notes to CitySpring in amounts which take account of the capital needs of each underlying business while seeking to optimise the tax efficiency of the capital structure as a whole. Distributions received by Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax.

Management Fee structured to align interests of the Trustee-Manager with those of Unitholders

The Management Fee comprises a base fee and a performance fee. The base fee of 1% per annum of the market capitalisation of CitySpring, subject to a minimum of S$3.5 million per annum, is structured to cover the ongoing operating costs of the Trustee-Manager. The performance fee is payable only when the Trustee-Manager outperforms the benchmark index on a total return basis and taking account of any underperformance in prior periods. The Trustee-Manager believes this fee structure aligns the interests of the Trustee-Manager with those of Unitholders. (See "Fees payable to the Trustee-Manager of CitySpring".)

Any increase in the rate or any change in the structure of these fees must be approved by way of a Special Resolution of Unitholders. (See "The Constitution of CitySpring" and "Fees Payable to the Trustee-Manager of CitySpring".)

Strong corporate governance under the regime of the Business Trusts Act

The regime under the BTA sets out the statutory requirements for, among other things, the board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager. (See "Corporate Governance".) CitySpring believes that Unitholders will benefit from the strong corporate governance requirements of the BTA.

STRATEGY

As a pioneer in a new asset class in Singapore, and with sponsorship from Temasek, CitySpring aims to position itself as a leading player in a growing sector, by achieving significant growth through acquisitions. CitySpring's principal objective is to invest in infrastructure assets and to provide Unitholders with regular and predictable distributions as well as the potential for long-term capital growth. The initial assets of CitySpring are the City Gas Trust and the SingSpring Trust. These assets have been selected as they each generate long-term, regular and predictable cash flows which will assist CitySpring in providing regular and predictable distributions to Unitholders. The main factors underlying the predictable cash flows of each business are, in the case of City Gas, that it is the sole producer and retailer of town gas in Singapore and has a diverse customer base across the residential, commercial and industrial segments which helps to reduce its dependency on any specific customer segment and, in the case of SingSpring, that it has a WPA with PUB that provides predictable contracted cash flows until 2025.

The Trustee-Manager intends to invest in a diversified range of infrastructure businesses. Its focus within the infrastructure sector will primarily be in:

- **Utilities** including facilities for the recycling, treatment, distribution and supply of water, as well as facilities for the generation, transmission, distribution and supply of electricity and gas;
- **Transportation/logistics** including toll roads, railways, storage terminals, airports and seaports; and
- **Communications** including broadcast transmission infrastructure, satellite systems and terrestrial wireline and wireless networks.

While the Initial Businesses are located in Singapore, CitySpring will seek investment opportunities globally, with a primary geographic focus on Asia, the Middle East, Australia and New Zealand.

The Trustee-Manager generally intends to invest in infrastructure businesses where it can exercise control or exert significant influence, although it may selectively pursue investments in infrastructure businesses which exhibit one or more of the characteristics set out below:

- Provide long-term, regular and predictable cash flows;
- Provide essential services which support the communities and their industrial and commercial activities;
- Operate in a regulated industry or on the basis of long-term contracts or concessions;
- Have a strategic advantage due to high barriers to entry;
- Demonstrate potential for long-term capital growth;
- Have an experienced and capable management team; and
- Demonstrate potential to maintain or enhance returns to Unitholders.

CitySpring aims to provide Unitholders with regular and predictable distributions as well as potential long-term capital growth through a combination of the following strategies:

- Acquisition growth strategy — to provide growth in distributions to Unitholders;
- Active asset management strategy — to maintain a predictable distribution profile through management of cash flows from individual investments; and
- Portfolio management strategy — to manage and mitigate CitySpring's overall risks so that distributions to the Unitholders are predictable.

In accordance with the requirements of the Listing Manual, CitySpring will not be allowed to change this investment strategy for a period of three years following the Listing Date, unless approved by Unitholders by a Special Resolution.

Acquisition Growth Strategy

CitySpring's future distribution growth will be derived mainly from its strategy of acquisition growth.

CitySpring intends to source for potential acquisitions through various means, including auctions, public private partnerships, privatisations, special situations arising from distressed assets or forced sales, or referrals through the Sponsor's network.

The Trustee-Manager intends to make investments using a range of instruments such as equity, debt, units in trusts or partnerships, and other means of economic participation. In structuring each investment, the Trustee-Manager will consider various factors including, but not limited to, regulatory compliance, capital structure efficiency, tax implications, foreign currency and interest rate risk management, with the overall objective of enhancing returns to Unitholders.

The Trustee-Manager believes that CitySpring's acquisition growth strategy is strengthened by the following factors:

- **Management track record** — Members of the management team have extensive experience in the infrastructure market and have established track records in negotiating, structuring and financing investments in infrastructure assets and managing infrastructure assets.
- **The Sponsor's commitment** — Temasek owns the entire issued share capital of the Trustee-Manager. It fully supports CitySpring's objective and is committed to CitySpring as follows:
  - The Trustee-Manager will be able to draw on Temasek's international reach and business network in sourcing for acquisition opportunities.
  - It intends, but is not under any contractual obligation, to enhance CitySpring's pipeline of acquisition opportunities by acquiring infrastructure assets that may be at an early stage where they have not yet generated regular and predictable cash flows that would otherwise make them suitable investments for CitySpring. Temasek may give an opportunity to CitySpring to acquire these assets when Temasek considers them more mature and suitable for CitySpring's investment mandate, subject to mutual agreement between Temasek and the Trustee-Manager, and approval by CitySpring's Unitholders where required, and Temasek will abstain from voting on the relevant transaction where required.
  - It has a dedicated internal team drawing on relevant infrastructure expertise to assist CitySpring in identifying acquisition opportunities.
  - It will co-invest in infrastructure assets with CitySpring where Temasek deems it appropriate.
  - Upon the Listing, Temasek will hold 28.5% of the Units (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full), making it the single largest Unitholder of CitySpring.

Temasek presently intends to remain as CitySpring's single largest Unitholder and intends to position CitySpring as its key platform for infrastructure investments.

- **Opportunities in the infrastructure industry** — The Trustee-Manager believes there are significant investment opportunities in the infrastructure industry due to greater demand for infrastructure development as a result of population and economic growth and expanding trade activity. In particular, the increasing demand for infrastructure in Asia comes on the back of strong urbanisation, with Asian cities driving the need for a dramatic increase in infrastructure spending. In addition, there is a growing trend for governments to look to the private sector to invest in new and existing infrastructure assets. In general, opportunities will arise with further deregulation and privatisation of public sector infrastructure assets.

The Trustee-Manager has entered into discussions with Hyflux, pursuant to which Hyflux has offered a right of first refusal to CitySpring to purchase a portfolio of wholly-owned wastewater treatment and water treatment plants and projects in China of SinoSpring Utility Ltd, a subsidiary of Hyflux. Any purchase of any such projects will be subject to the parties agreeing on the relevant terms of the purchase and all necessary approvals being obtained.

In line with its acquisition growth strategy as described above, the Trustee-Manager is considering a number of possible acquisition opportunities and will announce further details as to such opportunities if and when appropriate in compliance with applicable disclosure requirements. There can be no assurance that any of these opportunities will be realised. (See "Risk Factors — The Trustee-Manager may not be able to execute its acquisition strategy successfully".)

Active Asset Management Strategy

Once acquired, the Trustee-Manager intends to actively manage CitySpring's infrastructure businesses over which it can exercise control or exert significant influence. In particular, it intends to:

- **Exercise participation rights —** It aims to do so through, among others, share-ownership and voting rights, board representation and/or management rights.
- **Add value to the management of the underlying infrastructure businesses —** As the Trustee-Manager can exercise control or exert significant influence on the management of the underlying infrastructure businesses, the Trustee-Manager can introduce management and operational synergies, and leverage on relevant expertise and relationships between underlying businesses, to enhance distributions for CitySpring.
- **Establish and further develop good working relationships with regulators —** Infrastructure businesses often operate within a regulated industry. Building on the track record of the management team of the Trustee-Manager and their familiarity with various regulatory regimes, the Trustee-Manager will seek to establish and further develop good working relationships with the regulators.

Portfolio Management Strategy

To deliver predictable returns to Unitholders requires not only active management of individual assets but also management of the portfolio as a whole. The objectives of the Trustee-Manager in relation to portfolio management include:

- Optimising the overall capital structure of CitySpring and its infrastructure businesses;
- Securing diversified funding sources from both financial institutions and capital markets as CitySpring grows in size and scale;
- Minimising CitySpring's cost of funding;
- Managing the exposure arising from market movements in interest rates and foreign exchange through appropriate hedging strategies;
- Risk management through diversifying its portfolio of investments across multiple assets; and

- Structuring the financing of its investments so as to limit, to the extent practicable, each investment from the risk of defaults in respect of other investments.

In seeking to optimise the capital structure of CitySpring, the Trustee-Manager will consider the prudent use of both debt and equity financing.

As CitySpring will seek investment opportunities globally, the Trustee-Manager will also consider adopting currency management strategies that include the use of foreign currency-denominated borrowings to match the functional currency of the underlying business and the entry into of foreign exchange hedges to hedge the foreign currency cash flow received from offshore investments.

In managing CitySpring's portfolio risk, the Trustee-Manager will consider investments in a diversified portfolio of infrastructure businesses. For example, as CitySpring's initial investments are in utilities infrastructure businesses located in Singapore, the Trustee-Manager will explore investment opportunities in transportation, logistics and communications infrastructure businesses located in Singapore as well as other geographical regions. This will allow the Trustee-Manager to manage CitySpring's exposure to particular infrastructure businesses and geographical regions.

Management of market risks through appropriate hedging instruments

The Trustee-Manager expects that CitySpring may from time to time put in place bank loans and overdraft facilities as well as enter into finance leases and hire purchase contracts for the purpose of raising finance for the operations of CitySpring.

For the purpose of managing interest rate and foreign currency risks arising from the operations and sources of financing which CitySpring may otherwise be exposed to, the Trustee-Manager may from time to time enter into derivative transactions, being principally interest rate swaps, foreign currency forward contracts and cross currency swaps. The Trustee-Manager will enter into such derivative transactions only for the purpose of mitigating the risks associated with its investments and business, and not for any other purpose.

In this respect, the Board will put in place risk management policies and procedures and will oversee the implementation of these policies and procedures through the Chief Executive Officer and the Chief Financial Officer. Such policies will be approved by the Board and the procedures put in place will be reviewed and approved by the Audit Committee. These policies will include guidelines for the use of appropriate derivative instruments such as:

- The total principal for hedging must not be more than the total loan committed and/or the amount exposed to the risk; and
- The duration of the hedge must not be longer than the tenure of loan committed and/or the amount exposed to the risk.

The Chief Executive Officer and the Chief Financial Officer will ensure that the policies and procedures are adhered to and put in place sound and robust systems to implement them. They will supervise the Trustee-Manager's officers and ensure that these officers are adequately trained to execute the policies and procedures set by the Board. There will be, among other things, segregation of duties among officers contracting and confirming the derivative transactions, processing the payments or receipts on settlement of the derivative transactions and recording of any loss or gain from the derivative transactions in the books.

COMPETITION FOR ACQUISITIONS

CitySpring expects to compete with a wide range of infrastructure companies, public and private investment funds and financial institutions for the acquisition of infrastructure businesses or assets. The Trustee-Manager intends to adopt a strategy of seeking investment opportunities globally and believes there are opportunities to benefit from the Sponsor's international reach and business network in sourcing infrastructure acquisitions. The Trustee-Manager believes this will help CitySpring to compete for infrastructure acquisitions by targeting regions where the Sponsor has existing interests or a business network. The Trustee-Manager also believes that its long-term, broad-based infrastructure-focused strategy will make it well-positioned to compete for infrastructure assets.

BUSINESS PROSPECTS AND TRENDS

Save as disclosed in this Prospectus, the Trustee-Manager is not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not necessarily indicative of the future operating results or financial condition of CitySpring, in respect of Projection Period 2007 and Projection Year 2008.

GOVERNMENT REGULATIONS AND POLICY

The business of CitySpring must be conducted by the Trustee-Manager in a manner that is in compliance with the BTA, which material effects are described elsewhere in this Prospectus.

THE INITIAL BUSINESSES — CITY GAS AND SINGSPRING

CITY GAS

OVERVIEW

City Gas is currently the sole producer and retailer of town gas in Singapore and also the sole user of the low-pressure piped town gas supply network in Singapore (the "**Network**"). City Gas holds the sole licence from EMA to produce and retail town gas in Singapore and is regulated by EMA in respect of such activities. In addition, City Gas markets gas appliances and offers comprehensive after-sales customer service. City Gas has a production facility in Singapore, Senoko Gasworks, with a capacity of 1.6 million m^3 per day which is the sole production facility of town gas in Singapore. As of September 2006, City Gas has approximately 580,000 customers. All of its customers are in Singapore.

Since September 2003, City Gas has expanded into retailing natural gas to capitalise on what it believes is a growth area and taking advantage of its position as a market leader in gas retailing in Singapore.

As of 30 September 2006, City Gas served approximately 580,000 customers with annual consumption of 1,408 million kWh for FY 2006. It had an annual revenue of S$214.8 million during FY 2006 and S$116.1 million for the six months ended 30 September 2006. Its net profit during FY 2006 was S$17.9 million and S$8.8 million for the six months ended 30 September 2006.

The amount of town gas sold by City Gas during FY 2006 increased by nearly 2.7% from 1,346.1 million kWh in FY 2005 to 1,382.0 million kWh in FY 2006.

Prior to the Listing, City Gas is owned 100% by Temasek.

Upon the Listing, City Gas, in its capacity as trustee (the "**City Gas Trustee**"), will acquire and hold the assets and business undertakings of City Gas on trust (the "**City Gas Trust**") for CitySpring, as beneficial owner of 100% of the units in the City Gas Trust. The City Gas Trustee will fund the purchase of the assets and business undertakings of City Gas by drawing down the New City Gas Loan and issuing the New City Gas Notes and units in the City Gas Trust to CitySpring.

The City Gas Trustee will continue to be the legal owner of the assets and business undertakings of City Gas and the contracting party to the material agreements for carrying on the business of City Gas. The City Gas Trustee will be a wholly-owned subsidiary of CitySpring. (See "Restructuring Exercise".)

BUSINESS STRENGTHS

City Gas believes that the following key business strengths provide the platform for implementing its business strategy:

Sole supplier and producer of town gas, as well as sole user of the town gas network in Singapore

Senoko Gasworks has a capacity of 1.6 million m^3 per day and is the sole production facility of town gas in Singapore. It is currently the holder of the sole licence from EMA for production and retailing of town gas in Singapore. It has approximately 580,000 residential, commercial and industrial customers and is the sole user of the Network. City Gas understands from the EMA that until completion of the conversion of the Network from carrying town gas to carrying natural gas (See "The Initial Businesses — City Gas and SingSpring — City Gas — Conversion of the Network" for more details.), City Gas will continue to be the sole supplier of piped gas through the Network.

Strong position in the residential segment

City Gas has a substantial share of the Singapore residential segment for town gas. It estimates that it has pipe access through the Network to approximately 770,000 residential homes (which is equivalent to approximately 75% of the entire residential segment in Singapore) and has over approximately 560,000 residential customers (which is approximately 55% of the entire residential segment in Singapore[1]). City Gas supplies town gas to approximately 90% of new public housing or Housing Development Board ("**HDB**") apartments and substantially all of the new large condominium developments in Singapore.

Stable cash flow from a wide customer base

City Gas's town gas business generates operating cash flows from a wide customer base comprising residential, commercial and industrial customers. In addition to having a substantial share of the Singapore residential segment, City Gas has a large and diverse customer base of more than 12,800 customers in the commercial and industrial segments covering a range of industries. The diversity of its customers across industries and the size of its customer base help to mitigate the effects of fluctuations in gas demand resulting from downturns in any specific industry or segment.

City Gas believes it has a large and diverse customer base which includes more than 560,000 residential households. The substantial capital investment needed for establishing town gas production facilities acts as a disincentive to new market entrants. Generally, the gas bill of a typical household only forms a small part of the total utilities bill. In FY 2006, the average revenue per month per residential customer was S$15. City Gas believes that even if new entrants enter the market, these new entrants may find it uneconomical, given the cost of acquiring and marketing to potential customers, to incentivise City Gas's residential customers to switch retailers.

Established track record

City Gas, through its predecessor entities, has a long track record. The business was set up in 1862 as the "Singapore Gas Company", before becoming a division of the PUB in 1963. In 1995, the business was transferred to a newly-incorporated subsidiary of Singapore Power Limited and in 2002, it was divested to City Gas to carry on the production and retail of town gas to residential, commercial and industrial users in Singapore.

City Gas is the leading gas retailer in Singapore, with a reputation for reliability and safety. Other than being the sole producer of town gas, City Gas has grown from a retailer of town gas to a retailer of both town gas and natural gas. Its customer base has also grown to approximately 580,000 customers in Singapore.

Since production commenced at the Senoko Gasworks, there has not been any disruption in town gas production.

Benefits of using town gas through City Gas

City Gas's piped town gas is a convenient source of fuel for customers. It provides a continuous supply of fuel and does not require the customer to set aside storage space for gas cylinders. The only alternative source of gas for the residential segment is LPG. LPG is supplied through the use of gas cylinders which require additional storage space and have to be replaced when the LPG in the cylinders is depleted.

For commercial and industrial customers, piped town gas entails lower maintenance costs as compared to alternative fuels such as diesel and fuel oil which also require storage space.

City Gas also provides a host of services, ranging from the handling of gas supply enquiries, gas installation work, sales and promotion of gas appliances, to after-sales maintenance support for its customers. Customer requests and feedback are received through City Gas's 24-hour call centre and website.

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1 City Gas's share of the residential segment is determined in the following manner, using the following figures from Singapore Department of Statistics, "Monthly Digest of Statistics Singapore", August 2006, Pg 98, Table 19.2: Piped gas (144.3 million kWh); and LPG (8,864.6 tonnes= approximately 121.9 million kWh). As piped town gas and LPG form the total amount of gas sold in the residential segment, City Gas determines its residential market share as approximately 55%, accordingly. Please refer to paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding the use of this source.

Strong management team

City Gas has a management team with extensive experience in the gas and energy industry, and a trained workforce. A number of them are experienced in areas that include gas production, distribution and retailing, and have experience in the electricity and oil industries. Approximately 75% of City Gas's employees have been involved in City Gas's business for over 10 years. Some of City Gas's key executives were formerly employees of the PUB and have long-standing experience in the utilities sector. Its management team also has individuals recruited from regional and multinational corporations, with experience in areas such as sales and marketing, customer service and business development.

The Trustee-Manager will have the benefit of the experience of the City Gas management team to assess gas-related businesses as potential investments for CitySpring, and to manage gas-related businesses of CitySpring in the future.

OVERVIEW OF THE GAS INDUSTRY IN SINGAPORE

The electricity and piped gas industries have traditionally been vertically-integrated and owned by the Singapore government. The PUB was formed in 1963 to undertake the functions of supplying water, electricity and piped gas to the population of Singapore.

On 1 October 1995, the Singapore government incorporated the electricity and piped gas undertakings of the PUB into Singapore Power Ltd. This marked the first reform by the Singapore government of the vertically-integrated electricity and gas industries to facilitate competition. The Singapore government's intention was to gradually introduce competition so that Singapore would have a competitive electricity and gas market with investment, production and pricing decisions determined by market forces rather than through central planning.

In 1999, the Singapore government carried out a comprehensive review of the electricity industry. The key objective of this review was to implement an electricity market structure and regulatory framework that would support a competitive electricity industry in Singapore, while ensuring that system reliability and security were maintained.

Following this review, the Singapore government decided in 2000 to further deregulate the electricity industry. The key restructuring initiatives implemented included the separation at the ownership level of those parts of the electricity industry which were to be opened to competition and those which would remain as natural monopolies, the establishment of a systems operator and the liberalisation of the electricity retail market.

The Singapore government had, at the same time, decided to restructure the gas industry to put in place a competitive market framework by separating the competitive functions of production and retail of town gas as well as the importation and retail of natural gas, from the monopolistic function of gas transportation. The restructuring of the gas industry creates a level playing field for fair competition.

Natural Gas

There are currently three importers of natural gas in Singapore. Since 1991, natural gas was supplied from Malaysia to Singapore (Senoko Power Ltd ("**Senoko Power**")) solely for the generation of electricity. In 2001, SembCorp Gas Pte Ltd ("**SembCorp Gas**") began to import natural gas piped from West Natuna, Indonesia into Singapore and it supplies large customers in Jurong Island off the west coast of Singapore, and the Jurong and Tuas industrial areas on the western side of mainland Singapore. In 2003, GSPL began importing piped natural gas from Asamera, Indonesia into Singapore. According to media reports, the Keppel Group may begin importing piped natural gas from Malaysia in early 2007.

On 7 August 2006, the Singapore government announced plans to build an LNG terminal in Singapore. The selection of the terminal developer will be determined through a Request for Proposal ("**RFP**") process. Potential investors will be invited to submit bids for the right to build, own and operate the LNG terminal.

City Gas understands that the RFP process will begin by the end of 2007. In the meantime, the EMA has invited comments and feedback from interested parties on the key recommendations of the LNG feasibility study, including the terminal ownership structure, government support mechanism, business model, LNG procurement, regulatory framework and terminal configuration for importation of LNG into Singapore.

The Gas Industry

City Gas is currently the holder of the sole licence from EMA for the production and retailing of town gas in Singapore. It retails town gas to approximately 580,000 residential, commercial and industrial customers. It is also the sole user of the Network. Town gas is produced in Senoko Gasworks and transported through the Network to City Gas's customers in Singapore. Besides town gas, City Gas also retails piped natural gas to its commercial and industrial customers. For the commercial sector, City Gas retails LPG in addition to town gas, mainly to military and civil defence camps.

In the residential segment, City Gas competes against retailers of LPG, which is used for cooking. Town gas also competes with electricity as an energy source for appliances such as water heaters and clothes dryers. City Gas's piped town gas is used by 55% of households in Singapore[2] and access to town gas is available to all new HDB apartments as well as substantially all new large condominium projects. In the commercial and industrial segments, City Gas is the market leader for town gas and LPG, with more than 50% of the total market for LPG and piped town gas[3]. In the commercial segment, piped town gas is the preferred fuel. It is widely used by restaurants, food courts, hawker centres and hotels. Apart from LPG, the other competing fuels used in the commercial segment include electricity, diesel fuel and natural gas.

In the industrial segment, natural gas is the most widely used fuel source. City Gas, through the retail of town gas and natural gas, competes against providers of other petroleum products such as LPG, diesel and fuel oil in the industrial segment.

The EMA is currently evaluating the conversion of the Network to carry natural gas. If and when that conversion happens, City Gas would no longer be required to produce town gas. It is likely that competition in the gas market would increase after the conversion (See "The Initial Business of City Gas and SingSpring — Conversion of the Network.").

STRATEGY

City Gas seeks to maintain its market leading position in Singapore and expand into complementary businesses for growth. In addition, City Gas aims to build customer loyalty and brand recognition. City Gas has developed the following principal plans and strategies to achieve these objectives:

Adopting a proactive and responsible regulatory strategy

The piped gas business in Singapore is regulated by the EMA. City Gas has adopted a proactive and responsible approach to its relationship with EMA, in order to discuss developments in the gas industry and the regulatory regime. City Gas's management has extensive experience with EMA's tariff review process and an established working relationship with the EMA.

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[2] City Gas's share of the residential segment is determined in the following manner, using the following figures from Singapore Department of Statistics, "Monthly Digest of Statistics Singapore", August 2006, Pg 98, Table 19.2: Piped gas (144.3 million kWh); and LPG (8,864.6 tonnes = approximately 121.9 million kWh). As piped town gas and LPG form the total amount of gas sold in the residential segment, City Gas determines its residential market share as approximately 55%, accordingly. Please refer to paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding the use of this source.

[3] City Gas's share of the commercial and industrial segment is determined in the following manner, using the following figures from Singapore Department of Statistics, "Monthly Digest of Statistics Singapore", August 2006, Pg 98, Table 19.2: Piped gas (203.1 million kWh); and LPG (11,737.9 tonnes = approximately 161.4 million kWh). Assuming a market consisting of only piped town gas and LPG (but excluding natural gas), City Gas determines its commercial and industrial market share as approximately 55%, accordingly. Please refer to paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding the use of this source.

City Gas seeks to promote compliance with EMA regulations through regular compliance assessments and evaluations. It also seeks to monitor and evaluate the quality of the service that it provides as well as maintain a positive public image.

Focusing on growing segments in a maturing economy

A key challenge facing City Gas is the trend of households cooking less, thereby using less town gas, while the commercial segment becomes increasingly competitive. City Gas aims to position itself as the preferred gas retailer in Singapore and has adopted a segment-focused approach to increase its market share, improve sales and control costs.

The residential segment consists of approximately 1.1 million households. City Gas plans to maintain its market share while exploring ways to grow its business. It estimates that there are approximately 770,000 households with pipe access to town gas. Currently, there are approximately more than 560,000 households who are users of town gas. Thus, it is estimated that approximately 210,000 households which have access to town gas through installed pipes to their homes, are not using town gas.

City Gas has embarked on a multi-pronged marketing strategy (by direct marketing as well as through its partners and network of agents) to encourage the use of town gas. City Gas has tie-ups with the local renovation and contractors merchant association to promote the use of town gas to its customers.

In addition, City Gas seeks to promote greater use of town gas by selling new appliances such as water heaters and clothes dryers that use gas instead of electricity as their source of energy. An average household uses about 80–90 kWh of gas per month for cooking. The use of gas water heaters may increase average gas usage by about 80 kWh per month per household. City Gas has sold more than 20,000 gas water heaters since 1998. Over the last two years, City Gas has promoted the use of gas clothes dryers and sold more than 650 gas clothes dryers. Gas clothes dryers may increase gas usage by about 50kWh per month per household.

City Gas has sought for developers of housing projects to have piped gas installed not only for cooking but also for water heaters and clothes dryers and this has resulted in a high penetration rate for new HDB flats and new large condominiums. Of the approximately 6,700 new private condominium and apartment units announced in 2006 and which will likely be built over the next 12–24 months (based on City Gas's ongoing discussions with developers), an estimated 2,000 units will have piped gas for cooking, water heaters and a gas pipe tee off point for dryers; an estimated 1,200 units will have piped gas access for cooking and water heaters; and an estimated 1,000 units will have access to piped gas for cooking only. Another estimated 2,040 units have the option of piped gas access. Of these approximately 6,700 new units, an estimated 460 units (less than 7%) will not have piped gas access due to logistical constraints as they are of significant distance from gas mains.

In the commercial segment, City Gas serves a significant proportion of restaurants, hotels and food courts in Singapore, offering the advantages of cleanliness, improved space-utilisation and cost-effectiveness. City Gas has approximately 12,500 customers of town gas in this segment. City Gas will continue to promote town gas as the preferred energy source for kitchens. Apart from cooking, City Gas is exploring the use of town gas in dish washing, grease extraction and rice cooking, which traditionally involve the use of electric appliances, to increase its market share as well as the consumption of gas. City Gas has used the advantages of piped gas (for example, its clean-burning characteristics and the absence of a need for storage) to convert customers from the use of diesel and fuel oil to piped town gas and piped natural gas sold by City Gas and will continue to do so.

City Gas aims to grow both its town gas and natural gas sales in the industrial segment. It has the incumbent advantage in terms of natural gas sales in Singapore, and will continue to compete with suppliers of other fuels, such as diesel and LPG, through its service level and pricing strategy. City Gas's piped gas is the preferred gas for the food processing industry, wafer plants and laundries as well as printing companies. City Gas's piped gas meets the Hazard Analysis Critical Control Point standard for food safety for the food processing industry. It has the advantage of a system that is easy to maintain and, due to the absence of a need for the storage of tanks, frees up space for other business uses. City Gas will continue to build on its experience in these industries and expand into other industries which have similar fuel requirements.

Expanding into complementary businesses for growth

City Gas seeks to expand its gas business beyond town gas. It has focused on the retailing of natural gas as a complementary business, and continues to explore possible partnerships and alliances to develop new business opportunities. City Gas has also successfully converted some diesel-fired steam boilers in laundries in the Tuas industrial area in the western part of Singapore to natural gas fired boilers and will continue to explore other conversion projects to increase the use of natural gas. It will also explore developing its existing service and call centre to be a service provider for other members of the gas industry as well as gas retailing business opportunities beyond Singapore.

Controlling Costs

To maintain its competitive advantage, City Gas is focused on controlling costs and improving efficiency. Over the last two years, it has successfully replaced naphtha with natural gas as the predominant feedstock for town gas production as natural gas is a more price-competitive feedstock. It will continue to explore economies of scale and scope as well as efficient organisational processes to enable the management of costs.

Positioning for conversion of town gas to natural gas

As natural gas can be piped directly to end customers and does not need to be manufactured through the production process of a gas plant, natural gas is expected to be more price-competitive compared to town gas. There are also more natural gas appliances as compared to town gas appliances available in the market. Accordingly, City Gas expects greater long-term demand for natural gas as an energy source arising from the conversion of the town gas system into a natural gas system.

City Gas anticipates that there may be more competition in Singapore's gas market after the conversion of the Network to carry natural gas. As the incumbent gas retailer, City Gas intends to focus on its strengths as the market leader in gas retailing by building on customer loyalty and brand recognition, with a focus on customer experience, customer retention and customer growth. City Gas is developing a comprehensive customer strategy with the goal of improving its service and differentiating itself from its competitors. During the process of conversion, City Gas will directly engage with its existing customers in order to build on existing customer relationships and enhance brand awareness.

Seeking an efficient capital structure

The City Gas Trustee will seek to preserve an efficient capital structure and maintain financial strength through management of key measures, such as capital expenditures, cash flows, leverage and coverage ratios, and the maintenance of a sustainable level of debt. Through the issue of the City Gas Notes, the City Gas Trustee will seek to maxmise its after-tax cash flow, thereby benefiting CitySpring. (See "Restructuring Exercise" and "Taxation".)

REGULATION

Tariff Regulatory Framework

The 1996 Public Utilities Act, which currently governs the public licence held for gas retail by City Gas, requires any change in City Gas tariffs to be approved by the EMA.

Under the existing regulatory framework, the EMA regulates the tariffs that City Gas may charge. Tariffs for town gas are determined with regard to the cost to City Gas of, among other things, fuel, transportation of gas, and non-fuel components (which include, among other things, cost of production of town gas, manpower and after-sales services). Through a tariff review process, City Gas seeks to ensure that its costs are adequately reflected in the tariffs. City Gas understands that EMA has historically been using a guideline of 7% to 8% of City Gas's return on total assets ("**ROTA**") in its assessment of City Gas's tariffs.

The following table illustrates the revised tariff amounts (in Scents) that the EMA has approved for the period from January 2002 to January 2007:

Tariff Category (in Scents/kWh)	Jan 2002	Dec 2004	Sep 2005	Nov 2005	Jul 2006	Jan 2007
General Tariff	15.23	15.70	15.98	16.91	17.60	16.76
Bulk Tariff A	14.23	14.70	14.98	15.91	16.60	15.76
Bulk Tariff B	13.73	14.20	14.48	15.41	16.10	15.26

The adjustments for town gas tariffs during the period from 2002 to 2006 were made primarily to reflect increases in the blended average price of fuel which is the main component of City Gas's costs. It is noted that the reduction in town gas tariffs in January 2007 was made primarily to reflect a reduction in the price of fuel. The average proportion of natural gas and naphtha in the calculation of fuel costs has not changed since 2005, for the purposes of determining tariffs.

The setting of tariffs for City Gas's natural gas consumers on Jurong Island off the west coast of Singapore and in the Jurong and Tuas industrial areas in the west of Singapore is not regulated by the EMA.

Prices for supply of gas by City Gas

The prices that City Gas may charge for the supply of gas are approved by the EMA. The EMA's approval must also be obtained for any revisions to the methodology for determining the prices. City Gas is required to publish statements on any revision in its tariffs for the supply of gas which the relevant classes of customers are required to pay. These statements are published in major newspapers and on City Gas's website.

The Regulatory Regime for the Gas Industry

The Existing Regulatory Regime of the Gas Industry

Currently, the applicable statutory provisions in relation to the licensing and regulatory regime of the gas industry are found in the 1996 Public Utilities Act. Although the 1996 Public Utilities Act was repealed on 1 April 2001, the applicable statutory provisions in the 1996 Public Utilities Act were preserved by the 2002 Public Utilities Act, and continue to apply under the existing regulatory regime (the "**Existing Regulatory Regime**").

Under the Existing Regulatory Regime, the licensing and regulatory functions in respect of the gas industry are performed by the EMA, which was established under the Energy Market Authority of Singapore Act (Cap 92A) (2002 Rev Ed).

Under the Existing Regulatory Regime, no person shall "produce, transmit or supply any gas[4]" unless he is authorised to do so by a public licence or exempted by the EMA. The EMA has broad discretion to determine the form, period and terms and conditions of any such public licence granted by it.

The Existing Regulatory Regime gives broad powers to the EMA over public licensees including the power to modify the conditions of a public licence subject to certain notice requirements and the power to cancel or suspend a public licence at its discretion on the occurrence of certain events, including (a) a breach or the likelihood of a breach of the conditions of the public licence or code of practice or applicable laws and regulations by the licensee; (b) the compulsory or voluntary liquidation of the licensee or the licensee having made an assignment to, or composition with, its creditors; and (c) if the public interest or security of Singapore requires it.

Under the Existing Regulatory Regime, the EMA also has the power to take control of and manage the licensee by way of a special administration order in the event of an insolvency of the licensee or if the public interest requires.

4 "gas" as defined under the Existing Regulatory Regime means "any substance in a gaseous state supplied through pipes and used for cooking or heating purposes but does not include gas supplied to a public gas licensee and liquefied petroleum gas".

The Public Licence issued to City Gas

The EMA has issued public licences for the retail of gas in Singapore to the following three gas retailers: City Gas, SembCorp Gas Pte Ltd and GSPL. The full details of the individual public licences issued to the three companies are published on EMA's website, www.ema.gov.sg/gas/licences.php (the contents of the website or other websites referred to in the same do not form part of this Prospectus and should not be relied upon).

City Gas has been granted a public licence by the EMA (Licence No. PUB/GS/002) (as amended by a Notification No. 1 issued by the EMA on 19 November 2004) (the "**Public Licence**") under the Existing Statutory Regime. City Gas is licensed to "produce gas for the purpose of giving a supply to any premises or enabling a supply to be so given; or supply gas through pipes to any premises" subject to the conditions set out in the Public Licence. The Public Licence is valid for a period of 10 years from 2 January 2002.

Other material terms and conditions of the Public Licence are summarised below:

- The licensee shall, except as the EMA may otherwise approve in writing, procure that its authorised business shall not give any cross-subsidy to, nor receive any cross-subsidy from, any other business of the licensee or any subsidiary or related enterprise of the licensee;
- The licensee shall submit to the EMA for its approval details of the structure and amounts of any tariff or other mechanism in accordance with which the licensee proposes to calculate the prices to be charged to consumers for the supply of gas, not less than 60 days prior to publication;
- The licensee shall conduct the activities authorised by the Public Licence in a manner calculated to ensure that all necessary measures to protect and safeguard the security, integrity and safety of the licensee's system are taken. The licensee shall also not provide, or continue to provide, a supply of gas to any premises unless it is reasonably satisfied that such supply can be provided safely and that appropriate arrangements exist to ensure that it is so supplied; and
- The EMA shall notify the licensee on or before the 1st of April of each year of the licence fee to be paid and the licensee shall pay such fee to the EMA on or before the 30th of April of each year.

Furthermore, the Public Licence expressly prohibits anti-competitive practices which restrict, distort or prevent competition in the supply of gas (including LPG) or which are an abuse of a dominant market position. (See also "Competition under the Gas Act" below.)

In addition, under the terms of the Public Licence, the EMA is not required to compensate the licensee if it decides to replace the Public Licence with a new licence on new terms and conditions.

There is a right to revoke the Public Licence if, *inter alia*, a person obtains control of City Gas or if City Gas relinquishes or encumbers its ability to exercise effective management control over the whole or a material part of its authorised business without the prior approval or consent of EMA. "Control" for the purpose of EMA's right of revocation includes a 15% holding or interest in the share capital or assets of City Gas.

The Public Licence is held by City Gas in its personal capacity. It will not continue to hold this Public Licence in its capacity as trustee of the City Gas Trust. City Gas, in its capacity as trustee of the City Gas Trust, anticipates that upon Listing it will be issued with a new public licence by the EMA that is governed by the Existing Regulatory Regime with similar terms and conditions as described above, unless and until the relevant provisions of the New Regulatory Regime (as defined below) come into force.

In November 2006, EMA agreed to the restructuring of City Gas and to grant a new public licence (the "**New Public Licence**") to the City Gas Trustee. The New Public Licence is on substantially the same terms as the Public Licence and the main change is to reflect that City Gas now holds the licence as trustee of the City Gas Trust. As required by the New Public Licence, the City Gas Trust Deed provides that the primary function of the City Gas Trustee is to operate the City Gas business and is entitled to be indemnified out of trust property for all payments required by EMA and breaches of the New Public Licence (and any replacement licence that might be issued to City Gas Trustee pursuant to changes in the Gas Act (see below)).

New Regulatory Regime

As part of the Singapore Government's reform of Singapore's gas industry, the Gas Act, which sets the new legal framework for the gas industry, was passed in March 2001 (the "**New Regulatory Regime**"). Although parts of the Gas Act are currently in operation[5], the key regulatory provisions contained in Parts III to VIII are not yet in effect. The New Regulatory Regime, when fully in force, will supersede and replace the Existing Regulatory Regime.

There is presently no indication as to when the key regulatory provisions in the Gas Act will be brought into effect. However, until the key regulatory provisions contained in the Gas Act are brought into effect, the applicable statutory provisions in relation to the licensing and regulation of the gas industry contained in the repealed 1996 Public Utilities Act will continue to apply pursuant to the 2002 Public Utilities Act.

In the interim, the EMA has also proposed certain amendments to the Gas Act in a consultation paper published in February 2006 (the "**Proposed Amendments**").

City Gas's business is mainly in the production of town gas and the retail of town gas and natural gas. Hence, when the relevant provisions of the Gas Act come into force, the retail portion of the City Gas business would be subject to the regulatory provisions on gas retail[6]. City Gas will then be required to obtain a gas licence to retail gas[7] including town gas and natural gas, through a gas pipeline or gas pipeline network. If and when the Proposed Amendments come into force, City Gas would also require an additional town gas producer's licence to produce town gas.

Under the provisions of the Gas Act, the EMA continues to perform the licensing and regulatory functions in respect of the gas industry. The grant of licences (including a gas retailer's licence) will remain within the purview of the EMA and will be similar to its powers under the Existing Regulatory Regime. The EMA has broad discretion to impose restrictions and conditions in licences, to modify the conditions of licences and to revoke licences. The EMA will continue to have broad powers in performing its licensing and regulatory functions. For instance, under section 4 of the Gas Act (which is currently in force), the EMA has the power to require all information and documents reasonably required by the EMA to carry out its functions or duties to be provided.

A new regulatory requirement (which is not in force as at the Latest Practicable Date) is the inclusion of specific provisions imposing duties on gas retailers. Section 37 of the Gas Act will impose a statutory duty on a gas retailer to develop and maintain a safe, efficient, reliable and economical service for the retailing of gas and to carry on its licensed gas business at all times in such manner so as not to prevent, restrict or otherwise hinder the development of competition in any gas market in Singapore. Section 45 of the Gas Act also requires a gas retailer not to show undue preference or discrimination between persons or class of persons in establishing prices.

Draft Gas Licence to be issued under the Gas Act

To the best of its knowledge, City Gas does not anticipate that the New Regulatory Regime will be fully in operation at the time of Listing. It remains uncertain if and when the New Regulatory Regime will be fully brought into effect. City Gas (in its personal capacity, if the New Regulatory Regime comes into force before

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5 Section 1 and Part XII of the Gas Act came into operation on 23 July 2003 and sections 2, 3(1), (2), (3)(e) and (h), (4) and (5), 4, 5, Part IX, X, sections 87 to 91 and 95 came into operation on 19 December 2003.

6 "retail" is defined in the Gas Act to mean "the shipping and supply of gas to a consumer other than a direct access customer". "customer" means a person to whose premises gas is shipped or whose premises are connected to a gas pipeline network for the purpose of obtaining a supply of gas". Without going into detail, "direct access customer" refers to persons who have arrangements with a gas transporter.

7 "gas" as defined in the Gas Act means "natural gas and town gas but does not include liquefied petroleum gas". "natural gas" means "any mixture of gaseous hydrocarbons which is conveyed by gas pipes and is composed of (a) predominantly methane; and (b) as to the remainder, varying amounts of other hydrocarbons and other combustible and non-combustible gases" and "town gas" means "any substance in a gaseous state which is conveyed in gas pipes and is manufactured from petrochemical feedstock, and has hydrogen as one of its main constituents".

the Listing or as trustee, if the New Regulatory Regime comes into force after the Listing) intends to apply for a new gas retailer's licence under the Gas Act and a town gas producer's licence if the Proposed Amendments are implemented. As at the Latest Practicable Date, City Gas was in discussions with the EMA over the terms and conditions of the new licences.

Competition under the Gas Act

Part IX of the Gas Act is currently in force and applies to City Gas. Part IX of the Gas Act contains rules relating to competition in the gas market in Singapore and has been in force since December 2003. The general prohibitions on competition are set out in section 69(1) of the Gas Act which prohibits agreements, decisions or concerted practices by persons which have as their object or effect the prevention, restriction or distortion of competition; and section 70(1) of the Gas Act which prohibits any conduct on the part of one or more persons which amounts to the abuse of a dominant position in any gas market in Singapore if it may affect trade within Singapore.

Sections 69 and 70 are subject to section 71 of the Gas Act which provides that the EMA may, with the approval of the Minister of Trade and Industry of the Singapore Government, on the application of any person or on its own initiative grant an exemption from sections 69(1) and 70(1) to any agreement or conduct prohibited by those sections.

Under section 69(2)(f) of the Gas Act, indicative examples of agreements, decisions or concerted practices which have as their object or effect the prevention, restriction or distortion of competition would include agreements, decisions or concerted practices which provide for the acquisition, directly or indirectly, of shares in or the assets of a gas licensee.

To the best of the knowledge, information and belief of City Gas, the current business of City Gas is in compliance with these provisions.

Environmental and Safety Matters

The operations of City Gas, and in particular, its town gas production facilities, are subject to a number of laws and regulations relating to environmental protection and safety, including the Environmental Pollution Control Act, Chapter 94A of Singapore, and the Workplace Safety and Health Act 2006, Act 7 of 2006 of Singapore. The operations of the town gas production facilities owned by City Gas are within the safety and health guidelines set by Ministry of Manpower of the Singapore government.

City Gas's primary raw materials i.e. the feedstock for the production of town gas, comprises clean fossil fuels such as natural gas or light virgin naphtha. Natural gas is now the predominant feedstock that City Gas uses.

In the town gas manufacturing process, the plant collects waste water primarily from condensed steam. After the removal of any oil and oil-related substances, and after it is chemically-treated, the waste water is then discharged into the sewerage system. The oil and oil-related waste is disposed of by a licensed specialist waste treatment company approved by the National Environment Agency.

City Gas has policies and procedures to ensure that its plant operations conform with existing environmental regulatory standards. It also has procedures for the safe management and disposal of the waste products and pollutants. Checks are conducted regularly by personnel from the National Environment Agency to ensure compliance with the requirements of the Environmental Pollution Control Act.

City Gas therefore believes that it is in compliance in all material respect with applicable environmental and safety laws and regulations and that there are no outstanding or anticipated environmental and safety issues of a significant nature in relation to its compliance with these laws and regulations.

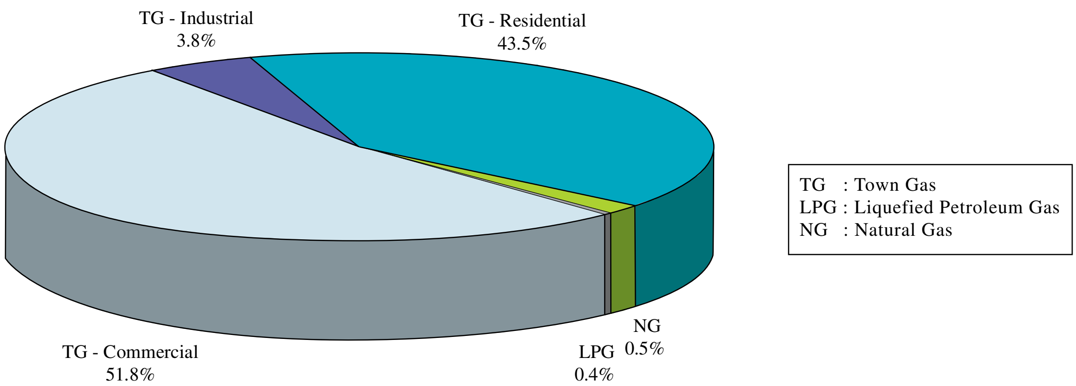
CITY GAS — OPERATIONS

Retailing Of Town Gas

City Gas is the sole retailer of town gas in Singapore and owns the only town gas production facilities in Singapore at the Senoko Gasworks. It serves approximately 580,000 customers in Singapore through its supply of town gas, natural gas and LPG (the last being a legacy business from PUB).

City Gas serves a broad range of segments in three key markets, i.e. residential, commercial and industrial. The following diagram illustrates the aggregate amount of gas sales for each segment for FY 2006:

FY 2006 Revenue



Sales to the residential segment comprised 43.5% of City Gas's total revenue in FY 2006. City Gas has a substantial share of the residential segment for gas. It has a penetration rate of 55%[8] (equivalent to approximately 560,000 households) and has access to about 75% of the residential segment. Besides the use of town gas for cooking, City Gas seeks to promote greater use of town gas by selling new appliances such as water heaters and clothes dryers that use gas instead of electricity as a source of energy.

It has sold more than 20,000 gas water heaters since 1998. Over the last two years, it has started promoting the use of gas dryers. City Gas is also targeting the estimated 210,000 households that have piped gas access but are using LPG.

In the commercial segment, City Gas serves a significant proportion of restaurants, hotels and food courts in Singapore, offering the advantages of cleanliness, improved space-utilisation and cost-effectiveness. City Gas will continue to promote town gas as an ideal energy source for kitchens. City Gas is exploring the use of town gas in hot water dish-washers and in rice cookers, which traditionally involve the use of electric appliances, to grow its market share and increase consumption of gas. It aims to do so by encouraging the use of gas appliances for these tasks.

The Singapore Tourism Board has in recent times launched a series of initiatives to propel the growth of the MICE ("Meetings, Incentive Travel, Conference and Exhibitions") industry. Hence, a segment-focused approach on the hotel industry has been adopted by City Gas to drive growth.

As part of the liberalisation of the energy sector in Singapore, the National Environment Agency has allowed alternative gas suppliers such as suppliers of LPG cylinders to compete with piped town gas in the hawker centre segment. To stay competitive, City Gas has embarked on a customer loyalty program with value added services to retain customers in the hawker centre segment in anticipation of potential erosion of its market share after market liberalisation of the gas sector.

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[8] City Gas's share of the residential segment is determined in the following manner, using the following figures from Singapore Department of Statistics, "Monthly Digest of Statistics Singapore", August 2006, Pg 98, Table 19.2: Piped gas (144.3 million kWh); and LPG (8,864.6 tonnes = approximately 121.9 million kWh). As piped town gas and LPG form the total amount of gas sold in the residential segment, City Gas determines its residential market share as approximately 55%, accordingly. Please refer to paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding the use of this source.

Eating houses in Singapore are mostly owned by individuals or chain operators. This segment is a competitive one, with major oil companies using their LPG distributors as the marketing arm to compete with City Gas. As the chain operators also own and operate food courts, City Gas intends to approach them with a package deal for the food courts and eating houses. City Gas supplies town gas to almost all food courts in Singapore. For individually owned and operated eating houses, City Gas intends to compete through competitive pricing and incentives as well as customer service.

Marketing

City Gas is committed to delivering excellent customer service with a one-stop-shop at its Town Gas Gallery at Somerset Road. The Town Gas Gallery features a wide selection of gas appliances for residential and commercial customers, provides live demonstration of gas appliances and also enables customers to perform gas-related transactions at the Town Gas Gallery, including making general enquiries, opening gas accounts, making appointments for gas connection and purchasing gas appliances.

Getting closer to its customers and supporting community initiatives has always been part of City Gas's culture. City Gas will continue to launch new marketing initiatives to engage customers, ranging from organising cooking classes, conducting quizzes via its website, the newspapers and magazines as well as organising community road-shows. In terms of community service, City Gas is active at community events, such as Singapore Civil Defence Force road-shows on safety issues and Home-Safe-Home campaigns organised by Citizens' Consultative Committees. It has also supported several charity programmes and sponsored events.

Being the only town gas provider in Singapore and with gas often strongly associated with dining, cooking and food, City Gas is active in key national food events. For example, it participated in the Singapore Food Festival organised by the Singapore Tourism Board in 2005 and 2006. City Gas has also been actively partnering well-known chefs and several food magazines to showcase the preparation process of meals, with the aim of encouraging more cooking and dining at home. One of the key activities in its marketing gourmet agenda involved City Gas partnering renowned chefs and culinary connoisseurs in the demonstration of their award-winning dishes and in the publication of a cookbook.

To strengthen its relationship with valuable clients, the senior management of City Gas and staff interact regularly with key customers and business partners through networking sessions.

City Gas's marketing messages have always focused on safety, reliability, convenience, cost-effectiveness and 24-hour service. City Gas will continue to identify means to generate sales and to build and strengthen relationships with commercial, residential and industrial customers as well as valuable business partners.

Customer Support and Customer Service

City Gas's customer-focused approach is enhanced by its call centre operations at Senoko. The 24-hour call centre provides convenience for customers to give feedback, report gas supply interruptions and emergencies as well as request for services such as gas installation and servicing of appliances. City Gas's trained and experienced personnel at the call centre are able to respond to customers' enquiries promptly, assist them on gas safety, and handle emergency situations such as suspected gas leaks.

Production Of Town Gas at *Senoko Gasworks*

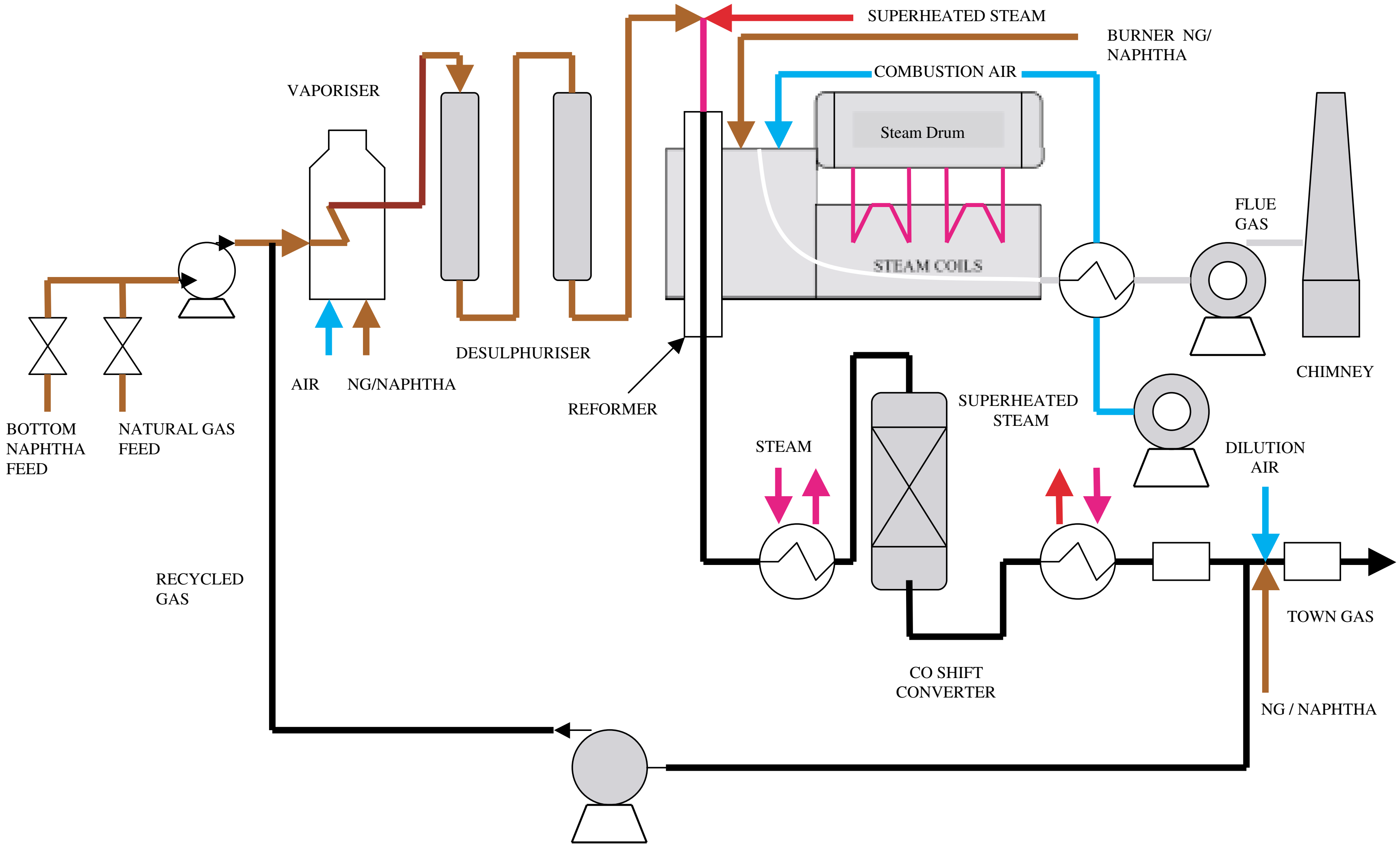
Located on the northern coast of Singapore, Senoko Gasworks is the only town gas manufacturing facility in the country. Senoko Gasworks commenced operations in 1996.

Senoko Gasworks produces town gas of calorific value 18.63 MJ/Sm^3 and specific gravity 0.52. The gas is produced from three continuous reforming plants ("**MPCG**") and five cyclic reforming plants ("**LPCG**"), each with a production capacity of 200,000 m^3 per day. The total installed capacity of the eight plants is 1.6 million m^3 per day. The plants are capable of using both natural gas and light virgin naphtha as feedstock. The town gas produced can either be stored in two spherical gasholders or sent out through the distribution network to customers.

Components involved in the production of town gas include naphtha storage facilities, a naphtha splitter (to separate heavy and light naptha via a distillation process), spherical gasholders, gas compressors, dehydrator, water demineralisation treatment plant and waste water treatment facility.

The following diagram illustrates the production process for town gas at Senoko Gasworks.

Town Gas Production Process at Senoko Gasworks



The raw material used to produce gas, namely natural gas (or naphtha) is first heated and then passed through a desulphurisation reactor to remove the sulphur content.

The natural gas or naphtha and steam are mixed and introduced into the reformer tubes which are heated in a reformer box. As the mixture flows through the hot nickel based catalyst in the reformer tubes, a chemical reaction takes place and the mixture is reformed into lean gas. A major component of lean gas is hydrogen. The resulting lean gas is then mixed with natural gas or naphtha and air in a controlled ratio to achieve the calorific value and specific gravity of town gas.

The reforming process absorbs heat. This heat is supplied by a series of burners to maintain the catalyst in the reformer tubes at the optimum reforming temperature.

The produced gas, known as town gas, is compressed and odorised before it is transmitted to customers. The odorisation process ensures that town gas can be detected by smell in the event of a gas leak.

Protection of Senoko Gasworks

City Gas seeks to provide a safe and healthy working environment for its staff and business partners. It provides its employees with information, training, supervision, safety devices and protective equipment to enhance their safety and health at work. City Gas also has in place a safety management system as required by safety, health and fire legislation.

Exercises are conducted to test emergency preparedness and procedures are systematically updated. Senoko Gasworks received a "Silver" award in 2003 and a "Certificate of Merit" in 2004 under the Ministry of Manpower Annual Safety Performance Award in recognition of its good safety performance and safety management systems.

City Gas has taken a number of preventive measures to protect its key network installations from security breaches. Physical protection measures such as fence-intrusion detection systems and access control systems have been enhanced at key installations, which are also under constant surveillance.

City Gas has also procured terrorism insurance coverage for its key network assets. City Gas also carries a range of insurance policies. (For a discussion of these insurance policies, see "The Initial Businesses — City Gas and SingSpring — City Gas — Insurance" below.)

Operation and Control of its Plant

Gas production is monitored, controlled and directed 24 hours a day, seven days a week from a Central Control Room ("**CCR**"). At the heart of the CCR is a fully automated Distributed Control System ("**DCS**"). The DCS, which is a computerised process control system, enables the experienced plant controllers to operate, monitor and control the gas production and ancillary plant.

Production Reliability and Gasworks Maintenance

The quality and reliability of Senoko Gasworks has contributed to the success of City Gas.

City Gas has also provided for spare capacity so as to be able to meet demand at peak periods. Gas consumption in Singapore fluctuates over a 24-hour daily cycle with two peak periods of high usage between 10 am to 12 noon and 5 pm to 7 pm corresponding to the lunch and dinner cooking periods. Continuous gas-making plants are normally operated at a constant load to enable stable plant operations. However, to increase production capacity and meet the high peak demand during high periods of gas usage, City Gas starts up its cyclic plants and/or withdraws gas from its reserve spherical cylinders to supplement gas production. During periods of low gas usage particularly at night, gas production exceeds demand and the excess gas produced is used to fill the spherical gas-cylinders to their maximum installed capacity in preparation for the next day's peak gas usage.

City Gas believes that these measures have been effective in safeguarding the security and stability of their gas-making plants and the reliability and quality of its gas supply. Since the commencement of operations at Senoko Gasworks, there has never been any disruption in town gas production. The calorific value of town gas is controlled and monitored continuously to ensure that the standard set by the EMA is met. Gas meters are calibrated regularly by PowerGas, the transporter of piped gas, to ensure accuracy in measurement of gas usage.

City Gas carries out maintenance programs to maintain Senoko Gasworks, including a condition based maintenance regime and various condition monitoring programs. City Gas spent S$3.7 million during FY 2006 on maintenance. Maintenance is performed by the employees of City Gas, external service providers, or a combination of both. City Gas regularly monitors the performance and quality of its external contractors.

City Gas monitors the condition and performance of electrical and mechanical equipment to help prevent failures or reductions in supply. City Gas believes its comprehensive condition monitoring program enables incipient faults to be detected early and corrective action to be taken before failures occur. When failures do occur, they are attended to and repair work is carried out to maintain operational readiness. Thorough investigations are also carried out on production incidents for identification of causes, allowing the formulation of remedies to prevent recurrences.

Production capacity and utilisation

The following table shows City Gas's aggregate production volumes (measured in m^3 per financial year) (rounded down to the nearest thousand) of town gas and the maximum production capacity and the utilisation rates of Senoko Gasworks for FY 2004, FY 2005 and FY 2006:

Financial Year	**Aggregate production volume of town gas (measured in m^3[(1)])**	**Maximum production capacity[(2)] (measured in m^3 per financial year)**	**Utilisation Rate[(3)] (%)**
2004	268,603,000	313,900,000	85.6*
2005	262,385,000	313,900,000	83.6*
2006	269,430,000	313,900,000	85.8*

* Rounded to one decimal place

Notes:

(1) $1m^3$ = 5.175 kWh.

(2) The maximum production capacity is calculated based on 24-hour operations 365 days a year (with allowances for normal maintenance, operational down-time and limitation in gas storage capacity). The maximum production capacity illustrated in the table above has been rounded down to the nearest thousand.

(3) Utilisation rates are calculated by expressing the volume of gas produced as a percentage of the maximum production capacity and are calculated based on the actual numbers instead of the rounded numbers in the table above.

As of September 2006, the maximum production capacity of Senoko Gasworks was 313,900,000 m^3 per annum (rounded down to the nearest thousand) calculated based on 24-hour operations 365 days a year (with allowances for normal maintenance and operational down-time).

City Gas's long-term capital expenditure plans

As Senoko Gasworks has an unutilised capacity of 15% as of September 2006 (See "The Initial Businesses — City Gas and SingSpring — City Gas — Production of Town Gas — Production Capacity and Utilisation".), City Gas believes that it can meet the projected growth in demand over the next few years, and there is currently no plan for any major capital expenditure. (For a further discussion of City Gas's historical and planned capital expenditures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources''.)

Quality Control

City Gas strives to provide quality products which satisfy its customers' requirements. Using a fully automated plant distributed control system, City Gas ensures that the town gas it produces conforms to the calorific value, specific gravity, carbon monoxide content and odorisation requirements. City Gas has online analysers to monitor the various gas parameters.

CONVERSION OF THE NETWORK

City Gas has been in discussion with the EMA and PowerGas on the proposed conversion of the Network from carrying town gas to natural gas. So far as City Gas is aware, no decision has been made regarding whether or when the proposed conversion will proceed.

Natural gas can be sent directly to customers through the Network without requiring production plants. City Gas can benefit from retailing natural gas as opposed to town gas through cost savings by removing gas production costs from its operating costs and by eliminating losses of gas and feedstock that occur during the production process.

Conversion of the Network involves, among other things, the replacement of or modification of an existing gas appliance, which operates on LPG or town gas so that the appliance can operate safely and satisfactorily with natural gas as the fuel. The modification process usually involves, among other things, replacing or modifying the gas nozzles, replacing or modifying burner heads and aeration adjustment. Due to the difference in combustion characteristics, an existing town gas appliance intended for use with natural gas will have to be converted to prevent the over-supply of natural gas (energy) to the burners and to overcome problems like flame lifting, flame extinction, gas leaks (as a result of flame extinction) and incomplete burning.

If approved, the conversion project is expected to take six to seven years to complete, comprising approximately one and a half years for project preparation and a further five years for project implementation. Upon approval of the project it is expected that PowerGas will carry out the conversion of the gas network from carrying town gas to natural gas while City Gas will carry out the conversion of the gas appliances of its customers. City Gas will be responsible for ensuring that appliances will operate satisfactorily and safely on natural gas at the point of conversion.

City Gas estimates that the costs of conversion to City Gas would be approximately S$200 million over an estimated period of conversion of six to seven years. There are currently no plans to raise any funds to meet the costs of conversion since the implementation of the conversion has not yet been finally determined. However, if conversion occurs, City Gas intends to explore ways to raise financing, including debt financing, to meet those costs.

Recommendations on Conversion of the Network

City Gas and PowerGas recommended to the EMA in September 2004 to defer the conversion project for five years due to the high costs of conversion and long cost recovery period of up to 15 years.

City Gas has since then carried out a review of the earlier recommendations to the EMA and is of the view that there are no material changes to the assumptions made in its cost estimates. However, a more detailed evaluation is required to determine the accuracy of the projected costs and both City Gas and PowerGas would have to conduct a detailed evaluation to validate the estimated costs and recovery period after a decision has been made by EMA on conversion and the timeline for implementation of the conversion project.

City Gas understands from the EMA that if it undertakes the conversion project jointly with PowerGas, it will be given the right to be the sole retailer to customers of town gas and natural gas through the Network during the period of conversion of the Network to carry natural gas. Upon completion of conversion, other gas retailers will be allowed to compete with City Gas to retail natural gas to consumers through the Network.

Discussions with EMA on Conversion of the Network to Carry Natural Gas

The EMA is in the process of reviewing the recommendations by City Gas and PowerGas and has not made a decision on the implementation of the conversion. The EMA has also indicated that City Gas will be the sole retailer to supply piped gas to consumers for the whole of Singapore through the Network until the completion of the conversion of the Network. After the conversion is completed, City Gas may face competition from other retailers of natural gas who have access to the Network.

City Gas has also reiterated to the EMA that the cost of the conversion project will be substantial and as these costs will likely be borne by City Gas and PowerGas, City Gas would require a full recovery of the costs it has incurred in the conversion project as well as a reasonable return on capital. PowerGas proposes to levy an increase to its transportation cost for a period of time as determined by EMA (which will be apportioned between City Gas and PowerGas through a sharing arrangement), to allow for the full recovery of the conversion costs incurred by City Gas and PowerGas as well as a reasonable return.

AGREEMENTS WITH SUPPLIERS

Natural Gas Purchase Agreement

In September 2003, City Gas entered into a Gas Purchase Agreement with GSPL. Under the Gas Purchase Agreement, City Gas is entitled to purchase up to 112 thousand billion Btu of natural gas over a period of 20 years (expiring in 2023) and at least 55% of the annual contracted quantity (which is 5,748 billion Btu per year) must be purchased by City Gas between the third year and 20th year of the Gas Purchase Agreement. (See "Risk Factors — Risks Relating to City Gas — City Gas relies on GSPL, PowerGas and SP Services for the supply of natural gas, transportation of gas and the provision of gas-meter reading, billing and collection services, respectively".)

The Gas Purchase Agreement will terminate on the earlier of (i) the 20th anniversary of the date of first delivery of gas under the agreement i.e. 25 September 2003 and (ii) the day on which the aggregate quantity of gas delivered is equal to 112 thousand billion Btu. The Gas Purchase Agreement may be terminated upon a party being insolvent, if any amount due and payable under the Gas Purchase Agreement remains unpaid for 30 days after the due date, in the event of a force majeure with certain resultant impact on the parties, or if there is a serious failure in GSPL's delivery obligations. The Gas Purchase Agreement may also be terminated if the gas sales agreement between GSPL and Pertamina, the Indonesian state-owned oil and gas company, is terminated for any reason.

Transportation Tariffs

City Gas paid transportation costs of S$68 million to PowerGas for FY 2006 for the transportation of town gas manufactured at Senoko Gasworks to City Gas's town gas customers.

Town gas transportation

In connection with its divestment, City Gas and PowerGas had on 2 January 2002 agreed an arrangement (the "**2002 Transportation Arrangement**"), pursuant to which PowerGas agreed to transport town gas produced by City Gas at Senoko Gasworks to City Gas's approximately 580,000 customers through the Network. The transportation tariffs that are charged by PowerGas to City Gas under the 2002 Transportation Arrangement are regulated by the EMA as PowerGas is the sole gas transporter in Singapore which owns and operates the town gas distribution network. The 2002 Transportation Arrangement has been formalised into the New Transportation Agreement (see below).

The 2002 Transportation Arrangement also encompassed the provision of certain miscellaneous services by each of City Gas and PowerGas to the other incidental to the transportation of town gas through the Network. For example, City Gas operates a call centre to receive communications and reports from the public relating to the supply of town gas, while PowerGas operates a system control centre in respect of the Network.

City Gas and PowerGas formalised the 2002 Transportation Arrangement by entering into (i) an agreement in respect of the transportation of town gas through the Network (**"New Transportation Agreement"**) and (ii) an agreement in respect of the incidental services described above ("**Services Agreement**") on 12 January 2007.

The Services Agreement is for the mutual provision of services from each of City Gas and PowerGas to the other, in relation to, among others, the operation of a call centre by City Gas for the receipt of communications and reports from customers and the public relating to the supply of town gas or the Network for the transportation of town gas by PowerGas, the operation of a system control centre by PowerGas to receive communications and reports from the public relating to, among others, the said town gas network, and the maintenance and operations of the town gas network. It also provides for the continuation of the sharing arrangement in relation to the SP Management Fee pursuant to the Utilities Support Services Agreement with PowerGas (described below).

(See also "Interested Person Transactions and Potential Conflicts of Interest" for more details on these agreements.)

PowerGas is in the process of reviewing the transportation cost for different categories of customers. City Gas is also reviewing the non-fuel component of its own tariffs to better reflect its costs for servicing different categories of customers. EMA has indicated that it is prepared to consider any changes to either the transportation costs proposed by PowerGas or the town gas tariffs proposed by City Gas as long as there is adequate justification that the proposed tariffs are cost-reflective and do not result in an excessive level of returns for PowerGas and/or City Gas.

Natural gas transportation

City Gas has also, on 15 September 2003, entered into an Interim Natural Gas Transportation Agreement with PowerGas to transport natural gas (purchased under the Gas Purchase Agreement) to Senoko Gasworks and pays transportation costs (S$2 million for FY 2006) to PowerGas to do so.

City Gas pays PowerGas monthly transmission charges which are calculated by multiplying the transportation tariff of S$0.42 per mmBtu by the quantity of natural gas delivered to Senoko Gasworks in a month.

This agreement will terminate on the date the Network Code (i.e. the document to be prepared by PowerGas and the EMA pursuant to its gas transportation licence and applicable laws governing the transportation arrangements for natural gas in the natural gas pipeline network) and the contract to be entered into between City Gas and PowerGas pursuant to the provisions of the Network Code come into full force and effect. The Network Code, among other things, will provide for the pricing for the transport of natural gas. City Gas is not aware as to when the Network Code may come into force and effect.

(See also "Interested Person Transactions and Potential Conflicts of Interest" for more details on this agreement.)

Electricity

Taking advantage of the deregulation of the electricity market, Senoko Gasworks sources its electricity requirements from competitive energy supply companies. The present supplier of electricity to Senoko Gasworks is Senoko Energy Supply Pte Ltd, a wholly-owned indirect subsidiary of Temasek under an agreement where Senoko Energy Supply Pte Ltd would supply to City Gas electricity for use at Senoko Gasworks, at the capacity of 5,170kW for a sum of S$4,978,000. This agreement is for a period of 12 months and will expire on 31 March 2007. (See "Interested Person Transactions and Potential Conflict of Interests — Present and Ongoing Interested Person Transactions of City Gas" for more details of this agreement.)

Utilities Support Services Agreement

City Gas does not provide billing and other related services for its fees or other charges. Although the current regulatory framework does not prohibit City Gas from carrying out its own gas meter reading and billing, City Gas may not have the economies of scale to have its own billing system and residential households are generally in favour of having a single utility bill (for the use of gas, water and electricity). Hence, City Gas has appointed SP Services to act as its agent for the gas-meter reading, billing and collection of its fees and charges for the supply of town gas and natural gas. In return for such services, City Gas pays agency fees to SP Services. In addition, SP Services reads their gas meters in its capacity as City Gas's agent.

City Gas and SP Services signed the Utilities Support Services Agreement on 25 May 2004 for a period of five years. Town gas billing is carried out by SP Services jointly with other utilities and services, such as electricity, water and waste removal.

Under the Utilities Support Services Agreement, City Gas has ownership of the customer information on gas accounts.

The services provided by SP Services under the Utilities Support Services Agreement include the following:

(a) Receiving and processing applications from the general public for opening of gas accounts;

(b) Entering into agreements with gas consumers as agent for and on behalf of City Gas;

(c) Collecting and receiving the requisite deposits from customers upon opening of the gas accounts;

(d) Establishing and maintaining accounting and computer systems to maintain the consumer accounts;

(e) Meter reading at specified intervals and issuing monthly bills to consumers;

(f) Collecting and receiving monies from consumers for and on behalf of City Gas for the supply of gas and other miscellaneous charges;

(g) Receiving and replying to enquiries and complaints from the public and City Gas's customers; and

(h) Debt management and recommendation of bad debts to be written off.

Customer Deposits

SP Services collects and receives from customers a deposit in respect of the supply of gas. This deposit, in the case of a non-residential customer or a customer who pays its bill by any means other than by GIRO, is 1.5 times the amount of the average monthly bill rendered by SP Services to each such customer in respect of its account. In the case of residential customers who pay such bills by GIRO, the deposit is equal to the amount of the average monthly bill rendered by the SP Services to each such customer in respect of its account.

The amount of the deposit to be collected by SP Services from customers may be subject to review as may be agreed between City Gas and SP Services. SP Services may also collect and receive from each customer at the time of opening of the account, a single deposit in respect of the supply of gas and other utilities, which will be a sum previously agreed between City Gas and SP Services having regard to factors including, but not necessarily limited to, the average monthly bill for accounts of customers in similar industries and premises.

Billing

Billing to customers is based on the consumption registered by the gas meter or estimated on the basis of previous meter readings and in accordance with the tariffs of City Gas for the supply of gas as notified by City Gas to SP Services from time to time (including any concessionary tariffs, waivers or reductions), and which amounts may include any other charges related to the supply of gas.

Debt Management and Recommendation of Bad Debts to be written off

SP Services undertakes to establish and maintain a system to ensure the recovery of monies from all customers whose accounts have been outstanding and overdue for a minimum period, as agreed between City Gas and SP Services. Yearly review of overdue debts is carried out, following which recommendations would be made to City Gas for the write off of bad debts.

Termination

The Utilities Support Services Agreement may be terminated if either party:

(a) fails to fulfil their obligations, or comply with the terms of the agreement after a cure period of 30 days;

(b) becomes insolvent or is involved in insolvency procedures;

(c) ceases to carry on business;

(d) does not discharge within seven days any distress, execution, sequestration, attachment or similar process; or

(e) is subject to government expropriation.

SP Services and City Gas have agreed to discuss the terms of a renewal agreement at least nine months prior to the expiry of the Utilities Support Services Agreement, and will negotiate the terms of the renewal agreement with a view to finalising the terms of the renewal agreement within six months of the commencement of negotiations.

Management Fee

A management fee (the "**SP Management Fee**") is payable by City Gas to SP Services for the services rendered. The SP Management Fee is determined with reference to the number of accounts and meters serviced. The SP Management Fee may not be reviewed more than once a year and may not be increased by more than 5% of the prevailing SP Management Fee, unless SP Services undergoes a material change in its cost structure and proves that it will suffer economic hardship if the limit of 5% is applied. (See "Management's Discussion and Analysis of Pro Forma Financial Condition and Results of Operations" for more details on the SP Management Fee.)

Sharing arrangement in relation to the SP Management Fee

The SP Management Fee (described above) was paid by PowerGas prior to divestment, to SP Services for support services. This fee is now payable by City Gas to SP Services under the Utilities Support Service Agreement.

Under an arrangement agreed between City Gas and PowerGas on 2 January 2002 in connection with the divestment, the parties agreed that PowerGas would bear one-third of the SP Management Fee — City Gas would provide written notification to PowerGas of the amount of the management fee paid upon receipt of the invoice from SP Services, and PowerGas would then reimburse City Gas one-third of the management fee. (See also "Interested Person Transactions and Potential Conflict of Interests".)

COMPETITION

Competition in the residential segment

Piped town gas competes with LPG in the residential segment. The retail of LPG is not regulated and retailers are free to set prices on their own accord.

City Gas is the market leader for gas retail in the residential segment. Compared with LPG, it continues to be the preferred gas in the residential segment because it burns cleanly, and because of its convenience, continuous supply, and the absence of a need for additional storage space. This is in contrast to LPG, which is sold in steel cylinders or tanks which require storage space and the regular replacement of cylinders when their store of LPG is depleted. Access to piped gas is a standard feature in new HDB apartments and large condominium projects.

The average monthly consumption of piped gas in HDB apartments and condominiums is around 90 kWh or S$15 per month. City Gas believes that as the cost of piped gas consumed in households is low relative to the cost of other utilities, piped gas demand in the residential sector as a whole can be generally considered to be relatively less elastic than other utilities and accordingly, LPG is not expected to make any substantial inroads in this segment of the residential segment.

Over the years, the use of gas has widened to include the powering of gas water heaters and gas clothes dryers. In introducing other gas appliances, City Gas is encouraging consumers to switch from electricity-powered appliances to gas-powered appliances, on the basis that tariffs for the use of gas as compared to electricity are about 16% lower (an estimated 20.04 Scents per kWh for electricity and an estimated 16.76 Scents per kWh for town gas for the residential segment).

Competition in the commercial and industrial segments

In the commercial and industrial segments, City Gas competes against LPG, diesel and fuel oil. LPG, diesel and fuel oil are petroleum-derived products, and are used to power boilers (found for example, in factories and plants). Space must be allocated for storage tanks for these fuels. City Gas has used the advantages of piped gas (for example, its clean-burning characteristics and the absence of a need for storage) to convert customers from the use of diesel and fuel oil to piped town gas and piped natural gas sold by City Gas.

City Gas will continue to build on its segment focus, its knowledge and experience within segments, the advantages of piped gas, its customer service as well as its brand and reputation to strengthen its position in the various segments.

Competition after conversion

Upon the completion of conversion of the Network to carry natural gas, City Gas anticipates it will face competition from other retailers since it will no longer be the sole supplier of low-pressure piped gas to the residential and commercial segments in Singapore. To be profitable and compete successfully, a new entrant would have to sell a sufficient volume of natural gas, and this is likely to be difficult for any new entrant to achieve in a short period of time. The average monthly consumption of piped gas in HDB apartments and condominiums is around 90 kWh or S$15 per month and typically only forms a small part of the total utilities bill. City Gas believes that even if new entrants enter the market, these new entrants may find it uneconomical, given the cost acquiring and marketing to potential customers, to incentivise City Gas's residential customers to switch retailers. City Gas aims to retain its position by differentiation from its competitors and developing a strategy of focusing on customer experience, customer retention and customer growth. During the process of conversion, City Gas intends to directly engage with its existing customers in order to build on existing customer relationships and enhance brand awareness.

THE MANAGEMENT TEAM AT CITY GAS

President and Chief Executive Officer

Mr Ng Yong Hwee is the President & Chief Executive Officer of City Gas.

Mr Ng joined City Gas as a Vice President of Sales, Marketing & Business Development Division in October 2004. He has more than 16 years of regional experience in the Asia Pacific region covering business development, marketing, mergers & acquisitions, business integration, strategic and corporate planning and supply chain management.

Prior to joining City Gas, Mr Ng worked for Esso Singapore, BASF, General Electric and Canada Steamship Lines.

Mr Ng graduated from the National University of Singapore (NUS) with a Bachelor of Arts degree and also holds an MBA from the University of Warwick, UK.

Head of Divisions (HODs)

Mr Teo Kwan Hai is the Senior Vice President of the Customer Services Division. He graduated from the University of Singapore in 1974 with a degree in Bachelor of Engineering (Mechanical) and a Master of Business Administration from University of Nottingham, UK.

He is a Professional Engineer registered with Singapore Professional Engineers Board and is also a Senior Member of Institution of Engineers, Singapore.

Mr Teo joined PUB in 1976 and was subsequently posted to its successor companies, PowerGas and City Gas. He has, over 30 years, acquired a wide range of experience in town gas production, gas distribution and utilisation, sales and customer services.

Mr Tan Kok Soon is the Vice President of the Production Division. He graduated from the National University of Singapore in 1983 with a Bachelor of Engineering (Hons) in Electrical Engineering. He is also a Professional Engineer registered with Singapore Professional Engineer Board since 1995 and a member of the Institution of Engineers, Singapore.

Mr Tan began his career with the Electricity Department, PUB in 1983. He has more than 20 years of experience in the energy sector including electricity generation and gas production.

Mr Terence Lim Ke Lin is the Vice President HR & Corporate Services Division. He joined City Gas in April 2002 when the company was first corporatised. He covers the entire spectrum of Human Resources including recruitment, training, performance management, industrial relations and compensation & benefits.

Mr Lim was formerly from a number of manufacturing and services industries, including American Express International, Standard Chartered Bank and Temasek. Mr Lim received his Master of Business Administration in 1989.

Ms Jennie Hong Chok Hane is the Vice President of the Finance Division and Company Secretary of City Gas.

She has over 16 years of relevant experience in financial management and accounting covering risk management, corporate governance, auditing, banking and treasury, tax and corporate secretariat.

Ms Hong holds a professional qualification from the Association of Chartered Certified Accountants (ACCA) since 1995 and is currently a member of Institute of Certified Public Accountants of Singapore (ICPAS) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

Mr Soh Guan Hong is the Vice President of the Sales and Marketing Division. Prior to joining City Gas, Mr Soh had 15 years of working experience from multi-national and enterprise companies, with at least 10 years of managerial experience in sales and marketing and business development in the electronics and telecommunication industries.

He holds a Bachelor of Business Administration (E-Commerce) from La Trobe University and is also a certified 6 Sigma Green Belt.

EMPLOYEES

As of 31 March 2006, City Gas had 226 employees. The table below provides a breakdown of the staff strength as of the dates indicated below. All of City Gas's employees were based in Singapore for each of FY 2004, FY 2005 and FY 2006.

Department	As of 31 March 2004	As of 31 March 2005	As of 31 March 2006
Finance, Human Resource and Corporate Services	31	30	32
Sales and Marketing, Business Development and Customer Services	134	124	125
Production	96	71	69
Total	**261**	**225**	**226**

The average number of employees for the years ending 31 March 2004, 31 March 2005 and 31 March 2006 were 281, 243 and 222 respectively. The changes in the average number from 31 March 2004 to 31 March 2005, and from 31 March 2005 to 31 March 2006, were due in large part to two voluntary retrenchment exercises that took place in each of early 2004 and early 2005.

City Gas entered into a collective agreement dated 20 September 2004 with the Union of Power and Gas Employees (the "**Union**"). It sets out terms as to, among other things, employment, termination benefits, salary, leave and medical benefits. City Gas has had and continues to have a good relationship with the Union.

INSURANCE

City Gas's major plant assets are insured under an industrial all risks insurance policy. This policy provides insurance coverage against all risks of physical loss or damage to real and personal property which is, unless specifically excluded under the policy, owned, leased or operated by City Gas. City Gas also maintains a broad form public and product liability insurance that covers the legal liability of its business to S$200 million. In addition, City Gas has general insurance for personal accidents, Directors' and officers' liability, business travel, workmen's compensation, public liability, loss or damage caused by terrorism and for its motor vehicles.

These insurances and their deductibles are maintained at levels that City Gas believes are adequate or reasonable and consistent with industry standards. City Gas has not experienced any significant loss either as a result of interruptions to its business or as a result of damage to its production facilities due to fire or other causes.

City Gas is taking steps towards purchasing insurance to cover disruption to its operations, and aims to have this in place around the end of the first quarter of 2007.

SUBSIDIARY

City Gas has a subsidiary, CityGas China Pte. Ltd., which is in the process of liquidation. It has not carried out any material business activity since its incorporation.

PROPERTY

City Gas owns the following real properties in Singapore:

Property	Leasehold Term	Lessor	Approximate Land Area (sq.m.)	Use of Property
Lot 4764M of Mukim 13 known as No. 26 Senoko Avenue Singapore 758312	30 years from 1 October 1995	President of Singapore	40,830.20	For Senoko Gasworks
Lot 3692V of Mukim 13	30 years from 24 September 1999	President of Singapore	3,831.20	For Senoko Gasworks
Lot 3694T of Mukim 13	30 years from 1 October 1995	President of Singapore	1,437.30	Jetty to serve Senoko Gasworks

The above properties are not mortgaged. As they are considered leases from the state of Singapore, on 29 December 2006, the consent of the President of the Republic of Singapore was obtained to enable these properties to be held on trust for the City Gas Trust. Consent was also obtained for the mortgage or charge of these properties for the purposes of the New City Gas Loan by the City Gas Trustee.

LEASE AGREEMENTS

City Gas also occupies the following premises under the following material lease agreements:

S/No.	Premises	Term of Lease	Landlord	Approximate Floor Area (sq.m.)
1.	Part of 1st floor & 4th floor at Lot 4765W of Mukim 13	3 years from 2 January 2005	PowerGas Ltd	1,124.48 (1st floor — workshop), 222.70 (1st floor — office), 719.01 (4th floor- office)
2.	Part of Lot 4765W of Mukim 13 at Senoko Avenue	6 years from the date the consent of the President of Singapore is issued for the sub-letting, which consent must be obtained within six months from the date of the lease agreement	PowerGas Ltd	1,521.30
3.	Part of Lot 3365T of Mukim 13 at Senoko Avenue	6 years from the date the consent of the President of Singapore is issued for the sub-letting, which consent must be obtained within six months from the date of the lease agreement	PowerGas Ltd	2,876.85
4.	#07-02 Devonshire Wing 111 Somerset Road Singapore 238164	3 years from 18 January 2006	Singapore Power Ltd	1,041.24
5.	Part of Upper 1st Storey 111 Somerset Road Singapore 238164	5 years from 1 October 2004	Singapore Power Ltd	221.51

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, City Gas had registered for six trademarks with the Singapore Trade Marks Registry in the name of City Gas:

- T0201286H (Class 11)
- T0201287F (Class 39)
- T0201813J (Class 11)
- T0201812B (Class 4)
- T0201814I (Class 39)
- T0201285Z (Class 4)

The Directors of the Trustee-Manager and City Gas are not aware of any material infringement involving these registered trademarks.

LITIGATION

To the best of the knowledge and belief of City Gas, having made all reasonable enquiries, there are no legal or arbitration proceedings, including any which are pending or known to be contemplated, which may have, or which have had in the last 12 months before the date of lodgment of this Prospectus with the Authority, a material effect on the financial position or profitability of City Gas.

SINGSPRING

OVERVIEW

SingSpring Plant

SingSpring owns and operates Singapore's first and only large-scale seawater desalination plant ("**SingSpring Plant**"), which commenced commercial operations in December 2005. The SingSpring Plant is capable of supplying up to 136,380m^3 of desalinated potable water per day, which represents approximately 10% of Singapore's current water needs.

The SingSpring Plant uses advanced, cost- and energy-efficient reverse osmosis ("**RO**") technology. It was the largest membrane-based seawater desalination plant in the world at the time of its completion and at that time also had one of the largest RO trains in the world. In 2006, the SingSpring Plant was awarded the Distinction Award for Desalination Plant of the Year by Global Water Intelligence UK at the Global Water Awards.

The SingSpring Plant is located in Tuas, Singapore, on land leased from the Jurong Town Corporation ("**JTC**"), an agency of the Singapore government charged with developing, managing and leasing state land for industrial uses, for a 30-year term expiring in 2034.

Water Purchase Agreement

In April 2003, SingSpring and the PUB, Singapore's national water agency, entered into the WPA for a 20-year term commencing in December 2005 and expiring in December 2025. Under the WPA, SingSpring will receive two types of payments from PUB: a fixed monthly payment ("**Capacity Payment**") and a variable monthly payment ("**Output Payment**").

Capacity Payments

Capacity Payments are payable for the fixed costs in making available the full water capacity of the SingSpring Plant to PUB. They are payable throughout the term of the WPA, regardless of whether the SingSpring Plant supplies any water to PUB, and do not vary with the volume of water supplied by the SingSpring Plant, thus ensuring a long-term, predictable cash flow for SingSpring.

Capacity Payments comprise a fixed capital component, a fixed O&M component and a fixed energy component, computed based on the SingSpring Plant's last-tested capacity (136,380 m^3 per day). These payments are currently fixed, subject to deductions for reduced water availability and quality and adjustments for energy rebasing, inflation and foreign exchange fluctuations. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Water Purchase Agreement — Capacity and Output Payments under WPA".)

The fixed capital component of the Capacity Payments will total S$473 million over the 20-year term of the WPA. This equates to payment of S$23.6 million per annum. The fixed O&M component of the Capacity Payments covers the fixed O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the O&M Agreement referred to below. The fixed energy component is used to offset part of the total energy costs incurred until December 2008. After December 2008, the fixed energy component of the Capacity Payments will be adjusted to reflect the new fixed energy prices under the new energy supply agreement, as described in "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements".

Output Payments

Output Payments are payable for the variable costs in supplying water to PUB from the SingSpring Plant and they vary depending on the volume of water supplied by the SingSpring Plant to PUB. PUB does not have an "offtake" obligation under the WPA, i.e. PUB is not obliged to require the SingSpring Plant to supply any water to it.

Output Payments comprise a variable O&M component and a variable energy component, computed based on the volume of water supplied by the SingSpring Plant to PUB, adjusted for inflation. The variable O&M

component of the Output Payments covers the variable O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the O&M Agreement. (See "The Initial Businesses — City Gas and SingSpring — Water Purchase Agreement — Capacity and Output Payments under WPA".)

Revenues

For the year ended 31 March 2006 (which represents slightly more than three months since SingSpring commenced its commercial operations in December 2005), SingSpring received a total of approximately S$9.3 million in Capacity and Output Payments, which were apportioned between finance lease income (approximately S$6.5 million), maintenance income (approximately S$2.4 million) and repayment of the finance lease receivable (approximately S$0.4 million). (See "The Initial Businesses — City Gas and SingSpring — Water Purchase Agreement — Finance Lease" on the accounting treatments of the payments under the WPA.) During this period, SingSpring supplied an average of 32,600 m^3 per day of water, representing 24% of the SingSpring Plant's capacity, to PUB.

For the six months ended 30 September 2006, SingSpring received a total of S$16.1 million in Capacity and Output Payments, which were apportioned between finance lease income (S$11.2 million), maintenance income (S$4.2 million) and repayment of the finance lease receivable (S$0.7 million). During this period, SingSpring supplied an average of 34,316 m^3 per day of water, representing 25% of the SingSpring Plant's capacity, to PUB.

EPC Agreement

In 2003, SingSpring, then a wholly-owned subsidiary of Hyflux, one of Asia's leading water and fluid treatment companies and a company listed on the SGX-ST, won the tender to build, own and operate the SingSpring Plant. In October 2003, SingSpring appointed Hydrochem (S) Pte Ltd ("**Hydrochem**"), a wholly-owned subsidiary of Hyflux, as EPC contractor for the project under an EPC agreement ("**EPC Agreement**"). The SingSpring Plant was completed in September 2005, three months ahead of schedule, and at a cost of approximately S$201 million, as budgeted, of which approximately S$159 million was financed by project debt. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Other Agreements with Hyflux Engineering and Hydrochem — EPC Agreement with Hydrochem".)

O&M Agreement

In October 2003, SingSpring appointed Hyflux Engineering, a wholly-owned subsidiary of Hyflux, as O&M operator in respect of the SingSpring Plant under an O&M agreement ("**O&M Agreement**"). The O&M Agreement and the WPA run concurrently for the same 20-year term. The fixed and variable O&M components of the Capacity and Output Payments under the WPA cover the fixed and variable O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the O&M Agreement. Further, adjustments for inflation and foreign exchange fluctuations to the fixed and variable O&M components of the Capacity and Output Payments under the WPA will lead to corresponding adjustments to the fixed and variable O&M payments under the O&M Agreement. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Other Agreements with Hyflux Engineering and Hydrochem — O&M Agreement with Hyflux Engineering as O&M Operator".)

Energy Arrangements

In March 2004 and November 2006, SingSpring entered into an Initial Energy Supply Agreement and Supplemental Energy Supply Agreement respectively, with Seraya Energy, a wholly-owned indirect subsidiary of Temasek, pursuant to which Seraya Energy agreed to supply electricity to the SingSpring Plant for its commercial operations until December 2008.

Total energy costs to operate the SingSpring Plant for its first three years of commercial operations ending in December 2008 will vary with the cost of fuel and may be higher or lower than the fixed and variable energy components comprised in the Capacity and Output Payments under the WPA. SingSpring has entered into a series of fuel hedges to reduce the volatility of its energy exposures for this initial three-year period. After

December 2008, SingSpring will procure a new energy supply agreement on a tender basis and on the principles set out in the WPA and the fixed and variable energy components comprised in the Capacity and Output Payments under the WPA will then be adjusted from December 2008 to reflect the new fixed and variable energy prices under the new energy supply agreement. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements".)

Restructuring

Prior to the Listing, SingSpring is owned 50:50 by Hyflux and Seletar, a wholly-owned indirect subsidiary of Temasek.

Upon the Listing, the SingSpring Trustee will acquire and hold the assets and business undertakings of SingSpring on trust for CitySpring and Hyflux, as beneficial owners of 70% and 30%, respectively, of the units in the SingSpring Trust. The SingSpring Trustee will fund the purchase of the SingSpring Plant by drawing down the New SingSpring Loan and issuing the SingSpring Notes and units in the SingSpring Trust to CitySpring and Hyflux.

The SingSpring Trustee will continue to be the legal owner of the assets and business undertakings of SingSpring and the contracting party to the material agreements for carrying on the business of SingSpring. The SingSpring Trustee will be a wholly-owned subsidiary of CitySpring. (See "Restructuring Exercise".)

In connection with the Listing, CitySpring, Hyflux and the SingSpring Trustee will execute certain undertakings in favour of PUB. Additionally, CitySpring and Hyflux will have certain governance rights in relation to the SingSpring Trustee and pre-emption rights in respect of units in the SingSpring Trust and the SingSpring Notes. (See "The Initial Businesses — City Gas and SingSpring — Arrangements Relating to the Restructuring of SingSpring".)

BUSINESS STRENGTHS

SingSpring believes that the following are its key business strengths:

Long-term, predictable cash flows

Under the WPA, Capacity Payments are payable throughout the term of the WPA and do not vary with the volume of water supplied by the SingSpring Plant. The fixed and variable O&M components of the Capacity and Output Payments under the WPA cover the fixed and variable O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the O&M Agreement. While total energy costs to operate the SingSpring Plant for its first three years of commercial operations ending in December 2008 will vary with the cost of fuel and may be higher or lower than the fixed and variable energy components comprised in the Capacity and Output Payments under the WPA, SingSpring has entered into a series of fuel hedges to reduce the volatility of its energy exposures for this initial three-year period. After December 2008, SingSpring will procure a new energy supply agreement on a tender basis and on the principles set out in the WPA and the fixed and variable energy components comprised in the Capacity and Output Payments will then be adjusted from December 2008 to reflect the new fixed and variable energy prices under the new energy supply agreement. SingSpring has also entered into an interest rate swap to hedge its exposures to increases in the floating interest rate for interest expenses payable under the project debt incurred for the construction of the SingSpring Plant, which will continue to be applicable to the New SingSpring Loan. All these go towards ensuring a long-term, predictable cash flow for SingSpring.

Long-term contract with PUB, Singapore's national water agency

SingSpring has entered into a 20-year WPA with PUB, Singapore's national water agency. PUB is a statutory board under the Ministry of the Environment and Water Resources. PUB manages Singapore's water resources, including its water supply, water catchment and used water. It is responsible for the management of the entire water cycle, from the sourcing, collection, purification and supply of drinking water to the treatment of used water and water reclamation and desalination. PUB is responsible for implementing seawater desalination as the "fourth tap" to ensure the long-term sustainability of Singapore's water supply. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Singapore's Diversified Water Sources and its impact on the business of SingSpring".) SingSpring believes that PUB has a long-term strategic interest in water desalination and the success of the SingSpring Plant, being the first and currently only large-scale seawater desalination plant in Singapore. SingSpring further believes that it has a positive working relationship with PUB. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Strategy — Proactive regulatory compliance and management of its business by SingSpring vis-à-vis PUB to maximise financial performance and maintain predictable cash flows".)

Access to an experienced O&M operator and the resources and capabilities of the Hyflux group

Hyflux Engineering is the O&M operator of the SingSpring Plant under the O&M Agreement, which runs concurrently with the WPA for the same 20-year term. The operation and maintenance of water and liquid treatment plants constitutes the core business of Hyflux Engineering. Besides the SingSpring Plant, it has also built, and now also owns and operates, the ISK De-Ionized Water Plant in 2003, another plant that uses RO technology. Hyflux Engineering also maintains the Bedok NEWater and Seletar NEWater plants in Singapore, which are high grade water reclamation plants equipped with RO technology.

As the fixed and variable O&M components of the Capacity and Output Payments under the WPA cover the fixed and variable O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the O&M Agreement, the WPA and the O&M Agreement are designed so that an increase or decrease in the receipts from PUB due to water availability or quality will not affect SingSpring but will lower or improve, as the case may be, the returns to Hyflux Engineering as the O&M Operator. In addition, deductions from the fixed O&M component of the Capacity Payments due to reduced water availability will lead to corresponding deductions from the O&M payments payable to Hyflux Engineering as the O&M operator under the O&M Agreement. All these therefore incentivise Hyflux Engineering to maximise the operational efficiencies of the SingSpring Plant and ensure that the SingSpring Plant meets the operational requirements of the WPA.

Hyflux Engineering is a wholly-owned subsidiary of Hyflux, one of Asia's leading water and fluid treatment companies and a company listed on the SGX-ST. Hyflux and Hyflux Engineering have guaranteed the performance of Hydrochem as EPC contractor under the EPC Agreement, while Hyflux and Hydrochem have guaranteed the performance of Hyflux Engineering as O&M operator under the O&M Agreement, each in favour of SingSpring. Under the WPA, the original project debt incurred for the construction of the SingSpring Plant and the New SingSpring Loan, Hyflux has agreed to provide energy costs support to SingSpring for the first 3 years of SingSpring Plant's commercial operations (ending December 2008) as described in "The Initial Businesses - CityGas and SingSpring – SingSpring – Energy Arrangements — Hyflux support for Energy Costs" below.

Upon the Listing, Hyflux will continue to be the beneficial owner of 30% of the units in the SingSpring Trust and 30% of the SingSpring Notes. The interests of Hyflux will therefore continue to be aligned with those of the Unitholders of CitySpring in ensuring that the SingSpring Plant continues to meet the operational requirements of the WPA.

A strong track record

The SingSpring Plant was completed in September 2005, three months ahead of schedule, and at a cost of S$200 million, as budgeted. It was the largest membrane-based seawater desalination plant in the world at the time of its completion and at that time also had one of the largest single RO trains in the world. In 2006, the SingSpring Plant was awarded the Distinction Award for Desalination Plant of the Year by Global Water Intelligence UK at the Global Water Awards, a peer recognition of the contribution made by the SingSpring Plant to the advancement of seawater desalination internationally.

The SingSpring Plant passed all tests for water quality before it commenced commercial operations in December 2005. Since then, the water output of the SingSpring Plant has continued to meet the water quality standards set under the WPA.

The SingSpring Plant uses advanced technology in its desalination process and is expected to be able to supply desalinated water beyond the term of the WPA

RO technology is currently a leading water desalination technology, which is reliable and effective in its energy use. The SingSpring Plant also adopts an advanced energy recovery system, which makes it cost effective and energy efficient. The size of the SingSpring Plant allows it to achieve economies of scale.

The SingSpring Plant has to meet the operational requirements of the WPA throughout its term (including requirements as to maintaining water availability and quality). Continuous efforts and investments would be required to operate and maintain the SingSpring Plant in accordance with the WPA.

SingSpring anticipates that RO technology will remain viable in the long-term, and taken together with the continuous efforts and investments required to operate and maintain the SingSpring Plant, expects the plant to be able to supply desalinated water beyond the term of the WPA. In addition, the layout of the SingSpring Plant and its surroundings and the membrane technology used by the SingSpring Plant should permit it to expand its water production capacity in the future.

STRATEGY

SingSpring aims to maximise its revenues under the WPA by ensuring that the SingSpring Plant continues to meet the operational requirements of the WPA throughout its term and to avoid deductions for reduced water availability and quality. Building on its business strengths, SingSpring intends to pursue the following principal strategies to achieve these objectives:

Proactive regulatory compliance and management of its business by SingSpring vis-à-vis PUB to maximise financial performance and maintain predictable cash flows

PUB, Singapore's national water agency, is responsible for implementing seawater desalination as the "fourth tap" to ensure the long-term sustainability of Singapore's water supply. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Singapore's Diversified Water Sources and its impact on the business of SingSpring".)

SingSpring aims to continue developing its relationship with PUB, with whom it has entered into a 20-year WPA. SingSpring intends to hold regular meetings at both senior management and operational levels with PUB, as well as with Hyflux Engineering as the O&M operator of the SingSpring Plant, in order to better understand how it can meet PUB's needs and ensure that the SingSpring Plant continues to meet the operational requirements under the WPA.

SingSpring believes that its efforts to maintain a high level of the reliability of the SingSpring Plant and the quality of the water supplied by the SingSpring Plant (as described in "Maintain high SingSpring Plant reliability" below) is key to maintaining and developing its good working relationship with PUB under the WPA.

SingSpring will carry out regular compliance assessments and evaluations to ensure continuous compliance with applicable laws and the WPA.

Maintain high SingSpring Plant reliability

Capacity Payments under the WPA are subject to deductions for reduced water availability and quality. SingSpring intends to operate and maintain the SingSpring Plant in accordance with the operational requirements of the WPA throughout its term (including requirements as to maintaining water availability and quality) and avoid such deductions, thereby continuing the SingSpring Plant's record of reliability.

As discussed in "The Initial Businesses — City Gas and SingSpring — SingSpring — Business strengths — Access to an experienced O&M operator and the resources and capabilities of the Hyflux group", improvements or decreases in the SingSpring Plant's operational efficiencies will improve or lower, as the case may be, the returns to Hyflux Engineering while deductions from Capacity Payments due to reduced water availability and quality will lead to corresponding deductions from the O&M payments payable to Hyflux Engineering as the O&M operator under the O&M Agreement. All these arrangements therefore incentivise Hyflux Engineering to maximise the operational efficiencies of the SingSpring Plant and ensure that the SingSpring Plant meets the operational requirements of the WPA.

Maintain an efficient capital structure

SingSpring will seek to preserve an efficient capital structure and maintain financial strength through management of key measures, such as capital expenditures, cash flows, leverage and coverage ratios, and a sustainable level of debt. SingSpring has structured the interest payment and principal repayment schedules under the New SingSpring Loan to match the expected payments from the WPA so as to maximise the cash flows available for distribution by the SingSpring Trust. Through the issue of the SingSpring Notes, SingSpring will seek to maximise its after-tax cash flow, thereby benefiting the unitholders of the SingSpring Trust. (See "Restructuring Exercise" and "Taxation".)

SINGAPORE'S DIVERSIFIED WATER SOURCES AND ITS IMPACT ON THE BUSINESS OF SINGSPRING

PUB is the national water agency in Singapore and a statutory board under the Ministry of the Environment and Water Resources. It manages Singapore's water supply, water catchment and used water in an integrated manner. PUB is responsible for the entire water cycle, from sourcing to the collection, purification and supply of drinking water, to the treatment of used water and its reclamation into NEWater.

PUB aims to ensure a sustainable and diversified supply of water to meet the growing economic and social needs of Singapore. Using an integrated water management approach, PUB is able to optimise the collection of rainwater and used water for treatment, making it possible for PUB to increase and diversify the sources of water supply.

PUB has developed a "Four Taps" approach to meet Singapore's water needs. The "Four Taps" are local catchment water, imported water from Johor, NEWater and desalinated water. This water supply approach has ensured a diversified and sustainable supply of water for Singapore.

Due to the nature of the business of SingSpring and the terms of the WPA, SingSpring does not have any direct competitors or a market in which it competes. As the designated fourth national tap, in the event that the cost of water from the other three national taps (catchment, water from Malaysia and reclaimed water) increases or decreases in the future, or the supply of water from one or more of these sources is eliminated, reduced or increased, this may affect the offtake of desalinated water from the SingSpring Plant. As described above, however, the amounts of Capacity Payments under the WPA do not depend on the volume of water supplied by the SingSpring Plant to PUB.

SINGSPRING PLANT — OPERATIONS

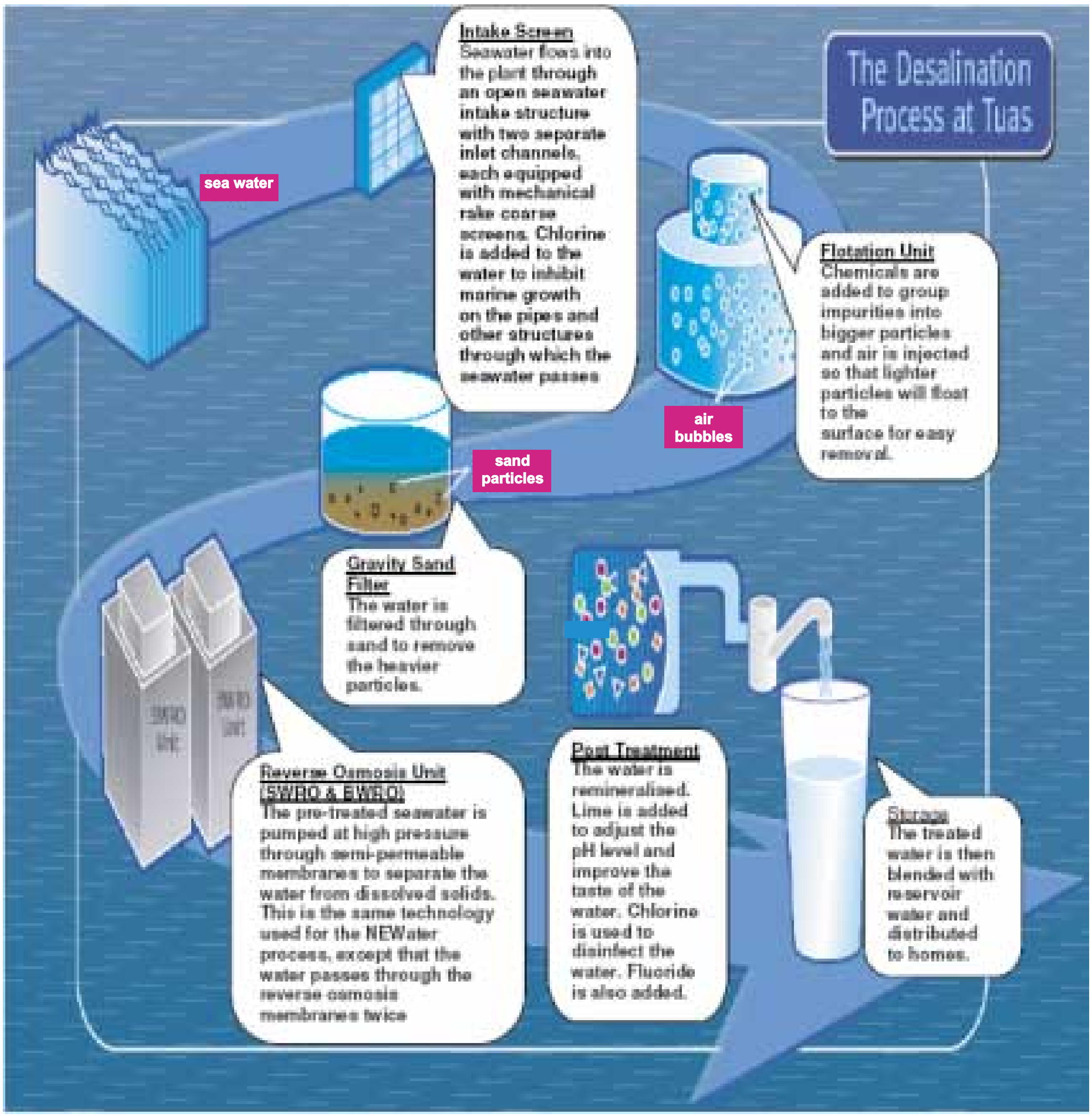
The SingSpring Plant Process

The SingSpring Plant is located in Tuas on the southwest side of Singapore.

The SingSpring Plant uses RO membrane technology, which removes salt by passing seawater under pressure through durable semi-permeable membranes that reject salts and other ions, thereby separating a purer permeate from a concentrated solution of salts (brine). This is a preferred technology for desalination when compared with distillation, a process whereby seawater is heated up to form salt-free vapour, then condensed and the liquid collected. Distillation was a proven technology for large-scale municipality water supply. However, it requires relatively greater energy, is more expensive and requires more land area when compared with RO technology, since the RO membranes can be stacked, thereby reducing the land area used.

The basic configuration of the SingSpring Plant comprises a seawater intake, a pre-treatment plant, a RO membrane system, a brine discharge system and, post-treatment, a storage and potable water pumping system.

The diagram[9] below illustrates the SingSpring Plant process from the intake of seawater until delivery to PUB's water transmission pipeline.



9 Sources of diagram: PUB, "Waternet: October 2005 Issue", October 2005, page 4. Also found at http://www.pub.gov.sg/home/WaterNet.aspx. Please refer to paragraph 17 of the section "General and Statutory Information" of this Prospectus for information regarding the use of this source.

Sea Water Intake

Sea water is passed through two stages of screens to remove debris. A sea water online quality monitoring system monitors the quality of the intake water continuously.

Pre-treatment (In filter DAFF (Dissolved Air Flotation Filtration))

Chlorine is used to destroy live biological specimens in the extracted sea water. The amount of chlorine is constantly monitored. Thereafter the sea water undergoes flocculation and sedimentation as well as filtration by means of a sand filter. The pre-treatment process removes suspended solids and ensures that the sea water feed to the RO membranes is of the required quality for the membranes to function optimally.

Reverse Osmosis

Prior to undergoing RO processing, the pre-treated sea water undergoes micron level filtration. Thereafter the water is pumped through the first pass RO treatment which comprises 10 trains each of 650 T/hour capacity representing 11.1% of plant contract capacity such that if one train is out of service for maintenance, 100% plant capacity is maintained. The first pass RO results in a substantial reduction in salinity.

Up to 15% of the permeate from the first pass RO by-passes the second pass RO stage. The remaining first pass RO permeate is pumped through the second pass RO to remove boron. The second pass RO comprises five trains of 1,150 T/hour which are similar but not identical in design to the first pass RO.

The output from the second pass is mixed with the output from the first pass that has by-passed the second pass prior to remineralisation.

The overall yield of the RO treatment is 40% of the volume of processed sea water. The rejected brine, representing the other 60%, is discharged to sea at the outfall.

RO membranes

The membranes in the RO process do not contain any moving parts and are therefore not susceptible to catastrophic failure. Membranes are of the "spiral wound" type and, as the membranes are the same size, they are interchangeable between each supplier thus ensuring maximum long term flexibility and security. Generally, membranes can be used for approximately seven years. Membrane technology is improving with the advantage that future replacement membranes are likely to achieve better separation and energy consumption performances than the units that are replaced.

The RO membranes have to be washed with chemicals on a regular basis (approximately every three to four months for stage one membranes and every six to seven months for stage two membranes).

Remineralisation

The product water from the RO process has to be remineralised to achieve potability. The remineralisation treatment includes (a) alkalinisation by means of carbon dioxide dosing and the addition of lime, (b) fluoride dosing and (c) chlorination for maintenance of disinfection before supply of water to the PUB's water transmission system.

Water storage

The final output water is then pumped to a storage tank. The tank has a storage capacity equivalent to two hours of net production capacity of the SingSpring Plant at full load operation.

Water pumping station

Drinking water is pumped from the drinking water storage tank to the PUB's water transmission system. Two additional pumps are provided over and above the number necessary for the operation of the pumping station. One is used as the standby pump and the other is to allow for maintenance outages.

The system includes anti-surge vessels for each outgoing main to ensure that pressure never exceeds the 10 bar working pressure of the PUB's transmission mains. The anti-surge vessels are sized such that it is possible to take one vessel out of service for maintenance and to continue operation at full capacity.

Remote monitoring can be done by the PUB to monitor the state of drinking water storage, operating conditions of the drinking water pumping station (pressure and flow) and quality of drinking water before supply to the distribution network.

Production capacity and utilisation

The SingSpring Plant is capable of supplying up to 136,380m^3 of desalinated potable water per day, which represents 10% of Singapore's current water needs. The capacity of the SingSpring Plant is tested annually under the WPA. Reductions in capacity of the SingSpring Plant will lead to deductions to the fixed capital, O&M and energy components of the Capacity Payments under the WPA.

Under the WPA, PUB is not obliged to purchase any water supplied by the SingSpring Plant. PUB may require the SingSpring Plant to supply water at between 23% to 100% of its capacity. For the year ended 31 March 2006 (which represents slightly more than three months since SingSpring commenced its commercial operations in December 2005), SingSpring supplied an average of 32,600 m^3 per day of water, representing 24% of the SingSpring Plant's capacity, to PUB. For the six months ended 30 September 2006, SingSpring supplied an average of 34,316 m^3 per day of water, representing 25% of the SingSpring Plant's capacity, to PUB.

WATER PURCHASE AGREEMENT

The WPA governs the relationship between SingSpring and PUB in relation to the operation of the SingSpring Plant and the supply of and payment for desalinated water from the SingSpring Plant to PUB. Set forth below is a summary of the key provisions of the WPA relating to water availability and quality, Capacity Payments and Output Payments, covenants, force majeure and termination.

General

Under the WPA, SingSpring is responsible for the operation and maintenance of the SingSpring Plant during its term. SingSpring is required to comply with the operational standards set forth in the WPA (including Good Utility Practice as described in the WPA), the law (including environmental laws) in Singapore and permits and consents. PUB may assess compliance by SingSpring with the WPA from time to time, including by procuring an independent expert's report on an annual basis. PUB may require SingSpring to take actions recommended by PUB to address operational failures, subject to provisions to refer disputes to an independent expert.

All available capacity must be made available to PUB only

SingSpring must make available the SingSpring Plant's capacity, and supply water from the SingSpring Plant, to PUB only. SingSpring may not, without PUB's written consent, make available the SingSpring Plant's capacity, or supply water from the SingSpring Plant, to any other person.

Water output must meet water quality standards set out in the WPA

The SingSpring Plant is required to provide drinking water to PUB that complies with the water quality standards set forth in the WPA. If the water quality deviates from required standards, SingSpring is required to notify PUB of the deviation and where necessary stop water supply and restore water quality. Deductions for reduced water quality will be made to the fixed capital component of the Capacity Payments under the WPA.

Where pollution levels in input seawater are determined to be permanently above threshold levels specified in the WPA, SingSpring is required to report to PUB of the impact of the pollution on the SingSpring Plant, including the capital improvements required to enable the SingSpring Plant to supply water of the required quality standards in light of such pollution levels. PUB and SingSpring are then obliged under the WPA to agree on the adjustments to the Capacity and Output Payments to compensate SingSpring for the cost of such capital improvements (including increases in the fixed capital, fixed and variable O&M and energy components of the Capacity and Output Payments under the WPA).

Other obligations

Where there occurs a significant technological improvement that results in a substantial reduction in the SingSpring Plant's operating costs, SingSpring and PUB are obliged under the WPA to agree to a fair adjustment of the tariffs payable under the WPA to reflect a fair and reasonable sharing of such benefit having regard to all circumstances, including the capital costs and risks incurred by SingSpring in adopting the technology improvement.

Capacity and Output Payments under WPA

Tariff Payments

The WPA contains a detailed tariff regime for the calculation and adjustment of Capacity Payments and Output Payments. These are summarised below.

Capacity Payments

Capacity Payments are payable for the fixed costs in making available the water production capacity of the SingSpring Plant to PUB. They are payable throughout the term of the WPA, regardless of whether the SingSpring Plant supplies any water to PUB, and do not vary with the volume of water supplied by the SingSpring Plant, thus ensuring a long-term, predictable cash flow for SingSpring.

Capacity Payments comprise the following components:

- *Capital Component* — this covers amounts for debt service, equity returns and taxes. It is calculated by reference to the SingSpring Plant's last-tested capacity (which capacity will be tested on a periodic basis during the term of the WPA) and a capital cost recovery charge rate. This component is not adjusted for inflation.

  Deductions are made from the capital component for reduced availability (i.e., less than 100% of availability) and deviation from the required water quality standards under the WPA. Greater deductions are made the longer the duration of the deviation.

- *Fixed O&M Component* — this covers fixed O&M costs. It is calculated by reference to the SingSpring Plant's last-tested capacity and a fixed O&M charge rate. This charge rate includes certain US$-based cost element, which is converted into S$ based on a reference exchange rate as adjusted from time to time to reflect exchange rate fluctuations. This charge rate is also adjusted for inflation.

  Deductions are made from the fixed O&M component for reduced availability of the SingSpring Plant.

- *Fixed Energy Component* — this offsets the energy costs incurred in operating the SingSpring Plant that are not proportional to the volume of water supplied by the SingSpring Plant. It is calculated by reference to the SingSpring Plant's last-tested capacity and a fixed energy charge rate. This charge rate includes certain US$-based cost element, converted as set forth above, and is also likewise adjusted for inflation. This charge rate applies for the SingSpring Plant's first three years of commercial operations ending in December 2008, after which the fixed energy component will be rebased. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements".)

  Deductions are made from the fixed energy component for reduced availability of the SingSpring Plant.

Output Payments

Output Payments are payable for the variable costs in supplying water to PUB from the SingSpring Plant and they vary depending on the volume of water supplied by the SingSpring Plant to PUB. PUB does not have an "offtake" obligation under the WPA, i.e., PUB is not obliged to require the SingSpring Plant to supply any water to it.

Output Payments comprise the following components:

- *Variable O&M Component* — this covers variable O&M costs. It is calculated by reference to the actual water output of the SingSpring Plant and a variable O&M charge rate. This charge rate includes certain US$-based cost element, converted as set forth above, and is also likewise adjusted for inflation. Where the volume of water supplied by the SingSpring Plant is between 23% (if PUB should request for the SingSpring Plant to supply water to it, the request must be for such volume of water as shall not be less than 23% of the SingSpring Plant's capacity) and 50%, the variable O&M component has the benefit of a load correction factor.
- *Variable Energy Component* — this covers energy costs incurred in operating the SingSpring Plant that are proportional to the volume of water supplied by the SingSpring Plant. It is calculated by reference to the actual volume of water supplied by the SingSpring Plant and a variable energy charge rate. This charge rate applies for the SingSpring Plant's first three years of commercial operations ending in December 2008, after which the variable energy component will be rebased. (See "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements".)

Finance Lease

Prior to 1 January 2006, SingSpring accounted for the SingSpring Plant as a fixed asset in its balance sheet. On 1 January 2006, prior to the proposed acquisition of the assets and business undertakings of SingSpring by the SingSpring Trustee, SingSpring adopted *Interpretation of Singapore Financial Reporting Standard 104 — Determining whether an Arrangement contains a Lease*, which is mandatory for annual financial periods beginning on or after that date. In accordance with this interpretation, SingSpring determines its investment in the SingSpring Plant on the terms of the WPA to be a lease and, more specifically, a finance lease in accordance with *Singapore Financial Reporting Standard 17 (Revised) — Leases*, with SingSpring as lessor and PUB as lessee.

Pursuant to this reclassification, SingSpring recognises its investment in the SingSpring Plant as "lease receivable" in its balance sheet. This finance lease receivable consists of (i) the present value of the aggregate sum of the minimum finance lease receivable that SingSpring expects to receive over the 20-year term of the WPA and (ii) an amount which SingSpring determines is the present value of the residual value of the SingSpring Plant at the expiry of the WPA. The difference between the aggregate sum of the minimum finance lease receivable and the present value thereof will constitute unearned "finance lease income".

When SingSpring receives a payment representing the fixed capital component of the Capacity Payments under the WPA, it will apportion such payment between (i) a repayment of the finance lease receivable, which will be credited against the carrying amount of the finance lease receivable in its balance sheet and (ii) finance lease income, which will be recognised as revenue in its income statement.

Over the term of the WPA, the proportion of the fixed capital component of the Capacity Payments under the WPA that will be allocated to the repayment of the finance lease receivable will increase while the proportion allocated to finance lease income will decrease, so as to reflect a constant rate of return on the investment in the SingSpring Plant as a finance lease.

As a result of the proposed acquisition of the assets and business undertakings of SingSpring by the SingSpring Trustee on Listing Date, the finance lease receivable shall be fair valued in accordance with FRS 103. Arising from the fair valuation exercise, the aggregate sum of the fixed component of the Capacity Payments that SingSpring expects to receive over the remaining term of the WPA will be divided between the fair value of the aggregate sum of the minimum finance lease receivable and the service income. The fair value of the aggregate sum of the minimum finance lease receivable represents the amount that PUB has to pay for acquiring the right to use the SingSpring plant. The excess of the aggregate sum of the fixed capital component of the Capacity Payments over the fair value of the aggregate sum of the minimum finance lease receivable represents unearned service income.

Subsequent to the proposed acquisition of the assets and business undertakings of SingSpring by the SingSpring Trustee, when SingSpring receives a payment representing the fixed capital component of the Capacity Payments under the WPA, it will apportion such payment between (i) a repayment of the fair value of the finance lease receivable, which will be credited against the carrying amount of the fair value of the finance lease receivable in its balance sheet, (ii) finance lease income, which will be recognised as revenue in its income statement and (iii) service income, which will be recognised as revenue in its income statement.

SingSpring recognises the fixed and variable O&M and energy components of the Capacity and Output Payments under the WPA as maintenance income in its income statement.

On 20 December 2006, IRAS issued a ruling that, notwithstanding that the SingSpring Plant is accounted for as a finance lease receivable (as opposed to a fixed asset), it will allow (a) industrial building allowances on the qualifying capital expenditure incurred on the construction of the SingSpring Plant, and (b) capital allowances if the assets comprising the SingSpring Plant qualify as “plant and machinery” within the meaning of Sections 19 or 19A of the Income Tax Act, Chapter 134 of Singapore.

Adjustment to Tariffs

As has been described previously, Capacity Payments are subject to deductions for reduced water availability and quality and to adjustments for exchange rate fluctuations and inflation. Output Payments are subject to adjustments for exchange rate fluctuations and inflation.

After the SingSpring Plant’s first three years of commercial operations ending in December 2008, the fixed and variable energy components of the Capacity and Output Payments under the WPA will be adjusted to reflect the new fixed and variable energy prices under the new energy supply agreement that SingSpring will procure on a tender basis and in accordance with the principles sets out under the WPA. (See “The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements”.)

The WPA also provides for adjustment to the tariffs payable under the WPA in the case of increased seawater pollution or significant technological improvements. If seawater pollution increases above certain specified levels for a period of time which PUB reasonably determines is permanent, SingSpring will submit the impact of such increase on its ability to meet the water quality standards required under the WPA, the material capital works that it must undertake to comply with such standards and the costs of such works. PUB and SingSpring will then determine in good faith the necessary adjustments to the Capacity and Output Payments payable under the WPA to equitably compensate SingSpring for such costs.

If significant technological improvements occur and result in a significant reduction in the fixed and variable operation and maintenance cost and/or fuel cost of the SingSpring Plant, PUB will be entitled to a fair and reasonable proportion of such cost savings, having regard to all relevant circumstances including the capital costs and risks incurred by SingSpring in adopting such technological improvements, by way of an adjustment to the Capacity and Output Payments payable under the WPA as may be affected by such cost savings.

Invoicing and Payment

Under the WPA, SingSpring will submit tariff invoices within 14 days of the end of each calendar month, in Singapore dollars. PUB has 30 days following receipt of the monthly invoices to pay. Under the O&M Agreement, invoices are rendered by Hyflux Engineering as the O&M operator on the same day as SingSpring renders an invoice to PUB under the WPA and SingSpring has a 30-day credit period under the O&M Agreement, similar to that given to PUB under the WPA.

PUB Credit

PUB does not provide any security in support of its payment obligations under the WPA.

However, PUB will take all reasonable steps to put in place, reasonably in advance of a restructuring, reorganisation or divestment of assets that will lead to PUB no longer being a statutory board or to a material diminution of its creditworthiness, arrangements and agreements for the continuing performance of PUB's payment and other obligations under the WPA.

General Covenants

The WPA imposes a number of covenants on SingSpring, including prohibitions against selling or disposing of its receivables on recourse terms and against granting any security over the SingSpring Plant to secure, or incurring, any indebtedness other than as approved by PUB (such as the project debt incurred for the construction of the SingSpring Plant or the New SingSpring Loan).

Force Majeure

The WPA contains a detailed force majeure regime, affording performance relief for the impact of any circumstance not within the reasonable control, directly or indirectly, of the party affected resulting in or causing a total or partial failure by the affected party of the fulfilment of any of its obligations under the WPA (other than payment of money), subject to certain exclusions and procedural requirements.

The WPA categorises force majeure events as "Governmental Force Majeure" or "Other Force Majeure". Governmental Force Majeure must involve or be directed against a Singapore governmental instrumentality, and includes disruption in the PUB offtake transmission system. Other Force Majeure includes electric grid failure or sudden pollution of sea water (which itself must be caused by an event of force majeure) such that a pollution level of oil/hydrocarbons, salinity, total suspended solids or boron contained in input sea water is above threshold levels specified in the WPA.

If a Governmental Force Majeure event occurs, PUB will adjust the Capacity Payments under the WPA to provide cost relief. If an Other Force Majeure event occurs, PUB will not adjust the Capacity Payments under the WPA to provide cost relief and will cease to make Capacity Payments, except that PUB will continue to make Capacity Payments if the Other Force Majeure event consists of electric grid failure. For both types of force majeure, Output Payments will continue to the extent of actual volume of water supplied by the SingSpring Plant.

SingSpring and PUB also have the right to terminate the WPA in the event of certain prolonged force majeure events.

Termination of the WPA

Grounds for termination

In general, the WPA may be terminated upon a material default by either SingSpring or PUB that is not cured within applicable notice and cure periods or upon extended force majeure. The applicable grounds of termination and their consequences are summarised below.

Termination for defaults

Either SingSpring or PUB may terminate the WPA in the event of a material default by the other party that is not cured within applicable notice and cure periods.

Defaults by SingSpring include breaches of its material obligations under the WPA (including a cross-default under other key agreements related to the SingSpring Plant, such as the O&M Agreement) and the SingSpring Plant's average availablity falling below 75% of capacity over a two-year rolling period.

If PUB elects to terminate the WPA due to a SingSpring default, PUB may purchase the SingSpring Plant at a purchase price which is equal to the interest and then-outstanding principal amount of the original project debt incurred for the construction of the SingSpring Plant.

Defaults by PUB include failure to make payments, including the Capacity and Output Payments, and breaches of its material obligations under the WPA.

If SingSpring elects to terminate the WPA due to a PUB default, SingSpring may require PUB to purchase the SingSpring Plant at a purchase price ("**Purchase Price C**") which is equal to the interest and then-outstanding principal amount of the original project debt incurred for the construction of the SingSpring Plant or the present value of the Capacity Payments for the unexpired term of the WPA based on a rate of return agreed in the WPA, whichever is higher.

Termination for force majeure

SingSpring may terminate the WPA for a Governmental Force Majeure event if such event prevents PUB from performing its obligations for a continuous period of 365 days and PUB elects not to continue paying Capacity Payments in accordance with the WPA. Upon such termination, SingSpring may require PUB to purchase the SingSpring Plant at Purchase Price C described above.

PUB may terminate the WPA for Other Force Majeure if such event prevents it from performing its obligations for a continuous period of 365 days. Upon such termination, PUB shall be obligated to purchase the SingSpring Plant at a purchase price which is equal to the interest and then-outstanding principal amount of the original project debt incurred for the construction of the SingSpring Plant plus an element of the equity and loan investments by the shareholders of SingSpring and a certain rate of return.

PUB may also terminate the WPA for a Governmental Force Majeure event if such event prevents it from performing its obligations for a continuous period of 365 days or which prevents SingSpring from operating the SingSpring Plant or supplying water for a continuous period of 365 days. Upon such termination, PUB will purchase the SingSpring Plant at Purchase Price C described above less insurance proceeds, if any, recoverable in respect of such event.

ENERGY ARRANGEMENTS

Energy costs for first three years of commercial operations ending in December 2008

In March 2004 and November 2006, SingSpring entered into the Initial Energy Supply Agreement and Supplemental Energy Supply Agreement respectively, with Seraya Energy, pursuant to which Seraya Energy agreed to supply electricity to the SingSpring Plant for its commercial operations until December 2008.

Total energy costs to operate the SingSpring Plant for its first three years of commercial operations ending in December 2008 will vary with the cost of fuel and may be higher or lower than the fixed and variable energy components comprised in the Capacity and Output Payments under the WPA. SingSpring has entered into a series of fuel hedges with Standard Chartered Bank to reduce the volatility of its energy exposures for this initial three-year period. In entering into these hedges, SingSpring has assumed that the volume of water supplied by the SingSpring Plant will represent 50% of the SingSpring Plant's monthly capacity over this three-year period. The daily volume of water supplied to PUB from 16 December 2005 (beginning of commercial operations of SingSpring) to 30 September 2006 averaged 25% of the SingSpring Plant's operating capacity.

Energy Rebasing

After December 2008, SingSpring will procure a new energy supply agreement on a tender basis and on the principles set out in the WPA and the fixed and variable energy components of the Capacity and Output Payments under the WPA will then be adjusted from December 2008 to reflect the new fixed and variable energy prices under the new energy supply agreement.

In rebasing the fixed and variable energy components of the Capacity and Output Payments under the WPA, the initial methods for adjustments for foreign exchange fluctuations and inflation will not be changed.

Hyflux Support for Energy Costs

Under the WPA, the original project debt incurred for the construction of the SingSpring Plant, and the New SingSpring Loan, Hyflux has agreed to provide energy costs support to SingSpring for the first three years of SingSpring Plant's commercial operations (ending December 2008). Under this support arrangement, the lenders to SingSpring, SingSpring and Hyflux had agreed on an amount estimated to be the energy costs that SingSpring would incur to supply water to PUB at approximately 50% of the SingSpring Plant's capacity. If the actual energy costs incurred by SingSpring to supply water to PUB for any month during this three-year period are less than such estimated amount, Hyflux will be given "energy credits" for the difference below such estimated amount. If the actual energy costs incurred by SingSpring to supply water to PUB for any month during this three-year period exceed such estimated amount, Hyflux will provide an "energy cost loan" to SingSpring to cover the additional energy costs in excess of such estimated amount, after netting off the energy credits outstanding up to that month.

For so long as there are energy cost loans outstanding, the SingSpring Trust may not make any distributions whether in respect of units or under the SingSpring Notes.

OTHER AGREEMENTS WITH HYFLUX ENGINEERING AND HYDROCHEM

O&M Agreement with Hyflux Engineering as O&M Operator

Hyflux Engineering is the O&M operator of the SingSpring Plant under the O&M Agreement, which runs concurrently with the WPA for the same 20-year term.

Fees Payable

SingSpring is required to pay a fixed O&M fee and a variable O&M fee to Hyflux Engineering on a monthly basis during the term of the O&M Agreement. The fixed O&M fee is a fixed sum per contract year while the variable O&M fee is based on the volume of water supplied by the SingSpring Plant, each as adjusted by performance incentives (described below), inflation, exchange rate fluctuations and equitable price adjustments. The fixed and variable O&M fees include certain US$-based cost elements, which are converted into Singapore dollars based on a reference exchange rate as adjusted from time to time to reflect exchange rate fluctuations.

Hyflux Engineering has no right to be compensated where the cost of performing its obligations under the O&M Agreements exceeds the fees, except where the O&M Agreement specifically provides for an equitable adjustment as noted below.

Under the O&M Agreement, invoices are rendered by Hyflux Engineering as the O&M operator on the same day as SingSpring renders an invoice to PUB under the WPA and SingSpring has the same 30-day credit period to pay such invoices.

Performance Incentives

Under the O&M Agreement, deductions are made from the fixed O&M fee for, among other things, reduced water availability and quality. These deductions broadly reflect the extent of the deductions from the Capacity and Output Payments under the WPA. Thus, these deductions serve to align the interests of Hyflux

Engineering as the O&M operator with SingSpring so that both are incentivised to ensure that the SingSpring Plant meets the operational requirements under the WPA.

The fixed O&M fee is also adjusted for lost energy costs or energy savings so as to incentivise the O&M operator to operate the SingSpring Plant as efficiently as possible in terms of energy costs.

Termination of the O&M Agreement

Either SingSpring or Hyflux Engineering may terminate the O&M Agreement in the event of a material default by the other party that is not cured within applicable notice and cure periods. Defaults by Hyflux Engineering include breach of its material obligations under the O&M Agreement, termination of the WPA caused by O&M operator default, the SingSpring Plant capacity on annual testing (in January of each year) and a re-test being shown to be less than 90% of its contracted capacity (i.e., 136,380 m^3 of water per day), the average water availability of the SingSpring Plant falling below 75% of 136,380 m^3 per day over a one-year rolling period or a change in the shareholding interest in Hyflux Engineering without SingSpring's prior written consent. Defaults by SingSpring include failure to make payments under the O&M Agreement. Mutual defaults include insolvency.

Hyflux and Hydrochem have provided guarantees to SingSpring for the performance of Hyflux Engineering under the O&M Agreement.

EPC Agreement with Hydrochem

SingSpring had appointed Hydrochem as EPC contractor for the SingSpring Plant under the EPC Agreement. The SingSpring Plant was completed in September 2005, three months ahead of schedule.

Under the EPC Agreement, Hydrochem has given a general warranty in respect of the SingSpring Plant for 12 months following the commencement of its commercial operations. This general warranty subsists until plant final acceptance is achieved and shall expire no later than 16 December 2007.

Hydrochem has also given a latent defects warranty for a period of three years from December 2005, the date on which the SingSpring Plant commenced commercial operations. Under this warranty, Hydrochem is obliged to investigate suspected latent defects following notice in writing from SingSpring at the expense of Hydrochem (or, if no latent defect is found, at the expense of SingSpring).

Hyflux and Hyflux Engineering have provided guarantees to SingSpring for the performance of Hydrochem under the EPC Agreement.

SUPPLIERS

Save for the services provided by the Hyflux Engineering as O&M operator, SP PowerAssets Ltd, SP Services, and Seraya Energy, SingSpring does not directly rely on suppliers to meet its business needs and does not rely on any supplier for key services or components for the operations of the SingSpring Plant.

Hyflux Engineering as O&M operator does not rely on any supplier for key services or components to perform its obligations under the O&M Agreement in relation to the SingSpring Plant.

EMPLOYEES

SingSpring does not have any employees as the operation, maintenance and repair of the SingSpring Plant is carried out by Hyflux Engineering, while its corporate services (the scope of which are summarised below) are carried out by Hyflux pursuant to a corporate services agreement.

CORPORATE SERVICES AGREEMENT

An arrangement for Hyflux to carry out the corporate services of SingSpring has been in place from the commencement of commercial operations of the SingSpring Plant in December 2005. To reflect this arrangement, a Service Agreement was entered into on 12 October 2006 between Hyflux and SingSpring. The two parties agreed that from the effective date of the agreement (16 December 2005), corporate services (including among other things, accounting services, cash management, and liaising with the O&M operator and PUB in relation to billing and collection of payments) were carried out and will continue to be carried out by Hyflux. The agreement is for a period of twenty years from the effective date unless terminated in accordance with its terms.

ENVIRONMENTAL AND SAFETY MATTERS

The operations of the SingSpring Plant are subject to a number of laws and regulations relating to environmental protection and safety, which regulate, among other things, the discharge of the brine produced from the desalination process. In the desalination process, the SingSpring Plant will collect rejected brine and DAFF sludge and backwash water into a waste water tank, where the waste water is neutralized prior to discharge to the sea. Solid waste is collected in bins located around the site and is removed for disposal off-site by a waste management contractor.

SingSpring believes that it is in compliance in all material respects with applicable environmental laws and regulations and that there are no outstanding or anticipated environmental issues of a significant nature. SingSpring also has in place policies and procedures to ensure that its plant operations conform to existing environmental regulatory standards.

The operations of the SingSpring Plant are in compliance with the health and safety regulations of Singapore.

INSURANCE

SingSpring maintains insurance policies covering real and personal property damage, lost revenue resulting from interruption of business due to accidental real and personal property damage and third party liability insurance. These policies and their deductibles are maintained at levels that SingSpring believes are adequate or reasonable and consistent with industry standards. SingSpring has not experienced any significant loss either as a result of interruptions of its business or as a result of damage to the SingSpring Plant due to fire or other causes.

As noted in "Risk Factors — Risks Relating to SingSpring — Risks relating to SingSpring's business and operations — SingSpring is vulnerable to any disruption at its desalination facilities and the insurance coverage that SingSpring has obtained may be inadequate or insufficient to cover potential liabilities and losses", there is no insurance available for degradation in the quality of seawater around the SingSpring Plant, which is the source of water used in its desalination process.

LITIGATION

To the best of the knowledge and belief of SingSpring, having made all reasonable enquiries, there are no legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the last 12 months before the date of lodgment of this Prospectus with the Authority, a material effect on the financial position or profitability of SingSpring.

ARRANGEMENTS RELATING TO THE RESTRUCTURING OF SINGSPRING

Undertakings to PUB

In connection with the Listing, the SingSpring Trustee (acting for and on behalf of the SingSpring Trust) has executed certain undertakings in favour of PUB to the effect that:

- The SingSpring Trust will carry on only the business of treating and supplying desalinated water in accordance with the WPA;

- As is the case prior to the Listing, the directors nominated by Hyflux will constitute at least 50% of the number of the directors comprising the board of the SingSpring Trustee (the remaining directors will be nominated by CitySpring), and the chairman of the board will be a director nominated by Hyflux;
- The guarantee given by Hyflux expiring in December 2008 in respect of the due performance by SingSpring of its obligations under the WPA shall continue to be in force;
- The SingSpring Trustee will not terminate Hyflux Engineering's appointment as the O&M operator of the SingSpring Plant without PUB's prior written approval;
- The SingSpring Trustee will make distributions only out of residual cash flows (as described below) and abide by such distributions policy. "Residual cash flows" means, in relation to a period, the aggregate of:
    - the cash and/or cash equivalents at the beginning of the period available to SingSpring Trust; plus
    - the cash inflows to SingSpring Trust during the period from any source; less
    - payment of all financing costs, principal and interest, and all other expenses (including capital expenditures and investments) of the SingSpring Trust that have fallen due during the period; less
    - reasonable provisions for such capital expenditures and investments as are or would be required for the SingSpring Trust to comply with its obligations under the WPA.

  Further, the SingSpring Trustee will not make any distributions from residual cash flows unless it is satisfied, on reasonable grounds, that (i) immediately after making such distributions, the SingSpring Trustee will be able to fulfil, from the trust property of the SingSpring Trust, the liabilities of the SingSpring Trust as they fall due and (ii) the SingSpring Trust will continue to be able to comply with its obligations under the WPA; and
- The SingSpring Trustee will take such steps and put in place such measures as may be appropriate to ensure that SingSpring Trust has sufficient funds and/or financing resources to meet the short-term liquidity needs of the business of the SingSpring Trust.

In addition, neither CitySpring nor Hyflux will transfer any of its units without the prior written consent of PUB, provided that PUB shall not unreasonably withhold its approval in the case of any transfer falling on or after 16 December 2010.

PROPERTY

Other than the land on which the SingSpring Plant is built, SingSpring does not own or hold any real property by way of lease or otherwise. The land on which the SingSpring Plant is built is mortgaged to DBS Bank as security trustee pursuant to the Project Facility Agreement dated 12 December 2003 as security for the project debt incurred for the construction of the SingSpring Plant.

Upon Listing, the existing mortgage in favour of DBS Bank will be discharged and the land on which the SingSpring Plant is built will be mortgaged to DBS Bank (as security trustee) to secure the New SingSpring Loan. (See "Interested Person Transactions and Potential Conflict of Interests — Interested Persons Transactions — Interested Person Transactions of SingSpring — Project Facility with DBS Bank and others" for further details of this agreement)

As the land on which the SingSpring Plant is built is comprised in leases granted by Jurong Town Corporation ("**JTC**"), the consent of JTC was sought and obtained on 10 January 2007 for the declaration of the SingSpring Trust.

The details of the land owned by SingSpring on which the SingSpring Plant is built are as follows:

Property	**Leasehold Term**	**Lessor**	**Approximate Land Area (sq.m.)**	**Use of Property**
No. 90 Tuas South Avenue 1 Singapore 637493 Lot 3668C of Mukim 7	30 years from 9 January 2004	Jurong Town Corporation	63,278.0 (subject to survey)	For the purpose of owning, developing, erecting, constructing, installing, testing, commissioning, operating and maintaining the SingSpring Plant together with all ancillary equipment, installations and other support facilities.
Lot 3671C of Mukim 7 Lot 3672M of Mukim 7	30 years from 9 January 2004	Jurong Town Corporation	624.9 (subject to survey) 240.0 (subject to survey)	For the purpose of owning, developing, erecting, constructing, installing, testing, commissioning, operating and maintaining the SingSpring Plant together with all ancillary equipment, installations and other support facilities.

THE INFRASTRUCTURE INDUSTRY

All the information and data presented in this section, including the analysis of the various sectors of the infrastructure industry, has been provided by Scott Wilson Ltd, an international consulting group, except as otherwise indicated. While the Trustee-Manager believes that the information and data are reliable, the Trustee-Manager cannot ensure the accuracy of the information or data, and neither the Trustee-Manager, the Underwriters or any of their affiliates or advisors have independently verified this information or data. You should not assume that the information and data contained in this section is accurate as of any date other than the date of this Prospectus, except as otherwise indicated. You should also be aware that since the date of this Prospectus, there may have been changes in the infrastructure industry and the various sectors therein which could affect the accuracy or completeness of the information in this section.

Overview

Infrastructure assets are the structures and networks used to provide essential services to society. These assets, and the businesses set up to manage them, are crucial to the sustainable economic and industrial development of a country. At a broad level, infrastructure investments can be split into economic and social infrastructure. Economic infrastructure consists of services that the end user is prepared to pay for including utilities, transport/logistics and communications. Social infrastructure covers services in areas such as healthcare, education, housing and judicial facilities and is usually provided by either the public sector or through Public Private Partnership ("**PPP**") schemes.

Private investments in social infrastructure are not yet well developed in most of CitySpring's primary geographical areas of interest, namely Asia, the Middle East, Australia and New Zealand. Accordingly, the analysis set out below is primarily focused on economic infrastructure and in particular the following three sectors, which are the principal focus of CitySpring's investment strategy within the infrastructure sector:

Sector	Illustrative Asset Categories (non-exclusive)
Utilities	• Gas — storage, transhipment, distribution • Water — treatment, distribution • Electricity — generation, transmission, distribution
Transportation/Logistics	• Roads, including structures (bridges, tunnels) • Ports • Airports • Railways
Communications	• Broadcast towers and related infrastructure • Satellite infrastructure • Wireline infrastructure • Mobile telephony infrastructure

Investment Attributes

Investment in infrastructure assets has traditionally come from the public sector. In recent years, however, there has been increased interest by the private sector in acquiring existing infrastructure assets and the procurement of new infrastructure. In many countries, governments are keen to divest infrastructure assets to reduce public sector liabilities and ensure demand and market driven provision of additional infrastructure. This has triggered changes in the regulatory environment in the infrastructure sector, which is generally becoming more liberalised and conducive for private investment.

At the same time, there has been strong demand from private investors for infrastructure assets. These assets yield relatively stable and predictable long-term returns matching the attributes of many pension and insurance funds and offering diversification benefits to their existing portfolios. Underlying the attractiveness of infrastructure assets are some of their investment attributes:

- Infrastructure demand is strongly correlated with the gross domestic product of a country ("**GDP**"). Importantly, infrastructure usage demand tends to be less cyclical than GDP and remains relatively strong even during economic downturns, thus reducing return volatility.
- Infrastructure typically has long asset life and predictable returns in the long term. The revenues of infrastructure projects are often derived from long-standing usage contracts or operating concessions, thus increasing pricing certainty.
- Infrastructure supply usually lags demand growth and has high barriers to entry in terms of development costs and planning permissions with implications to the operators' bargaining power in the market place. It is not unusual for infrastructure assets, especially in the utilities sector, to enjoy a near-monopoly position and be price regulated, which, in turn, minimises investment risks and increases yield predictability.

Investment risk attributes differ between development stage and mature infrastructure asset investments. A development stage investment has higher business risk in terms of construction costs and potential demand uncertainty. Mature infrastructure assets, on the other hand, tend to have stable cash flows with more predictable and reliable returns at the expense of lower capital growth. With a reduced equity risk premium and revenue growth, the business value increases against unchanged original debt levels — a situation which may offer substantial opportunities for re-gearing mature infrastructure assets and returning value to investors. The foregoing analysis focuses primarily on trends and opportunities in respect of mature infrastructure assets, whose characteristics match CitySpring's main objective of providing regular and predictable distributions to Unitholders.

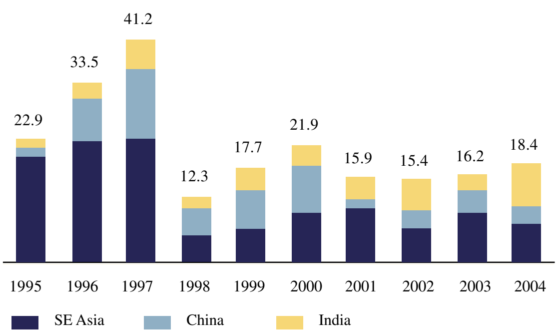
Infrastructure Overview

General Trends

The global economy has displayed robust growth in the last decade, averaging over 4% per annum and is expected to grow at close to 5% per annum over the next five years. World economic growth has been accompanied by unprecedented globalisation of trade, the shift of manufacturing centres to Asia, growing prosperity of populations and increasing demand for goods and services in emerging economies.

Asian economies have generally benefited from globalisation more than any other region in the world and experienced rapid economic development in recent years. Asian Development Bank ("**ADB**") projects the developing Asian region will achieve an overall economic expansion of 7.2% in 2006 and 7.0% in 2007[1]. This has exerted substantial pressure on enabling infrastructure and widened the gap between infrastructure demand and supply.

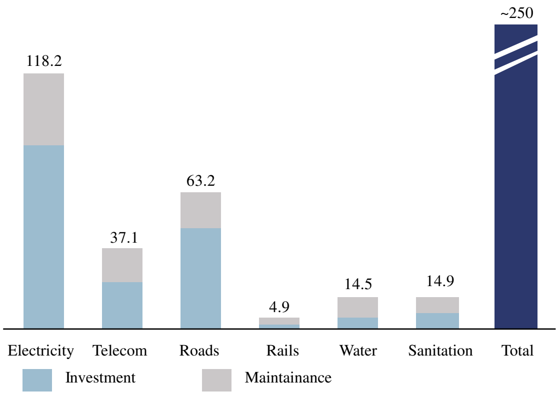
Asia Pacific - Annual Private Sector Investment in Infrastructure by country/region
US$ billion



Source: World Bank-Private Participation in Infrastructure (PPI) database Asia Pacific here comprises China, India, Malaysia, Indonesia, Thailand, Philippines, Vietnam, Pakistan, Sri Lanka and other selected small Asian countries

In response to demand pressures throughout Asia, Government policy frameworks have become increasingly liberalised, providing a more attractive climate for private investors. As a result, private sector investment in Asia-Pacific infrastructure has experienced significant growth over the last decade with over US$200 billion invested since 1995 at a compound annual growth rate ("**CAGR**") of 28%.

Projected Annual Infrastructure Spend in Asia - 2006 through 2010
US$ billion per annum



Source: Asian Development Bank; World Bank; Japan Bank for International Cooperation; SSKI Research Asia here comprises includes China, India, Thailand, Indonesia, the Philippines, Malaysia, Cambodia, Fiji, Kiribati, the Lao People's Democratic Republic, Marshall Islands, Micronesia, Mongolia, Myanmar, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu and Vietnam

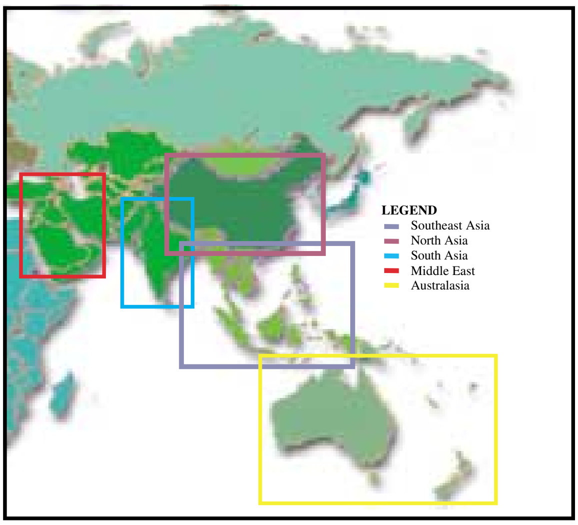
The outlook for private infrastructure investment in the coming years is generally positive overall, as the expectation is for macroeconomic conditions to remain strong and structural reform efforts to continue in Asian economies. ADB/World Bank analysis estimates that Asia will require approximately US$250 billion per annum up to 2010 to fund new infrastructure investment and to maintain existing facilities[2]. Private sector infrastructure investment may be further stimulated by continued privatisations of state-owned assets and improving regulatory systems and capital markets. The increasing demand for infrastructure in Asia, comes on the back of strong urbanisation, with Asian cities driving the need for a dramatic increase in infrastructure spending.

In the Asian communications sector, service providers currently maintain ownership of most of the associated communications infrastructure (related primarily to the delivery of information). In the longer term the Asian communications sector may follow the trend in more mature European economies, characterised by continuing divestment of infrastructure assets by communication companies. Investment in communications infrastructure may then present an opportunity to obtain stable and predictable cash flows through long-term contracts with service providers.

Geographical Coverage

This review focuses on the wider Asia region including:

- Southeast Asia,
- North Asia,
- Middle East,
- South Asia, and
- Australasia.

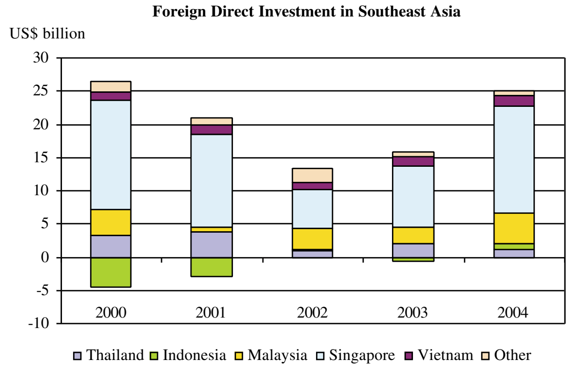


For each region the overview provides general information on some of the key constituent countries, as well as details of infrastructure market dynamics, investment climate and regulatory/policy issues. Individual countries' policy frameworks represent a fundamental driver to private sector enthusiasm for infrastructure investment and, in line with this, specific market opportunities are very much sector orientated. Hence, the analysis for each region provides some country-specific industry highlights and a non-exhaustive list of private infrastructure investment examples.

Southeast Asia

Introduction

Southeast Asia encompasses two geographic regions: the Asian mainland (east of India and south of China) and the archipelagos to the east and southeast. Across the region there is a particularly broad spectrum in economic stability, prosperity and standards of living. This is reflected in the disparate level of infrastructure across the region, which ranges from well established and technologically advanced to relatively underdeveloped.



Note. FDI is generally a good indicator of the openness of an economy and its attractiveness to foreign investors. FDI inflows/outflows comprise capital provided/received by a foreign investor to/from a FDI enterprise and can be negative overall.

Source: Asian Development Bank (2005): "Asian Development Outlook 2005"; United Nations Conference on Trade and Development, Foreign Direct Investment database.

Market Dynamics/Investment Climate

The requirement for improved infrastructure across Southeast Asia continues to intensify as a result of underlying demand pressures accompanying continued economic growth and urbanisation (the urban population across North Asia and Southeast Asia combined is expected to increase by more than 50% by 2025[3]).

Despite setbacks following the 1997 Asian crisis, characterised by major fiscal deficits, government policy changes and diminished private sector confidence, the momentum for infrastructure development is now much improved, yielding a more favourable political environment for infrastructure investment across Southeast Asia. This transition has manifested itself through the recent increases in investment across the region with Thailand and Vietnam each investing more than 7% of GDP per annum, distributed across a range of infrastructure sectors. A World Bank[4] analysis indicates that this level of investment needs to be achieved and sustained across the whole Southeast Asian region in order to meet infrastructure demands, estimated to be around US$33 billion per annum between 2006 and 2010.

Infrastructure across Southeast Asia, particularly within the emerging economies, remains predominantly publicly owned and operated. Restrictions posed by the policy framework have represented one of the fundamental obstacles to private sector, particularly foreign, infrastructure investment within Southeast Asia. However, the climate for private investment is generally improving, which is reflected in healthy foreign direct investment ("**FDI**") volumes in recent years. Previously centralised state structures have been significantly decentralised across much of the region[5], in some cases enabling greater liberalisation and more proactive local policy reforms.

Utilities infrastructure is generally in high demand due to substantial mismatch between demand and available supply of existing infrastructure and historical investment backlog. The value of total deals for power assets in the Asia Pacific region as a whole rose to US$17.2 billion in 2005, up from US$15.1 billion in 2004 and US$6.2 billion in 2003, driven in part by infrastructure fund acquisitions[6]. This trend has been particularly apparent in Southeast Asia and is widely expected to continue due to demand increases and associated infrastructure investment requirements. A similar situation is observed in the transport sector where, as trade activity has increased in the region, the requirement for improved infrastructure has also become increasingly apparent. The need for private participation in transport infrastructure is widely recognised and there has been a gradual rise in the number of private sector investment opportunities.

Investment Examples/Trends

Singapore: *Since 2000, the Singapore government has moved in favour of the PPP approach for procurement and delivery of large-scale public infrastructure projects. Recent examples within the utilities sector include: the Ulu Pandan NEWater Plant awarded in 2004; and a major Incinerator Plant PPP awarded in 2005*[7]*. In addition to activity in the utilities sector, PPP is also being explored for a number of social infrastructure projects, including development of a major sports hub to replace the national stadium, development of student housing with ancillary facilities and the new Institute of Technical Education (ITE) College West*[8]*.*

In the power sector, the Singapore government has implemented regulatory separation of competitive functions of electricity supply (generation and retail) from the functions of a natural monopoly (transmission and distribution). This deregulation has led to opportunities for direct private sector investment, including generation facilities.

Singapore/Malaysia/Indonesia: *Natural gas is one of the fastest growing energy sources in the world. Emerging economies in Asia are expected to almost triple the current consumption rate by 2025*[9]*. Southeast Asia comprises some of the largest exporters of natural gas and LNG, including Indonesia and Malaysia. There are a number of projects under way to develop and extend export and import facilities to keep up with growing demand. For example, about 80% of Singapore's electricity is generated from natural gas, which is currently imported from Malaysia and Indonesia via pipelines. It is expected that Singapore's demand for gas would exceed supply in the future, and a decision has been taken by the government to proceed with the import of LNG and develop a terminal facility*[10]*.*

Indonesia: *Indonesia was one of the countries worst affected by the 1997 Asian crisis, which exacerbated a major backlog in infrastructure investment. In January 2005 the government held an "Infrastructure Summit" to launch its strategy for the coming years, which included implementation of necessary reforms to boost private sector involvement, in particular in the transport sector. Early signs indicate that the government's policy reform has been successful with international investors expressing their investment interest, with US$10 billion to US$15 billion anticipated in total infrastructure investment over the next five years*[11]*.*

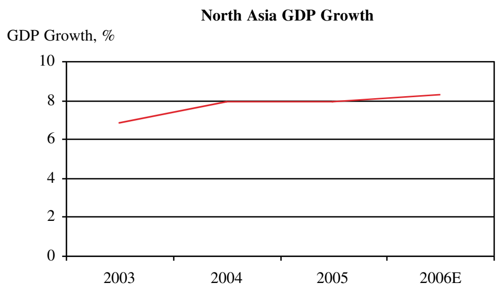
Philippines*: The privatisation programme of the Philippine power sector has been commenced by the government with the creation of the Power Sector Assets and Liabilities Management Corporation (PSALM) to oversee the privatisation of the National Power Corporation through public auctions. Power assets for sale include a range of power generating assets, a 25-year concession of the National Transmission Corporation and various real estate properties*[12]*. Some power generating assets in the Philippines are already in foreign ownership. For example, Mirant Corporation, a US-incorporated company, part owns and operates three power-generating plants in the country*[13]*.*

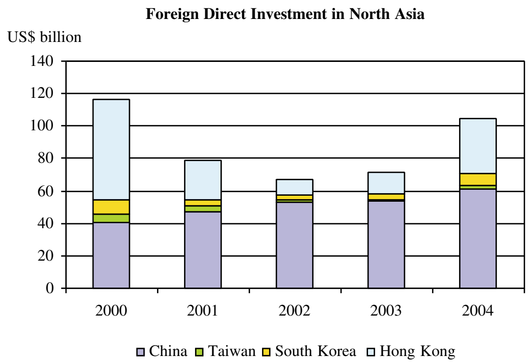
Vietnam: *The Vietnamese government has demonstrated considerable commitment towards economic liberalisation and international integration, which has led to increased attractiveness to potential private sector investors. One of the priorities is transport, in which the government anticipates expenditure of US$9.1 billion between 2004 and 2010*[14]*.*

North Asia

Introduction

The North Asia region includes such countries/ territories as China, Hong Kong, Taiwan, South Korea and North Korea. China is one of the world's fastest developing economies, registering a 9.9% GDP growth in 2005[15] and accelerating further in 2006. It has been the engine for economic growth throughout North and Southeast Asia in recent years and has evolved into one of the world's leading destinations for FDI totalling some US$55 billion in 2004[16].





Source: Asian Development Bank (2005): Asian Development Outlook 2005 ; United Nations Conference on Trade and Development, Foreign Direct Investment database.

Market Dynamics/Investment Climate

China's rapid growth in recent years is reflected in the increasing demand for new and better quality infrastructure assets. Accordingly, the Government's commitment to infrastructure investment has improved considerably and investment has exceeded 7% of GDP[17] in the last few years. China will need to sustain this level of investment in order to achieve a standard of infrastructure comparable to its more economically developed neighbours such as Taiwan, Hong Kong and South Korea.

World Bank research[18] indicates that investment of approximately US$132 billion (6.9% of total GDP) a year between 2005 and 2010 may be needed to meet infrastructure needs in China. This figure accounts for over 80% of North and Southeast Asia's total infrastructure requirements and includes US$88 billion of expansionary and US$44 billion of maintenance spending.

China's private infrastructure investment climate has improved significantly in recent years following increasingly liberal foreign investment policies driven by large-scale decentralisation enabling more strategic/ flexible decision-making and accession to the World Trade Organisation ("**WTO**"), which requires China to open its industries to foreign businesses[19].

Taiwan, Hong Kong and South Korea have relatively mature infrastructure markets, characterised by steady growth and regulatory environments conducive to private sector investment. In an effort to introduce market mechanisms in the infrastructure sector and as demand for improved infrastructure continues to increase, each of the respective governments is seeking further private sector participation in existing and new assets.

Investment Examples/Trends

China: *China is embarking on a major expansion of its power system, as supply continues to lag behind demand in this massive and rapidly growing economy. According to 2004 World Bank analysis, infrastructure investment of US$72 billion will be required between 2006 and 2010 to serve the projected growth in electricity demand[20]. As part of the wider reform of the sector, Electricity Regulatory Commission (SERC) is currently seeking to sell off a range of electricity generation assets. The sale involves an aggregated generating capacity of 9.2 million kilowatts in 38 electric power plants, and covers seven listed companies and three joint ventures in 21 provinces[21].*

Transportation represents a major growth area in China, and the government's efforts to facilitate growth in trade and improve transport infrastructure have become increasingly apparent in the last few years. Although much of the investment is in projects and companies in the development phase, the activity in the sector presents opportunities for private investment and re-financing in the short to medium term once the assets become more *mature. There has been a considerable volume of acquisition activity in China's toll road sector. A private sector organisation recently acquired a 20% stake in Guangdong City Northern Ring Road No 2 from Guangzhou Holdings Co. The deal for the highway transportation services provider closed in October 2006 for approximately US$84million[22]. This acquisition further consolidates the activity in China's toll road sector, in which there has been significant private sector involvement.*

China/Hong Kong: *Four LNG projects have received approval from the Chinese government: at Shenzhen, Fujian, Zhejiang, and Shanghai, with 16 planned overall. China's first LNG terminal at Shenzhen, received its first cargo at the end of May 2006. Partners in terminal owner Guandong Dapeng LNG Co. are CNOOC, BP and eight Chinese and Hong Kong companies. LNG terminal contracts are usually based on long-term supply and sales contracts. The Shenzhen terminal, for example, has a 25-year gas supply contract with Australia and 11 long-term contracts with end users in mainland China and Hong Kong[23].*

South Korea*: Although South Korea has an established transportation network, which includes several major North-South and East-West highway and railway arteries, the system has been under increasing strain as traffic demand continues to grow. In 1999, the government of South Korea implemented a Private Participation in Infrastructure (PPI) Act in order to improve the framework for private sector investment in infrastructure[24]. Earlier in the millennium, the government prepared a PPI plan for 2002-2011, which prioritised major transportation infrastructure projects[25]. A number of road assets, including major bridge and tunnel projects, have been developed on a long-term concession basis.*

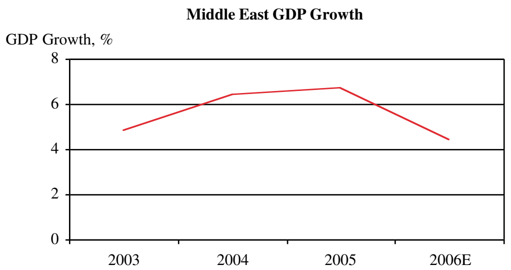
As a result of the South Korean government's push to advance communications with the active cooperation from operators, South Korea has witnessed large infrastructure developments in recent years. The government funds the fibre optic backbone network between major cities, while the access networks and mobile telephony infrastructure are funded by the private sector. Most private sector investment is carried out by communications service providers, who operate the infrastructure, with standalone infrastructure investment opportunities likely to appear in the longer term[26].

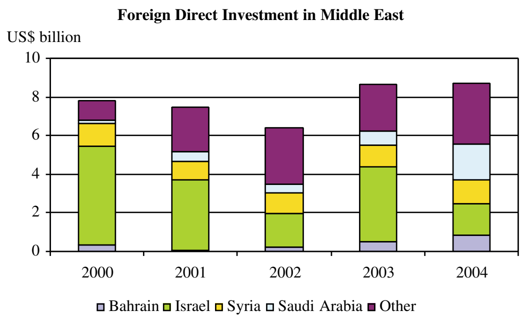
Middle East

Introduction

The Middle East region comprises Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Malta, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, West Bank and Gaza, and Yemen. This analysis concentrates on those countries that form the 'Gulf Co-Operation Council' ("**GCC**"), which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates ("**UAE**").

Over the past three years, higher oil prices have lifted aggregate nominal GDP by almost 75%. The oil windfalls have allowed increased levels of Government spending and have lifted domestic confidence, resulting in higher infrastructure investment. Infrastructure activity in the Gulf is strong and showing few signs of slowing down.





Source: Asian Development Bank (2005): "Asian Development Outlook 2005"; United Nations Conference on Trade and Development, Foreign Direct Investment database.

Market Dynamics/Investment Climate

Historically, most existing infrastructure in the region has been government-owned. The majority of opportunities for infrastructure investment in the region, therefore, arise from privatisation of existing assets and development of early stage infrastructure. Currently, projects worth over US$1 trillion are in various stages of implementation or planning, with a focus on expanding infrastructure capacity[27]. In the medium term, as development-stage assets mature, there are expected to be more opportunities for secondary stage investments.

Strong growth in the GCC last year was recorded in the transportation sector, due to a higher volume of trade, and in communications, owing to new competition as mobile and fixed line services are liberalised. In contrast to previous booms in the region, where major projects have often been seen as inefficient, the private sector has provided the main impetus to growth. Absolute increases in Government expenditure have been heavily exceeded by private sector spending, with rising corporate external borrowing and share prices reflecting greater confidence in the business climate.

Investment Examples/Trends

Saudi Arabia: *The Saudi Arabian government established Supreme Economic Council to implement a program of economic reform and privatisation. One of its objectives is to engage the private sector in financing, operation and maintenance of infrastructure assets. The progress achieved to date includes privatisation of port operations and incorporation of electricity and communications sectors as a first step towards privatisation[28]. According to the Director-General of the Saudi Arabian General Investment Authority, the government intends to divest state-owned companies with a combined value of US$800 billion in 2006-2016 in an effort to increase investment to relieve the pressure the expanding economy is placing upon the enabling infrastructure. Sectors covered by the privatisation will include water, power, communications, transport and education, with water supply and waste water treatment singled out for particular need of investment[29].*

*The Saudi Arabian government has already started a programme of attracting private funding for its independent water and power producer ("**IWPP**") programme. The first project, Shuaibah IWPP, was signed in 2005 and is intended to supply potable water and power to the west coast cities of Jeddah, Mecca and Taif backed by a full offtake power and water purchase agreement ("**PWPA**"). The project is 40% government sponsored with the remaining 60% owned by a consortium comprising Tenaga Nasional Berhad, Khazanah Nasional Berhad, Malakoff Berhad, of Malaysia, Arabian Company for Water and Power Development and Mada Company for Industrial & Commercial Investment Limited[30]. Forecasts indicate that power and water deals in Saudi Arabia may total US$90 billion over the next 15 years[31].*

***UAE**: UAE is increasingly seeking private funding for its utilities sector. For example, Dubai and Oman are experiencing rapid growth in tourism and residential developments which require more generating capacity, drinking water, and cooled water for air conditioning. In July 2006, Sembcorp, a Singapore-based company, won the Fujairah IWPP in Abu Dhabi. The project will sell power and water to Abu Dhabi Water & Electricity Company under a 22-year agreement[32]. Further deals in the utilities sector are expected, including the larger Fujairah II IWPP project, which is worth around S$4.75 billion[33].*

Two leading Dubai government entities — the Dubai Multi Commodities Centre and Techno Park — have formed a partnership in 2006 with LNG Impel, a wholly owned unit of Galveston LNG Inc., to develop a $1 billion LNG storage facility at Techno Park in Dubai. The facility, Dubai LNG Storage Hub, is expected to have a total storage capacity of 40–65 billion cubic feet of gas[34].

Bahrain: *In 2004, Bahrain signed its first independent power producer ("**IPP**") agreement for the $500 million Al Ezzel project. The Project was sponsored by Suez Tractebel and Gulf Investment Corporation (GIC) and is underpinned by a long-term power purchase agreement with the Ministry of Electricity and Water[35].*

Turkey: *The current Privatisation Law ratified in 1994 forms the institutional basis for privatisation with a further Constitutional Amendment in 1999 allowing for international arbitration and stimulating direct foreign investments. This has led to a number of privatisation deals in the ports sector: six in 1997, one in 1999, two in 2000 and a further four completed in 2003[36]. More recently, the Port of Mersin, one of the most important* *ports in Turkey, was transferred to the private sector (a joint venture between Afken Holding and Singapore based PSA) in 2005 on the basis of a 36-year operating concession*[37].

South Asia

Introduction

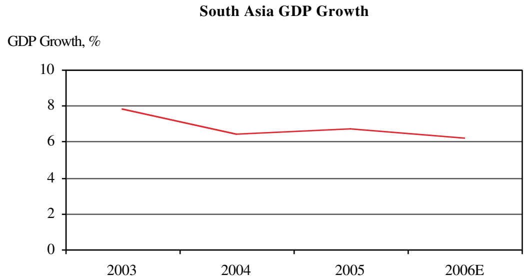
South Asia incorporates India, Pakistan, Bangladesh, Afghanistan, Nepal, Sri Lanka, Bhutan and the Maldives. Of the 1.45 billion population, 1.09 billion reside in India, which has one of the fastest developing economies in the world. Although the region encompasses 23% of the world's population it only maintains approximately 2% of global GDP and has a very large growth potential[38].

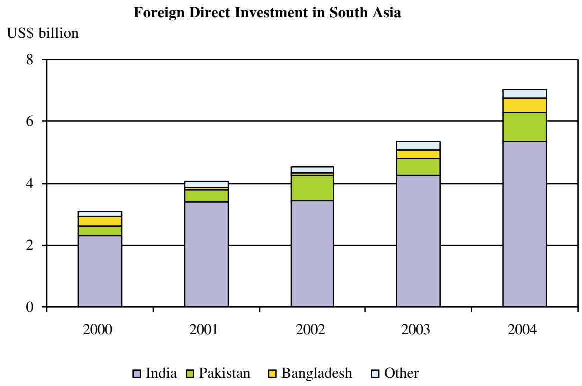
Market Dynamics/Investment Climate

Since 1990, problems in fiscal adjustments have led to major deficiencies in meeting infrastructure requirements within South Asia. A 2005 study[39] undertaken on behalf of the World Bank estimates that US$88 billion, or roughly 7.5% of the region's overall GDP, is required annually between 2006 and 2010 in order to meet the growing demand. Electricity generation and distribution, which is fundamental to improved social conditions, is the infrastructure sector requiring the most investment, followed by roads, communications, water and sanitation and, to a lesser extent, railways.

Historically, private sector infrastructure investment within South Asia has been limited; South Asia attracted only US$45.8 billion between 1990 and 2002, which is less than a quarter of the overall private investment commitments received by North/ Southeast Asia (US$199.4 billion between 1990 and 2002)[40]. However, in recent years, private sector investment in South Asia has increased significantly due to improved policy frameworks and growing demand.

India, for instance, has embarked on a major infrastructure investment programme and has become increasingly liberal towards private sector participation. Enthusiasm for private sector infrastructure investment in India continues to grow. Business Monitor International identified India as No 1 in its Asian Business Environment rankings for the infrastructure sector (assessment based upon long term political/economic risks, construction growth, competitive environment and anticipated potential)[41].





Source: Asian Development Bank (2005): "Asian Development Outlook 2005"; United Nations Conference on Trade and Development, Foreign Direct Investment database.

Investment Examples/Trends

India: *The government plans to add 100,000 MW of generation capacity between 2005 and 2012. Of these, 23% are to be provided by the private sector. In an effort to attract private investors the government has outlined recommendations to remove obstacles for the development of private power infrastructure projects*[42]*. Power Grid Corporation of India, the state company in charge of the national power network, is in the process of establishing a number of joint ventures with private companies to develop electricity transmission assets*[43].

In India's water sector, private investment was utilised to complete the Tirupur water system in 2005. The project, which was the first public-private partnership project in the history of India's water sector, involved the construction of two new treatment works, providing the area with a daily supply of 185 million litres of potable water and the capacity to treat 30 million litres of domestic sewage. Project funding was a mixture of debt and equity, and involved a number of sources including public money, various commercial interests, financial *institutions and international funding agencies. Assistance came from the Infrastructure Leasing and Financial Services and from the US Agency for International Development with loan guarantees over 30 years for US$25 million. The project was delivered on its US$220 million budget*[44]*. The success of the project may pave the way for further private involvement in the sector.*

There has been considerable activity in India's LNG storage sector with the government increasingly looking to private investors to operate or obtain equity stakes in LNG terminals supplying local power stations[45]*. For example, India and Qatar governments are working on deals under which more liquefied natural gas (LNG) could be supplied from Qatar and which may also entitle the Qatar government to an equity stake in Petronet LNG Ltd. Further acquisitions of LNG terminals in India are expected*[46]*.*

Major ports in India have demonstrated significant growth during the past year. In line with this rapid growth, India's foreign investment-friendly ports policy has attracted global operators to bid for a number of proposed assignments. In May 2005, APM Terminals, part of the AP Moller-Maersk Group, acquired further shares in Gujarat Pipavav Port Limited (GPPL). The 47% shareholding enables the private sector company to obtain full management control of the port, which is located in the Saurashtra region of the state of Gujarat[47]*.*

Substantial private investment is expected in India's aviation sector. In 2005, Civil Aviation Minister, Praful Patel, stated that the Indian aviation sector was expected to see investment of US$30 billion by 2012[48]*. In an effort to attract inward investment the Indian Government is currently taking steps to liberalise the aviation industry. A number of concessions have been granted (e.g. for Mumbai and Delhi airports) and the process is expected to continue*[49]*.*

Within the communications sector, the Indian Government has created a positive environment for FDI through significant de-regulation and active encouragement of competition. There has been considerable equity stake building activity by foreign investors in Indian communications operators. Operators are in the process of improving and extending their infrastructure assets to meet growing demand. Most of these investments are financed by communications operators but there is a notable trend among the Indian operators of separating infrastructure from service provision[50]*. For example, in 2005, Bharti, a leading Indian communications company with a 21.5% share of the mobile market, outsourced its infrastructure development to foreign operators in order to concentrate on its core services*[51]*. Other operators, such as BSNL, the third largest mobile operator, attract foreign operators to develop their infrastructure networks on a competitive basis.*

Bangladesh: *In view of the gradual widening of the demand-supply gap, the Bangladesh government has opened up power generation, transmission and distribution assets to the private sector with a number of concessions having been granted*[52]*.*

Although airports in Bangladesh are predominantly public sector operated, a number of private sector opportunities exist. For example, in 2004, Thai Airways was awarded a 10-year concession to operate Shah Amanat International Airport in Chittagong[53]*.*

Australasia

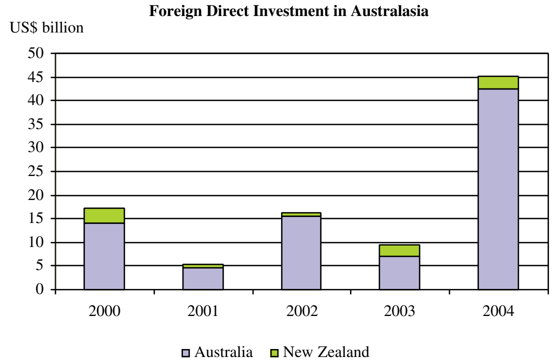
Introduction

This review of Australasia will focus on Australia and New Zealand. Since 2000, GDP growth in Australia and New Zealand has averaged around 3% to 4% per annum, indicating a relatively stable and strong economy. The key demand driver for infrastructure development in Australia has been the global commodity market boom, specifically that of mining commodities, of which Australia is a major exporter. New Zealand relies heavily on temperate agricultural product export, with commodities being an important but relatively small driver of infrastructure development.

Market Dynamics/Investment Climate

Australia has a well-developed and mature infrastructure profile. Existing infrastructure is generally in a sound state, although significant parts of Australia's infrastructure are ageing and nearing the end of their economically useful lives. At a national level, New Zealand's infrastructure is in a reasonable condition. Subject to an ongoing appropriate level of investment, it should not become a barrier to the Government's growth and sustainable development objectives.

Australian Government investment in infrastructure has fallen (as a proportion of GDP) over a long period, however this is explained by the proliferation of other funding models, specifically PPP schemes. The use of PPPs is well established in Australia, particularly New South Wales and Victoria. Rating agency Fitch notes that this financing method is "perhaps more advanced and more successful than in any other country"[54]. Further, FDI has grown rapidly in the last decade. The Australian Council for Infrastructure Development (AusCid) identified private sector investment for 165 projects between 1988 and 2004, valued at an estimated expenditure of A$115 billion[55].



Source: The Economist Intelligence Unit, 2005 Country Data; United Nations Conference on Trade and Development, Foreign Direct Investment database.

Investment Examples/Trends

Australia: *Substantial investment is required in Australia's primary energy sector in order to support the country's economic growth. Analysis carried out by the Australian Bureau of Agricultural and Resource Economics estimates that around A$30 billion of sector investment is required between 2005 and 2020[56]. There are a number of opportunities for private sector investment in electricity generation and distribution, particularly as a number of state governments' strategies move towards increased privatisation.*

There has been considerable M&A activity in Australia's utility sector, particularly in acquisition of energy assets. Acquisition have included CitiPower I Pty Ltd., which distributes electricity to the central business district and inner suburban areas of Melbourne; Powercor Australia Limited, the largest electricity distributor in the state of Victoria; and ETSA Utilities, the sole electricity distributor in the state of South Australia[57].

Within Australia's transportation sector, development is being driven and funded primarily through the federally funded AusLink National Plan. Significant growth is anticipated over the next 20 years, particularly within the road and rail sectors and in intermodal projects. Total freight in Australia is forecast to almost double and total urban road traffic, including cars, is estimated to grow by 37%[58]. AusLink seeks to maximise private sector involvement in the ownership, financing and operation of land transport infrastructure and a number of opportunities, predominantly PPP, exist within the framework including several tolls/progressive payments/ shadow tolls initiatives[59].

A major consolidation in the Australian transport industry has occurred with a logistics company, Toll Holdings', July 2006 acquisition of Patrick Corporation with interests in port, railway, air and other transport sectors[60]. Part of these undertakings involve the sell-off of Patrick's 50% stake in Pacific National (Australia's largest private rail freight operator) to a third party under the Australian Competition and Consumer Commission's ruling[61]. Further mergers and acquisitions activity is expected with opportunities for private investors.

Australia's Bureau of Agricultural and Resource Economics expects LNG exports to reach 13.1 million tonnes in 2006, up 24% from the previous year, and 20 million tonnes by 2010-11. Japan is expected to remain Australia's largest export market, followed by Korea, China, and the west coast of North America. New developments are under way and include a 4.2 million tonnes per annum North West Shelf Venture with six participants: the operator Woodside Energy Ltd.; BHP Billiton (North West Shelf) Pty Ltd; BP Developments Australia Pty Ltd; Chevron Australia Pty Ltd; Japan Australia LNG (MIMI) Pty Ltd; and Shell Development Australia Proprietary Limited[62]*. Potential investment opportunities in LNG storage and distribution facilities are likely to arise both in the primary market for new developments as well as in the secondary market for acquisition of equity interests in existing ventures.*

Despite Telstra's dominance as the market leader in overall communications, opportunities remain for private sector investment in communications infrastructure, especially in regional areas. Crown Castle international, has established itself as the leading provider of independent wireless communications infrastructure and services in Australia, since acquiring approximately 700 wireless communications towers from Cable & Wireless Optus in March 2000 and a further 700 towers from Vodafone in April 2001[63]*. Furthermore, in 2002 another private sector organisation acquired a 100% shareholding in Broadcast Australia, the owner and operator of a national broadcast transmission network, which provides transmission services to the ABC and SBS and other regional networks*[64]*.*

***Australia/New Zealand:** Much of the recent power and gas sector activity in Australasia has been generated in the secondary market. Purchasers of assets have typically been Asian-based energy companies and domestic energy companies in Australia. For example, in 2004 Singapore Power acquired the assets of US-owned TXU group in Australia. These assets included 11,280 MW of generating capacity and one million electricity or gas customers.*

***New Zealand:** In New Zealand, a 70% stake in United Networks of New Zealand was sold in 2002 to Vector Ltd to supply some 30% of New Zealand's electricity customers and nearly half the gas customers. In addition, in late 2004, a private sector investor acquired Powerco, New Zealand's second-largest energy distribution utility*[65]*.*

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The sources cited in the above report on the Infrastructure Industry have not consented to the inclusion of the information in this section for the purposes of section 282I of the SFA, and are thereby not liable for the information included herein under sections 282N and 282O of the SFA. Each of the Trustee-Manager and the Directors of the Trustee-Manager is aware that these sources do not guarantee or assume responsibility that the relevant information obtained from these sources is accurate, current or reliable, or may be used for any purpose other than for general reference. While the Trustee-Manager has included such information in its proper form and context in this Prospectus, the Trustee-Manager has not verified the accuracy of the contents of the relevant information thereof. See also "General and Statutory Information — Table of Disclaimers" for the section "The Infrastructure Industry".

THE TRUSTEE-MANAGER OF CITYSPRING

The Trustee-Manager was incorporated in Singapore under the Companies Act on 29 September 2006. It has an issued capital and paid-up capital of S$1.0 million. Its registered office and principal place of business is located at 111 Somerset Road #07-02, Singapore Power Building, Singapore 238164 and its telephone and facsimile numbers are +65 65868845 and +65 65868811 respectively.

Trustee-Manager

Roles and Responsibilities of the Trustee-Manager

The Trustee-Manager has the dual responsibility of safeguarding the interests of Unitholders, and managing the business conducted by CitySpring**.** The Trustee-Manager has general powers of management over the business and the assets of CitySpring and its main responsibility is to manage CitySpring's assets and liabilities for the benefit of Unitholders as a whole. The Trustee-Manager will set the strategic direction of CitySpring and decide on the acquisition, divestment or enhancement of assets of CitySpring in accordance with its stated investment strategy. The Trustee-Manager is also obliged to exercise Due Care (as defined herein) to comply with the applicable provisions of all relevant legislation, as well as the Listing Manual, and is responsible for ensuring compliance with the Trust Deed and all relevant contracts entered into by CitySpring.

Statutory duties of the Trustee-Manager

The Trustee-Manager, in exercising its powers and carrying out its duties as CitySpring's trustee-manager, is required to:

- treat Unitholders who hold Units in the same class fairly and equally and Unitholders who hold Units in different classes in CitySpring fairly;
- ensure that all payments out of the Trust Property are made in accordance with the BTA and the Trust Deed;
- report to the Authority any contravention of the BTA or the Business Trusts Regulations by any other person that:
  - relates to CitySpring; and
  - has had, has or is likely to have, a materially adverse effect on the interests of all Unitholders, or any class of Unitholders, as a whole,

  as soon as practicable after the Trustee-Manager becomes aware of the contravention;
- ensure that the Trust Property is properly accounted for; and
- ensure that the Trust Property is kept distinct from the property held in its own capacity.

Under the BTA, the Trustee-Manager also has statutory duties to:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as CitySpring's trustee-manager in accordance with the BTA and the Trust Deed;
- act in the best interests of all Unitholders as a whole and give priority to the interests of all Unitholders as a whole over its own interests in the event of a conflict between the interests of all the Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as CitySpring's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Unitholders; and
- hold the Trust Property on trust for all Unitholders as a whole in accordance with the terms of the Trust Deed.

Should the Trustee-Manager contravene any of the provisions setting out the aforesaid duties, it shall be:

- liable to all Unitholders as a whole for any profit or financial gain directly or indirectly made by it or any of its related corporations or for any damage suffered by all Unitholders as a whole as a result of the contravention; and
- guilty of an offence and shall be liable on conviction to a fine not exceeding S$100,000.

The Directors

The Board is entrusted with the responsibility for the overall management of the Trustee-Manager. The following table sets forth information regarding the Directors:

Name	Age	Address	Position	Date of appointment as Director
Mr Sunny George Verghese	47	61 Grange Road #14-04 Beverly Hill Singapore 249570	Chairman (Independent)	26 October 2006
Mr Peter Foo Moo Tan	44	10 Eng Kong Gardens Singapore 599227	Independent Director	26 October 2006
Mr Yeo Wico.	40	50 Kee Choe Avenue Singapore 348984	Independent Director	26 October 2006
Mr Yeo Kah Chong Mark Andrew.	43	46 Mackerrow Road Singapore 358613	Independent Director	16 November 2006
Ms Margaret Lui-Chan Ann Soo . .	47	2 Jalan Kakatua Singapore 598522	Non-Independent Director	16 November 2006
Mr Fai Au Yeung	41	Draycott Park #17-05 Draycott 8 Singapore 259404	Executive and Non-Independent Director	16 November 2006

None of the Directors are related to one another, any Executive Officers of the Trustee-Manager, any employee of the Trustee-Manager upon whose work CitySpring is dependent, any substantial shareholder of the Trustee-Manager or any Substantial Unitholder.

Experience and Expertise of the Board of Directors

Information on the business and working experience of the Directors is set out below:

Mr Sunny Verghese

Mr Sunny Verghese is currently the Group Managing Director and Chief Executive Officer of Olam International Limited ("**Olam**"), a leading global supply chain manager of agricultural products and food ingredients, and is responsible for the strategic planning, business development and overall management of the Olam group of companies worldwide. Mr Sunny Verghese holds a post graduate management degree from the Indian Institute of Management (IIM), Ahmedabad and has also completed the Advanced Management Program (AMP) from the Harvard Business School. Mr Sunny Verghese worked for the Unilever Group in India before he joined the Kewalram Chanrai (KC) Group in 1986. In 1989, the KC Group mandated Mr Sunny Verghese to start Olam International Limited. In addition, Mr Sunny Verghese is also, among others, one of the three Singapore representatives on the ASEAN Business Advisory Council and a member of the Standing Tax Advisory Committee of the Singapore government. He is also a director and deputy chairman of International Enterprise Singapore, a statutory body formed by the Singapore government.

Mr Peter Foo Moo Tan

Mr Peter Foo is currently the General Manager of the Singapore branch of Fortis Bank, S.A./N.V. ("**Fortis**") and the Managing Director of Fortis Private Banking Singapore Ltd and has been with the bank since November 2000. He is the Executive Director of Fortis's Global Markets business division and a director in certain subsidiaries of Fortis (See Appendix L.). Mr Peter Foo's previous professional experience includes holding various executive positions at Chemical Bank, Sumitomo Trust & Banking Co, Bank of America, and Bank Austria Creditanstalt. In addition, Mr Peter Foo is also, amongst other appointments, an Executive Committee Member and Regional Representative, South East Asia of ACI — The Financial Markets Association, a Board Member of CFA Singapore and a Council Member of the Association of Banks in Singapore. Mr Peter Foo graduated from the National University of Singapore in 1987 with a Bachelor of Science (Hons) degree in Estate Management and is a CFA charter holder.

Mr Yeo Wico

Mr Yeo Wico is currently a partner of Allen & Gledhill, a Singapore law firm. In addition to being an Advocate and Solicitor of the Supreme Court of Singapore, Mr Yeo Wico has been admitted to the Roll of Solicitors in England and Wales and as an Attorney and Counselor-at-Law in the State of New York. Mr Yeo Wico graduated from the National University of Singapore in 1991 and holds a LLB (Hons) degree. He has been in legal practice in Singapore as an Advocate and Solicitor of the Supreme Court of Singapore since 1992 and has advised on transactions relating to, among others, infrastructure businesses. Mr Yeo Wico became a Council Member of the Singapore Chinese Chamber of Commerce & Industry in 2003 and will be retiring in 2007.

Mr Yeo Kah Chong Mark Andrew

Mr Mark Yeo is a senior executive in the privately held IMC Pan Asia Alliance Group of companies which has interests in transportation, real estate, resources, manufacturing and others. Having led advisory teams in both public and private sector infrastructure projects, his experience in sectors like energy and resources (power plants and gas), utilities (water treatment and distribution, waste treatment, hospitals) and transportation (ports, airports, rail and roads) spans across Asia, South America and Europe. Mr Mark Yeo also has extensive experience in project finance advisory and structured finance with Schroders, Credit Agricole and ABN Amro in Asia, Europe and South America.

He graduated from Oxford University in 1985 with a BA (Hons) degree, obtained his LLM from the National University of Singapore and attended the Insead Advanced Management Programme.

Ms Margaret Lui-Chan Ann Soo

Ms Margaret Lui is currently a Managing Director (Investments) at Temasek and is responsible for the investments and portfolio management for Temasek in the infrastructure, industrial and engineering sectors. In the infrastructure sector in particular, she oversees the development of Temasek's investment in CitySpring. Ms Margaret Lui was also the former head of Temasek's transportation and logistics unit where she led investments in and actively monitored Temasek's transportation portfolio which includes PSA International, Neptune Orient Lines Limited, Singapore Airlines Ltd and SMRT. In the course of her career at Temasek, she has also worked in various other divisions including its corporate finance division and private equity funds division. She currently sits on, among others, the boards of Singapore Food Industries Ltd, Brookstone & Company and Singapore Cruise Centre Pte Ltd.

Ms Margaret Lui graduated from the National University of Singapore in 1982 with a degree in Accountancy.

Mr Fai Au Yeung

Prior to joining the Trustee-Manager, Mr Au Yeung was with Barclays Bank Group, and then JP Morgan and more recently CK Life Sciences Int'l., Inc. which is part of the Cheung Kong Group.

During his 17 years in the banking industry, Mr Au Yeung led many transactions in the infrastructure, power and utilities sectors in Asia, Australia, Europe and North America. For example, he has advised a number of Asian governments on their privatisation plans for the power industry, and was involved in each of the first power plant privatisations in Thailand, Australia and Northern Ireland. He has advised a number of Asian utility and infrastructure companies on their merger and acquisition plans, including the first merger of two listed Chinese power companies. He has built up good relationships with many leading utility companies in Asia through management of their international debt and equities issues, including debut issues. He has also arranged a number of innovative structured/non-recourse financing for infrastructure projects throughout Asia and Europe. Mr Au Yeung has executed investment banking mandates for several of Singapore's leading infrastructure and utility companies.

At CK Life Sciences Int'l., Inc., Mr Au Yeung was responsible for setting and executing the company's acquisition strategy and for actively managing the portfolio companies so acquired. He served on the board of directors for many of these companies.

Mr Au Yeung graduated from St. Catharine's College, Cambridge University, in 1987 having read Mathematics. He obtained his Master of Arts from Cambridge University in 1991, and became an Associate of the Chartered Institute of Bankers in that same year.

A list of the present and past directorships of each Director of the Trustee-Manager over the last five years preceding the Latest Practicable Date is set out in Appendix L — "List of Present and Past Principal Directorships of Directors and Executive Officers".

Roles and Responsibilities of the Board

The key roles of the Board are to:

- guide the corporate strategy and direction of the Trustee-Manager;
- ensure that senior management exercises business leadership with integrity and enterprise; and
- oversee the proper conduct of the Trustee-Manager.

The Board comprises six Directors. The sole Executive Director is the Chief Executive Officer. (See "The Trustee-Manager of CitySpring — Executive Officers".)

Each Director has been appointed on the basis of his professional experience and his potential to contribute to the proper guidance of CitySpring.

The Board will meet regularly, at least once every quarter, to review CitySpring's business activities and strategies pursuant to its then-prevailing investment strategy, any proposals and forecasts on income, capital expenditure, and valuations, explanations of major variances to previous forecasts, and written commentary on key issues and any relevant assumptions, to explain the performance of CitySpring's businesses. Such regular review is aimed at ensuring adherence to the Trust Deed and any applicable legislation, regulations and guidelines.

The Board has established a set of internal controls which set out approval limits for capital expenditure, investments and divestments and bank borrowings as well as arrangements in relation to cheque signatories. In addition, sub-limits will also be delegated to various management levels to facilitate operational efficiency.

Changes to regulations and accounting standards will be monitored closely by the members of the Audit Committee. To keep pace with regulatory changes, where these changes have an important bearing on the Trustee-Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially convened sessions involving the relevant professionals. The management will also provide the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

The majority of the Directors are non-executive and independent of the management. This enables the management to benefit from their diverse and objective perspectives on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Trustee-Manager.

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board, Mr Sunny Verghese, is an Independent Director, while the Chief Executive Officer is Mr Fai Au Yeung, an Executive Director.

There is a separation of the roles and responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the overall management of the Board as well as ensuring that the members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans while the Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Trustee-Manager.

The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board meetings. The Board also has access to independent professional advice where appropriate. As at the date of this Prospectus, the Joint Company Secretaries are Mr Lawrence Wong and Ms Susanna Cher (See “The Trustee-Manager of CitySpring — Executive Officers”.), and the Registrar is Lim Associates (Pte) Ltd.

Independence of the Independent Directors

The Board will adhere to requirements of the BTA with regard to the independence of the Independent Directors of the Trustee-Manager. Under the Business Trusts Regulations, an independent director is either:

(a) a person who is considered to be independent from management and business relationships with the trustee-manager as well as independent from a substantial shareholder of the trustee-manager pursuant to the definitions used in the Business Trusts Regulations; or

(b) a person whom, notwithstanding that he has the relationships described above, the board of directors of the trustee-manager is satisfied that his independent judgment and ability to act with regard to the interests of all the unitholders of the registered business trust as a whole will not be interfered with, despite such relationships.

Mr Sunny Verghese, Mr Peter Foo, Mr Mark Yeo and Mr Yeo Wico are considered to be independent from Temasek, being the substantial shareholder of the Trustee-Manager (through its wholly-owned subsidiary, Nassim Investments), as well as independent from the management relationships with the Trustee-Manager pursuant to the definitions used in the Business Trusts Regulations.

They are considered to have business relationships (as described below) with the Trustee-Manager and its related corporations (which consist of a large group of corporations namely, the Sponsor and its related corporations, and which therefore have extensive business activities) (See “The Sponsor”.) according to the definition used in the Business Trusts Regulations. Under these regulations, a director is considered not to be independent from business relationships with the Trustee-Manager or its related corporations or with any officer of the Trustee-Manager or any of its related corporations if:

- he is a substantial shareholder, a director or an executive officer of any corporation, or a sole proprietor or partner of any firm, where such corporation, sole proprietorship or firm carries on business for purposes of profit to which the Trustee-Manager or any of its related corporations has made, or from which the Trustee-Manager or any of its related corporations has received, payments (whether or not the Trustee-Manager is acting for or on behalf of CitySpring) at any time during the current or immediately preceding financial year of the Trustee-Manager; or

- he is receiving or has received compensation from the Trustee-Manager or any of its related corporations, other than remuneration received for his service as a director or as an employee of the Trustee-Manager or any of its related corporations, at any time during the current or immediately preceding financial year of the Trustee-Manager.

Mr Sunny Verghese

Mr Sunny Verghese is currently the Group Managing Director and Chief Executive Officer of Olam. He is also a substantial shareholder in Olam. He is also a director of several companies (See Appendix L.) in the Olam group of companies. Olam and its subsidiaries have business relationships including payments for various services provided from time to time by the Sponsor's related corporations, for example, payment for airline travel with Singapore Airlines Ltd, and payment for services for utilities and telecommunications, and financial and banking services in each case in the ordinary course of business. As Olam is a company listed on the Main Board of the SGX-ST, payments may also be made, for example, in the form of dividends to its shareholders (who include and may from time to time include related corporations of the Sponsor).

Mr Peter Foo

Mr Peter Foo is the General Manager of Fortis which has provided financial services to, and has entered into transactions with, the Sponsor and/or its related corporations.

In Singapore, Fortis currently provides banking services to an Asia-wide client base of corporate, institutional and high net-worth individuals. It is active in the shipping, transportation, energy, infrastructure projects and commodities sectors. It also provides specialised services such as structured trade financing, project and export financing, private banking, fund management, philanthropy and trust services, third-party exchange-based securities clearing and fund administration businesses, through its various subsidiaries. It also conducts financial markets trading and sales activities through its Global Markets and Securities Finance Division. Fortis has business relationships with, among others, Neptune Orient Lines Limited, SembCorp Cogen Pte Ltd and PSA International Ltd, which are related corporations of the Sponsor.

Fortis organises its businesses and risk control functions globally by a matrix structure. Mr Peter Foo's principal role is country head for Fortis in Singapore, and he is responsible overall for all of Fortis's businesses and control functions in Singapore. He represents the bank to external parties including regulators and clients. All business and functional heads of Fortis in Singapore have separate reporting lines to their respective regional or global heads. They exercise their day-to-day operational responsibilities and decision-making powers in relation to financing, trading, underwriting, advisory and investment activities, as well as clients relationship matters, mainly in consultation with their respective line and functional managers. In addition, approval for financing transactions is the responsibility of the central credit committee which resides outside of Singapore and Mr Peter Foo has no direct interest or influence over these decisions. Mr Peter Foo's key role and responsibility within Fortis is independent of the banking relationship it has with Fortis's clients.

Fortis has business relationships including payment for various services provided from time to time by the Sponsor's related corporations, for example, payment for airline travel with Singapore Airlines Ltd, and payment for services for utilities and telecommunications and financial and banking services, in each case in the ordinary course of business.

Mr Yeo Wico

Mr Yeo Wico is a partner at Allen & Gledhill, a Singapore law firm which has provided legal services to the Sponsor and/or its related corporations and continues to do so from time to time. Allen & Gledhill are the legal advisers to CitySpring as regards the Offering as to Singapore law.

From time to time, he also provides legal services as a partner of Allen & Gledhill through Linklaters Allen & Gledhill Pte Ltd, which is a joint law venture between Allen & Gledhill and Linklaters, an international law firm. Linklaters Allen & Gledhill are the legal advisers to the Joint Financial Advisers, Joint Bookrunners and Joint Lead Managers as regards the Offering as to English law.

Allen & Gledhill has business relationships including payment for various services provided from time to time by the Sponsor's related corporations, for example, payment for airline travel with Singapore Airlines Ltd, and payment for services for utilities and telecommunications and financial and banking services, in each case in the ordinary course of business.

Mr Yeo Wico holds half, and his wife holds the other half, of the issued share capital of Sketches (Singapore) Pte Ltd, which operates a restaurant business in Singapore. Sketches has business dealings with related corporations of the Sponsor such as for the provision of utilities, telecommunications services and food supplies in the ordinary course of business.

Mr Mark Yeo

Mr Mark Yeo is a senior executive in IMC Pan Asia Alliance Pte. Ltd.. He is also a director of several companies (see Appendix L.) including those in the IMC group which consists of IMC Pan Asia Alliance Pte. Ltd. and its related companies.

Certain companies in the IMC group, Fortune Harvest Pte Ltd and Pan Asia Alliance Capital Pte. Ltd. have business dealings with related corporations of the Sponsor such as for the provision of utilities, telecommunications services, financial and banking services, transportation services and food supplies, in each case in the ordinary course of business.

He was formerly a director of four companies (see Appendix L.) which are wholly-owned subsidiaries of the Sponsor.

In addition to the foregoing, Mr Sunny Verghese, Mr Peter Foo, Mr Yeo Wico and Mr Mark Yeo would have paid for services such as telecommunications services and utilities, financial and banking services, provided by related corporations of the Sponsor, in their personal capacity.

Review of independence

In light of the foregoing, the Board has reviewed the independence of Mr Sunny Verghese, Mr Peter Foo, Mr Yeo Wico and Mr Mark Yeo from business relationships with the Trustee-Manager and/or its related corporations.

Having carried out such review, the Board is satisfied that the business relationships described above will not interfere with each of Mr Sunny Verghese's, Mr Peter Foo's, Mr Yeo Wico's and Mr Mark Yeo's independent judgment and ability to act with regard to the interests of all the Unitholders as a whole. Accordingly, the Board has determined that each of Mr Sunny Verghese, Mr Peter Foo, Mr Yeo Wico and Mr Mark Yeo is independent from business relationships with the Trustee-Manager and/or its related corporations and is therefore an Independent Director.

The Board has reached this conclusion based on the following reasons:

- Each of the Independent Directors resides in Singapore, where the Sponsor's related corporations make available several products and different types of essential services on an arm's length basis and in the ordinary course of business to the community.

  For example, Singapore Power Ltd and its subsidiaries, among other things, transmit and distribute electricity to individuals and business entities in Singapore. SembCorp Industries Ltd through its subsidiaries provides utility services in Singapore. Singapore Telecommunications Ltd and Starhub Ltd are among Singapore's leading providers of, among other things, fixed line and mobile communications services. Singapore Airlines Ltd is a major airline carrier whose flight services are used widely by many persons. DBS Bank is a leading bank in Singapore and provides a wide range of retail, small and medium sized enterprise, corporate and investment banking services to the community. (See "The Sponsor" for details of services and products of the Sponsor and its related corporations.)

Thus, these business relationships arise in large part due to the need for such products and services that are essential for the carrying on of business or for individual need, in Singapore.

Further, the Board understands from each of the Independent Directors that their engagements (and the engagements by those companies or entities of whom they are directors, partners or executives as the case may be) of the Sponsor's related corporations for such essential products and services are on an arm's length basis, and on ordinary commercial terms. Therefore where the business relationships are of such a nature as described above, the Board is of the view that such relationships will not interfere with an Independent Director's independent judgement and ability to act with regard to the interests of all the Unitholders as a whole.

- But for the reason outlined in the first bullet point, Mr Sunny Verghese is independent of business relationships with the Trustee-Manager and/or its related corporations. Furthermore, in the course of his service as a director to the Trustee-Manager, he has shown independent judgment in his deliberation of the interests of CitySpring. Mr Sunny Verghese's participation in the Board will benefit CitySpring given his expertise. Mr Sunny Verghese will abstain from the Board's decisions in relation to any matter which involves companies in the Olam group of companies in which he is a shareholder, director or executive officer.

- Mr Peter Foo is not independent of business relationships with the Trustee-Manager and/or its related corporations for the reason outlined in the first bullet point. In addition, he is the country head of Fortis in Singapore, which provides financial services to various related corporations of the Sponsor. However, due to the matrix structure by which Fortis's businesses and risk controls is organised, the business units and/or persons that are involved on a day-to-day basis with the Sponsor's related corporations do not report to him directly. Mr Peter Foo's key role and responsibility within Fortis is thus independent of the banking relationship it has with Fortis's clients. (See the description of Mr Foo and Fortis directly above). His role at Fortis will thus not interfere with his duties as a Director. Further, in the course of his service as a director to the Trustee-Manager, he has shown independent judgment in his deliberation of the interests of CitySpring. Mr Peter Foo will abstain from the Board's deliberations in relation to the choice of financial service providers for CitySpring, where Fortis is involved, for various matters.

- Mr Yeo Wico is not independent of business relationships with the Trustee-Manager and/or its related corporations for the reason outlined in the first bullet point. In addition, the Board noted that while he and his firm provides legal services from time to time to the Sponsor and its related corporations, the measures described in this paragraph will ensure that Mr Yeo will not be involved in any decision-making process which will involve the appointment of Allen & Gledhill. There will thus be no interference with his exercise of independent judgment and his ability to act with regard to the interests of Unitholders as a whole. Mr Yeo Wico, in the course of his service as a director to the Trustee-Manager, has shown independent judgment in his deliberation of the interests of CitySpring. Mr Yeo Wico's participation in the Board will benefit CitySpring given his expertise. Mr Yeo Wico will abstain from the Board's decisions in relation to the choice of legal counsel for CitySpring, where Allen & Gledhill is involved, for various matters. Regardless of whether Mr Yeo Wico is a Director of the Trustee-Manager, the Trustee-Manager will appoint its legal counsel based on their expertise and decide on their fees based on market rates.

- Mr Mark Yeo has resigned from his position as director in the four related corporations of the Sponsor and has no connection to the Sponsor and its related corporations in this regard. Thus, but for the reason outlined in the first bullet point above, he is independent of business relationships with the Trustee-Manager and/or its related corporations. Further, in the course of his service as a director to the Trustee-Manager, he has shown independent judgment in his deliberation of the interests of CitySpring. Mr Mark Yeo's participation in the Board will benefit CitySpring given his expertise. Mr Mark Yeo will abstain from the Board's decisions in relation to any matter which involves IMC Pan Asia Alliance Pte. Ltd. and its related companies, Fortune Harvest Pte Ltd and Pan Asian Alliance Capital Pte Ltd in which he is a shareholder, director or executive officer.

Mr Sunny Verghese, Mr Peter Foo, Mr Yeo Wico and Mr Mark Yeo will exercise independent judgment in their roles as members of the Audit Committee, the Nominating and Remuneration Committee, and the Conflicts Resolution Committee. Where they are interested in any matter, they shall be required to declare such interest and fulfil the requirements under the BTA in regard to such matters. (See "Corporate Governance — Independence of Directors".)

Executive Officers

The following table sets forth some information regarding the Executive Officers:

Name	Age	Address	Position
Mr Fai Au Yeung.	41	Draycott Park #17-05 Draycott 8 Singapore 259404	Chief Executive Officer
Mr Tong Yew Heng	44	29 Hume Avenue #04-05 Singapore 598732	Chief Financial Officer/Senior Vice President, Investment
Ms Susanna Cher Mui Sim . . .	46	158 Jalan Batalong East Singapore 509647	Vice President, Finance and Corporate Services

None of the Executive Officers are related to one another, any Director, any employee of the Trustee-Manager upon whose work CitySpring is dependent, any substantial shareholder of the Trustee-Manager or any Substantial Unitholder.

Experience and Expertise of the Executive Officers

Information on the working experience of the Executive Officers is set out below:

Mr Fai Au Yeung

(See "Directors — Experience and Expertise of the Board of Directors" for information about Mr Au Yeung.)

Mr Tong Yew Heng

Prior to joining the Trustee-Manager, Mr Tong was with Temasek for eleven years from 1995 to 2006 where he held various positions, including as a director of investments (energy and resources) where he led a team responsible for sourcing, evaluating and making investments in the energy and resources sector. He successfully led several investments in the energy and resources sector across Asia, and was instrumental in establishing an energy fund in India, jointly with a leading India energy group. He was also responsible for the restructuring of power and gas companies within Temasek Group, and was a member of the Electricity Market Implementation Group, which was charged with responsibility for the implementation of the new wholesale electricity market in Singapore. Mr Tong's experience in Temasek includes stewardship of companies in Temasek Group, direct investments, investments in private equity funds, mergers and acquisitions, privatisations, and divestments.

Mr Tong graduated in 1988 with a Bachelor of Engineering (Hons) degree from the University of Strathclyde (United Kingdom) and holds a Master of Business Administration from the Nanyang Technological University. He also attended the Program for Executive Development at the International Institute of Management Development, Switzerland in 2000 and is a member of the Institute of Certified Public Accountants of Singapore.

Ms Susanna Cher Mui Sim

Prior to joining the Trustee-Manager, Ms Cher was the Chief Financial Officer of Singapore public-listed healthcare company, Thomson Medical Centre Limited ("**TMC**"). In addition to being the Chief Financial Officer of TMC, Ms Cher managed the Patient Service Centre, Business Office, Management Information Systems, Central Supplies Departments and assisted in managing the Investor Relations Department. She was a key team member who contributed to TMC's listing on SGX-ST, SESDAQ in 2005. Prior to joining TMC, Ms Cher was the Group Management Accountant of Wearne Brothers Management Services Pte Ltd, the management arm of Wearne Brothers Limited (now known as WBL Corporation Limited), a company listed on the Mainboard of the SGX-ST.

Ms Cher graduated from the National University of Singapore in 1982 with a degree in Accountancy and is a member of the Institute of Certified Public Accountants of Singapore.

A list of the present and past directorships of each Executive Officer of the Trustee-Manager over the last five years preceding the Latest Practicable Date is set out in Appendix L — "List of Present and Past Principal Directorships of Directors and Executive Officers".

Roles of the Executive Officers

The **Chief Executive Officer** of the Trustee-Manager is responsible for working with the Board to determine the overall business, investment and operational strategies for CitySpring. The Chief Executive Officer will also work with the other members of the Trustee-Manager's management team to ensure that the business, investment and operational strategies of CitySpring are carried out in accordance with the stated strategy. In addition, the Chief Executive Officer is responsible for the overall management and planning of the strategic direction of CitySpring, including overseeing the acquisition of infrastructure investments and portfolio management strategies. The Chief Executive Officer will report to the Board in the discharge of his duties.

The **Chief Financial Officer/Senior Vice President, Investment** of the Trustee-Manager is responsible for the finances and investments of CitySpring. The Chief Financial Officer/Senior Vice President, Investment will focus on the financial performance and the key performance indicators to facilitate the effective management of CitySpring as well as assisting the Chief Executive Officer with regard to investment strategies and regulatory compliance issues. The Chief Financial Officer is also responsible for investor relations and corporate communications, liaising with CitySpring's Unitholders, including statutory reporting such as annual reports to Unitholders and reporting to the SGX-ST and the Authority, when necessary. The Chief Financial Officer will report to the Chief Executive Officer in the discharge of his duties.

The **Vice President, Finance and Corporate Services** of the Trustee-Manager is responsible for all aspects of financial reporting and treasury activities, including distribution planning, cash management, financial risk management, coordinating with external auditors, managing tax affairs, preparing performance reports for investors and regulators and any finance-related management issues. The Vice President, Finance and Corporate Services also supports the Chief Executive Officer with the day-to-day operations of CitySpring in relation to human resources and administration functions. The Vice President, Finance and Corporate Services will report to the Chief Financial Officer in relation to finance-related matters and to the Chief Executive Officer in relation to corporate services-related matters.

Remuneration of the Directors and Executive Officers of the Trustee-Manager

The remuneration in bands of S$250,000 paid by the Trustee-Manager (the Group not having been formed as at the date of this Prospectus) to each of the Directors and the two Executive Officers (not being Directors) of the Trustee-Manager for services rendered by them in all capacities to CitySpring, its related corporations and related entities, for the current financial year of the Trustee-Manager (until 31 March 2007), are as follows:

	Estimated[(1)(2)(3)]
	FY 2007
Directors	
Mr Sunny Verghese	A
Mr Peter Foo	A
Mr Yeo Wico	A
Mr Yeo Kah Chong Mark Andrew	A
Ms Margaret Lui-Chan Ann Soo	A
Mr Fai Au Yeung[(4)]	A
Executive Officers	
Mr Tong Yew Heng	A
Ms Susanna Cher Mui Sim	A

Notes:

(1) Remuneration bands:
"A" refers to remuneration up to S$249,999
"B" refers to remuneration between S$250,000 and S$499,999

(2) The compensation as calculated includes any benefit-in-kind. In the case of Mr Tong and Ms Cher, there is no deferred compensation accrued for the financial year of the Trustee-Manager up to 31 March 2007. See Note 4 below for details regarding Mr Au Yeung.

(3) Save as discussed in Note 4 below, the calculation of compensation does not include any estimated amount of compensation that is to be paid pursuant to any bonus or profit-sharing arrangement, but which has not yet been paid.

(4) Mr Au Yeung's compensation in the table above does not include a one-time payment to him at the commencement of his employment (subject to a completion of a year's service), and a guaranteed bonus payable to him for the year ending 31 March 2007. If both payments to him are included in the calculation of his compensation, his compensation band will be that of B.

All remuneration and compensation payable to the Directors and the Executive Officers will be paid by the Trustee-Manager and not out of the Trust Property.

The Trustee-Manager has not set aside or accrued any amounts for its employees to provide for pension, retirement or similar benefits.

No compensation is payable to any Director or Executive Officer in the form of options for Units. The Trustee-Manager may in future consider the establishment of a long-term incentive plan (which may include the provision of Units or options for Units) for Directors and other members of management.

Company Secretaries

The Joint Company Secretaries of the Trustee-Manager are Mr Lawrence Wong and Ms Susanna Cher. Mr Wong holds an LLB (Hons), Singapore and is a qualified person for the purposes of the Legal Profession Act, Chapter 161 of Singapore. (See "The Trustee-Manager of CitySpring — Executive Officers" for Ms Cher's qualifications.)

Employees

The Trustee-Manager's employees currently consist of the Executive Officers, and three others. These individuals are resident in Singapore.

Each of the Initial Businesses has its own management teams: City Gas's management team in the case of City Gas, and the O&M operator in the case of SingSpring (See "The Initial Businesses — City Gas and SingSpring".). The Trustee-Manager will consider increasing its management team as it sources for and acquires additional infrastructure businesses and manages a larger portfolio.

Service Agreements

Save as described in the following paragraph, none of the Directors has entered or proposes to enter into service agreements with the Trustee-Manager. Further, there are no existing or proposed service contracts entered or to be entered into by the Directors with the Trustee-Manager or any subsidiary or subsidiary entity of CitySpring which provides for benefits upon termination of employment.

Mr Fai Au Yeung entered into a service agreement with Temasek commencing on 22 October 2006. This service agreement was novated to the Trustee-Manager, effective date being 1 January 2007. Mr Au Yeung is entitled to allowances for housing and transport, a one-time payment upon commencement of his employment subject to a completion of a year's service, and a variable performance bonus at the discretion of the employer. For the year ending 31 March 2007, he will also be entitled to a guaranteed bonus.

Constituent Documents Of The Trustee-Manager

Certain key provisions of the memorandum and articles of association of the Trustee-Manager are set out below.

The power of a Director of the Trustee-Manager to vote on a proposal, arrangement or contract in which he is interested

A Director has to, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the directors of the Trustee-Manager. Subject to such disclosure, as well as Section 156 of the Companies Act, a Director is entitled to vote on transactions in which he is interested and he shall be taken into account in ascertaining whether a quorum is present.

The borrowing powers exercisable by the Trustee-Manager (acting in its capacity as trustee-manager of the relevant business trust) and how such borrowing powers may be varied

Pursuant to the memorandum of association of the Trustee-Manager, the Trustee-Manager has all rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction subject to the provisions of the Companies Act and any other written law, in this case, the business of acting as trustee-manager of CitySpring.

Section 28(4) of the BTA prohibits the Trustee-Manager from borrowing on behalf of CitySpring unless the power of borrowing is conferred upon it by the Trust Deed. Clause 8 of the Trust Deed empowers the Trustee-Manager to borrow monies on behalf of CitySpring for the purpose of enabling the Trustee-Manager to meet any liabilities under or in connection with the trusts of the Trust Deed or whenever the Trustee-Manager considers it desirable that monies be borrowed or raised in connection with engaging in any authorised business undertaken by CitySpring in accordance with the Trust Deed upon such terms and conditions as it thinks fit and, in particular, by charging or mortgaging all or any of the assets of CitySpring or by issuing debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Trustee-Manager, as trustee-manager of CitySpring, provided that the Trustee-Manager shall not be required to execute any instrument, lien, charge, pledge, hypothecation, mortgage or agreement in respect of the borrowing or raising of monies which (in its opinion) would render its liability to extend beyond it being limited to the Trust Property.

Any variation of the borrowing powers as contained in the Trust Deed would require the approval of the Unitholders by way of a Special Resolution duly passed by the Unitholders.

The retirement or non-retirement of a Director of the Trustee-Manager under an age limit requirement

The memorandum and articles of association of the Trustee-Manager do not specify an age limit beyond which a Director shall retire.

The number of units in the business trust, if any, required for the qualification of a director of the trustee-manager

A Director is not required to hold any Units in CitySpring to qualify as a Director.

Retirement of directors

The appointment of the Directors will continue until such time as they resign, are required to vacate their office as directors or are removed by way of an ordinary resolution of the shareholder of the Trustee-Manager, in each case, in accordance with the articles of association of the Trustee-Manager.

Other rights and obligations of the Trustee-Manager

Discretion to delegate

Whilst the Trustee-Manager is required to be dedicated to the conduct of the business of CitySpring, it is not prohibited from delegating its duties and obligations to third parties. Save for an instance of fraud, wilful default or breach of trust by the Trustee-Manager where the Trustee-Manager fails to exercise the degree of care and diligence required of a trustee-manager of a registered business trust ("**Due Care**"), it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the Trust Deed. In addition, the Trustee-Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Trustee-Manager, to have recourse to the Trust Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by fraud, wilful default or breach of trust by the Trustee-Manager where the Trustee-Manager fails to exercise Due Care.

The Trustee-Manager may, in managing CitySpring and in carrying out and performing its duties and obligations under the Trust Deed, appoint such persons to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Trustee-Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

Power to secure borrowings over Trust Property

The Trustee-Manager may borrow on behalf of CitySpring (upon such terms and conditions as it deems fit, including the charging or mortgaging of all or any part of the Trust Property) whenever the Trustee-Manager considers, among other things, that such borrowings are necessary or desirable in order to enable CitySpring to meet any liabilities or to finance the acquisition of any assets.

Issue of annual and quarterly reports

An annual report covering the period as required under the Listing Manual and all relevant laws will be issued by the Trustee-Manager to the Unitholders within four months from the end of each accounting period of CitySpring and at least 14 days before the annual general meeting of the Unitholders, containing, among other things:

(i) A general description/details of each infrastructure asset owned by CitySpring;

(ii) Details of all material transactions in respect of CitySpring entered into for the relevant accounting period;

(iii) Amount of distributable income held pending distribution to holders of the Units;

(iv) Amount of fees paid to the Trustee-Manager (including any Units issued in part or full payment thereof, and the issue price of such Units);

(v) Details of CitySpring's exposure to derivatives;

(vi) Details of CitySpring's other material investments;

(vii) The highest and lowest prices at which the Units were traded on the SGX-ST during the relevant accounting period;

(viii) Volume of trade in the Units during the relevant accounting period;

(ix) The aggregate value of all transactions entered into by the Trustee-Manager, for and on behalf of CitySpring, with an "interested person" as defined in the Listing Manual;

(x) The workings of the Conflicts Resolution Committee in the course of the preceding financial year, including the number of meetings that the committee held in the course of that financial year and the Directors who had to abstain from deliberations and voting; and

(xi) Historical performance of CitySpring, in relation to the relevant accounting period.

The Board is also required under section 86 of the BTA to make a written statement, in accordance with a Board resolution and signed by not less than two Directors on behalf of the Board, certifying that:

- fees or charges paid or payable out of the Trust Property to the Trustee-Manager are in accordance with the Trust Deed;
- interested person transactions are not detrimental to the interests of all the Unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of CitySpring or on the interests of all the Unitholders as a whole.

Such statement must be attached to the profit and loss accounts of CitySpring.

CitySpring's first financial year will be from 8 January 2007, the date of its registration as a business trust with the Authority, to 31 March 2008. Accordingly, the first annual report of CitySpring will cover the period to 31 March 2008.

CitySpring will also issue quarterly reports in accordance with the requirements of the Listing Manual and all relevant laws. These quarterly reports will contain, among other things, the financial statements of the Group for the relevant quarter, the earnings per Unit (calculated in accordance with the requirements of the SGX-ST) and a review of the performance of the Group which contains significant factors affecting turnover, costs, and earnings of the Group for the financial period reported on, and any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

(See also "Waivers by the SGX-ST of certain requirements in the Listing Manual" below.)

Retirement or Removal of the Trustee-Manager

Under the BTA, the Trustee-Manager may be removed, as trustee-manager of CitySpring, by the Unitholders by a Special Resolution or it may resign as trustee-manager. Any removal or resignation of the Trustee-Manager must be made in accordance with such procedures as the Authority may prescribe. Any purported change of the trustee-manager of a registered business trust is ineffective unless it is made in accordance with the BTA.

The Trustee-Manager will remain the trustee-manager of CitySpring until another company is appointed by:

- the Unitholders to be the trustee-manager of CitySpring; or
- the court under Section 21(1) of the BTA to be the temporary trustee-manager of CitySpring,

and such appointment shall be effective from the date stated in the resolution of the Unitholders or court order as the effective date of the appointment of the trustee-manager or temporary trustee-manager, as the case may be.

Pursuant to Section 21(1) of the BTA, on an application by the Authority or the Trustee-Manager or a Unitholder, the court may, by order, appoint a company that has consented in writing to serve as a temporary trustee-manager to be the temporary trustee-manager of CitySpring for a period of three months if the court is satisfied that the appointment is in the interest of the Unitholders.

Pursuant to Section 22 of the BTA, the temporary trustee-manager of CitySpring is required, within such time and in accordance with such requirements as may be prescribed by the Authority, to take such steps to enable the Unitholders to appoint another person as the trustee-manager (not being a temporary trustee-manager) of CitySpring.

Waivers by the SGX-ST of certain requirements in the Listing Manual

In addition to other waivers sought and described elsewhere in this Prospectus, the Trustee-Manager has obtained the following waivers from the SGX-ST:

- The requirement under Rule 748(1) of the Listing Manual for CitySpring to announce its net tangible assets per unit at the end of each week, via SGXNET; and
- The requirement under Rule 748(3) of the Listing Manual for CitySpring to provide Unitholders with annual reports which must disclose certain information for more significant investments, including the description of business, proportion of share capital owned and costs. The SGX-ST has reserved the right to require additional disclosures if it deems it appropriate.

(See also "General and Statutory Information — Waivers from the SGX-ST for the purposes of the Business of CitySpring".)

FEES PAYABLE TO THE TRUSTEE-MANAGER OF CITYSPRING

The following fees are payable to the Trustee-Manager pursuant to the Trust Deed.

Management Fees

Under the terms of the Trust Deed, the Trustee-Manager is entitled to base fees and performance fees (the "**Management Fees**") for managing CitySpring. These fees will be payable for each calendar quarter ending on 31 March, 30 June, 30 September and 31 December of each year (each referred to as a "**Quarter**"). The Management Fees comprise a base fee and a performance fee that is based on performance relative to a market-based index. The fee is structured to ensure that any underperformance of the Trustee-Manager is taken into account for future periods of outperformance.

Any changes to the fee structure under the Trust Deed will require the approval of the Unitholders by way of a Special Resolution. See "The Constitution of CitySpring — Changes in the fees and charges payable to the Trustee-Manager" for further details.

Base Fee

The base fee is payable Quarterly in arrears and is equal to 1.00% per annum of the Market Capitalisation (as defined below) of the Units in CitySpring (the "**Base Fee**"), subject to a minimum of S$3.5 million per annum (the "**Minimum Base Fee**").

The Base Fee for a Quarter is payable in cash to the Trustee-Manager within 15 Business Days after the last day of each Quarter. The first Base Fee will be calculated in respect of the period from the Listing Date to 31 March 2007 and based on the number of days in the said period. Thereafter, the Base Fee will be calculated in respect of each Quarter beginning with the Quarter ending 30 June 2007.

The Trustee-Manager may elect for Units in lieu of all or a portion of the Base Fee payable in respect of the Quarter. The price of any such Units to be issued in full or part payment of the Base Fee will be equal to the volume weighted average price of Units traded on the SGX-ST over the last 15 Trading Days of the relevant Quarter for which the Base Fee has been calculated.

Set out below are illustrative examples of the calculation of the Base Fee payable to the Trustee-Manager.

Base Fee Examples

Base Fee Example 1 — Quarter 1	
Assumptions	
(A) Market Capitalisation for the Quarter:	S$270,000,000
(B) Number of days in the Quarter:	92
Fee Calculation	
Base Fee calculation for the Quarter:	
= (A × 1.0% × B/365)	
= (S$270,000,000 × 1.0% × 92/365)	
= S$680,548	
Minimum Base Fee for the Quarter:	
= S$3,500,000 × 92/365	
= S$882,192	
Base Fee Payable:	
= S$882,192	

As the Base Fee in Example 1 is less than the Minimum Base Fee, the Base Fee payable in respect of Quarter 1 will be the Minimum Base Fee, i.e. S$882,192.

Base Fee Example 2 — Quarter 2	
Assumptions	
(A) Market Capitalisation for the Quarter:	S$400,000,000
(B) Number of days in the Quarter:	92
Fee Calculation	
Base Fee calculation for the Quarter:	
= $(A \times 1.0\% \times B/365)$	
= (S$400,000,000 x 1.0% × 92/365)	
= S$1,008,219	
Minimum Base Fee for the Quarter:	
= S$3,500,000 × 92/365	
= S$882,192	
Base Fee Payable:	
= S$1,008,219	

As the Base Fee in Example 2 is greater than the Minimum Base Fee, the Base Fee payable in respect of Quarter 2 is S$1,008,219.

With respect to the Base Fee examples:

Market Capitalisation	equals the market value of the Units, being, in respect of a Quarter, the aggregate of the market value of the Units calculated on the basis of the weighted average number of Units on issue at closing during the last 15 Trading Days of the Quarter multiplied by the volume weighted average trading price of all Units traded on the SGX-ST over those 15 Trading Days.

Performance Fee

To align the interest of the Trustee-Manager with that of Unitholders, a performance fee (the "**Performance Fee**") is payable only when the Total Return on CitySpring Units (as defined below) outperforms the Total Return on the Benchmark Index (as defined below), after taking into account any underperformance in prior periods. If the Total Return on CitySpring Units is less than the Total Return on the Benchmark Index, the value of the Deficit (as defined below) is carried forward into future periods and must be made up before any Performance Fee becomes payable.

The benchmark index is the MSCI Asia Pacific (excluding Japan) Utilities Index on a total return basis rebased in Singapore Dollars (the "**Benchmark Index**"). This index will be used to calculate the Total Return on the Benchmark Index. The Benchmark Index has been chosen as the Trustee-Manager believes that it has a geographical coverage which extends across Asia Pacific (excluding Japan) which broadly reflects the targeted asset base of CitySpring.

If the Benchmark Index ceases to exist or is determined by a Special Resolution to cease to be an appropriate index for purposes of the performance fee calculation, a financial adviser will be appointed by the Board to select an appropriate index to replace the Benchmark Index. In the event that the Benchmark Index is succeeded by another index (the "**Successor Index**"), there will not be any need for a financial advisor and the Successor Index will be used.

The Performance Fee for a Quarter is payable in cash to the Trustee-Manager within 15 Business Days after the last day of each Quarter. The first Performance Fee will be calculated in respect of the period from the listing of CitySpring to 31 March 2007, and based on the relative performance of CitySpring Accumulated Return Index and the Benchmark Index during this period. The Performance Fee in subsequent periods will be calculated on a Quarterly basis.

The Trustee-Manager may elect to receive all or any part of the Performance Fee in Units instead of cash. The price of the Units to be issued to the Trustee-Manager in full or part payment of the Performance Fee will be equal to the volume weighted average price of Units traded on the SGX-ST over the last 15 Trading Days of the relevant Quarter for which the performance fee has been calculated.

If the Total Return on CitySpring Units (including reinvestment of all distributions) for a Quarter is greater than the Total Return on the Benchmark Index for a Quarter, the Trustee-Manager will receive a Performance Fee which is equal to 20% of the Total Return on CitySpring Units above the Total Return on the Benchmark Index for the Quarter. The Performance Fee is payable at the end of each Quarter in arrears.

If the Total Return on CitySpring Units is less than the Total Return on the Benchmark Index in any Quarter, the amount of the Deficit will be carried forward to the subsequent Quarters and taken into account when calculating whether the Total Return on CitySpring Units exceeds the Total Return on the Benchmark Index for the subsequent Quarters. The amount of the Deficit must be made up before any Performance Fee is payable.

To the extent new Units are issued during a Quarter, the Total Return on CitySpring Units above the Total Return on the Benchmark Index for the Quarter will be increased by the Total Return on the new Units (as defined below) relative to the relevant Total Return on the Benchmark Index for the new Units (as defined below), which will be calculated from the date of listing of those new Units to the end of the Quarter.

If the new Units are issued within the last 15 Trading Days of a Quarter, the Performance Fee due to those new Units will be calculated from the date of listing of those new Units to the end of the next Quarter.

For the purpose of the foregoing:

$$\text{Quarterly Performance Fees} = 20\% \times \left(\text{Quarterly Total Return on CitySpring Units} - \text{Quarterly Total Return on Benchmark Index} - \text{Deficit}\right)$$

where

$$\text{Quarterly Total Return on CitySpring Units} = \text{Beginning of Quarter Market Capitalisation} \times \text{\% Change of CitySpring Accumulated Return Index for the Quarter}$$

$$\text{Quarterly Total Return on Benchmark Index} = \text{Beginning of Quarter Market Capitalisation} \times \text{\% Change of Benchmark Index for the Quarter}$$

Set out below are illustrative examples of the calculations of the Performance Fee payable to the Trustee-Manager.

Performance Fee Examples

Example — Quarter 1 (Base Case)	
Assumptions	
(A) Beginning of Quarter Market Capitalisation	S$400,000,000
(B) CitySpring Accumulated Return Index at the beginning of the Quarter	100
(C) CitySpring Accumulated Return Index at the end of the Quarter	105
(D) Benchmark Index at the beginning of the Quarter	100
(E) Benchmark Index at the end of the Quarter	102
(F) Deficit carried forward from the previous Quarter	S$0

Fee Calculation

(G) Total Return on CitySpring Units for the Quarter:

= A × (C – B)/B

= S$400,000,000 × (105–100)/100

= S$20,000,000

(H) Total Return on the Benchmark Index for the Quarter:

= A × (E – D)/D

= S$400,000,000 × (102 – 100)/100

= S$8,000,000

(I) Performance Fee for the Quarter:

= 20% × (G – H – F)

= 20% × (S$20,000,000 – S$8,000,000 – S$0)

= S$2,400,000

(J) Deficit carried forward into next Quarter:

= Nil

As the Total Return on CitySpring Units for Quarter 1 is greater than the Total Return on the Benchmark Index for Quarter 1, a Performance Fee of S$2,400,000 is payable in respect of Quarter 1.

Example — Quarter 2 (Effect of underperformance in the current Quarter leading to a Deficit)	
Assumptions	
(A) Beginning of Quarter Market Capitalisation	S$412,000,000
(B) CitySpring Accumulated Return Index at the beginning of the Quarter	105
(C) CitySpring Accumulated Return Index at the end of the Quarter	107
(D) Benchmark Index at the beginning of the Quarter	102
(E) Benchmark Index at the end of the Quarter	106
(F) Deficit carried forward from the previous Quarter	S$0

Fee Calculation

(G) Total Return on CitySpring Units for the Quarter:

= A × (C – B)/B

= S$412,000,000 × (107 – 105)/105

= S$7,847,619

(H) Total Return on the Benchmark Index for the Quarter:

= A × (E – D)/D

= S$412,000,000 × (106 – 102)/102

= S$16,156,863

(I) Performance Fee for the Quarter:

= 20% × (G – H – F)

= 20% × (S$7,847,619 – S$16,156,863 – S$0)

= Nil (since Total Return on CitySpring Units is smaller than the sum of Total Return on the Benchmark Index and Deficit)

(J) Deficit carried forward into next Quarter:

= H + F – G

= S$16,156,863 + S$0 – S$7,847,619

= S$8,309,244

As the Total Return on CitySpring Units for Quarter 2 is less than the Total Return on the Benchmark Index for Quarter 2, a Performance Fee is not payable in respect of Quarter 2 and a Deficit of S$8,309,244 is carried forward to Quarter 3.

Example — Quarter 3
(Effect of continued underperformance leading to an accumulation of Deficit)

Assumptions	
(A) Beginning of Quarter Market Capitalisation	S$412,000,000
(B) CitySpring Accumulated Return Index at the beginning of the Quarter	107
(C) CitySpring Accumulated Return Index at the end of the Quarter	107
(D) Benchmark Index at the beginning of the Quarter	106
(E) Benchmark Index at the end of the Quarter	107
(F) Deficit carried forward from the previous Quarter	S$8,309,244

Fee Calculation

(G) Total Return on CitySpring Units for the Quarter:

= A × (C – B)/B

= S$412,000,000 × (107–107)/107

= S$0

(H) Total Return on the Benchmark Index for the Quarter:

= A × (E – D)/D

= S$412,000,000 × (107 – 106)/106

= S$3,886,792

(I) Performance Fee for the Quarter:

= 20% × (G – H – F)

= 20% × (S$0 – S$3,886,792 – S$8,309,244)

= Nil (since Total Return on CitySpring Units is smaller than the sum of Total Return on the Benchmark Index and Deficit)

(J) Deficit carried forward into next Quarter:

= H + F – G

= S$3,886,792 + S$8,309,244 – S$0

= S$12,196,036

As the Total Return on CitySpring Units for Quarter 3 is less than the sum of the Total Return on the Benchmark Index for Quarter 3 and the accumulated Deficit carried forward from Quarter 2, a Performance Fee is not payable in respect of Quarter 3 and an accumulated Deficit of S$12,196,036 is carried forward to Quarter 4.

Example — Quarter 4
(Effect of underperformance in prior Quarters on Performance Fee in the current Quarter

Assumptions		
(A)	Beginning of Quarter Market Capitalisation	S$404,000,000
(B)	CitySpring Accumulated Return Index at the beginning of the Quarter	107
(C)	CitySpring Accumulated Return Index at the end of the Quarter	112
(D)	Benchmark Index at the beginning of the Quarter	107
(E)	Benchmark Index at the end of the Quarter	108
(F)	Deficit carried forward from the previous Quarter	S$12,196,036

Fee Calculation

(G) Total Return on CitySpring Units for the Quarter:

= A × (C – B)/B

= S$404,000,000 × (112 – 107)/107

= S$18,878,505

(H) Total Return on the Benchmark Index for the Quarter:

= A × (E – D)/D

= S$404,000,000 × (108 – 107)/107

= S$3,775,701

(I) Performance Fee for the Quarter:

= 20% × (G – H – F)

= 20% × (S$18,878,505 – S$3,775,701 – S$12,196,036)

= S$581,354

(J) Deficit carried forward into next Quarter:

= Nil

As the Total Return on CitySpring Units for Quarter 4 is greater than the sum of the Total Return on the Benchmark Index for Quarter 4 and the accumulated Deficit carried forward from Quarter 3, a Performance Fee of S$581,354 is payable in respect of Quarter 4.

Example — Quarter 5
(Effect of issue of new Units on Performance Fee)

Assumptions		
(A1)	Beginning of Quarter Market Capitalisation	S$416,000,000
(B1)	CitySpring Accumulated Return Index at the beginning of the Quarter	112
(C1)	CitySpring Accumulated Return Index at the end of the Quarter	116
(D1)	Benchmark Index at the beginning of the Quarter	108
(E1)	Benchmark Index at the end of the Quarter	112
(A2)	Additional Units issued multiplied by issue price (20 days remaining in Quarter from the Listing Date)	S$100,000,000
(B2)	CitySpring Accumulated Return Index value ascribed to the new Units calculated based on their issue price	114
(C2)	CitySpring Accumulated Return Index at the end of the Quarter	116
(D2)	Closing Benchmark Index value ascribed to new Units on the date of listing	111
(E2)	Benchmark Index at the end of the Quarter	112
(F)	Deficit carried forward from the previous Quarter	S$0

Fee Calculation

(G) Total Return on CitySpring Units for the Quarter:

$$= [A1 \times (C1 - B1)/B1] + [A2 \times (C2 - B2)/B2]$$
$$= [S\$416{,}000{,}000 \times (116 - 112)/112] + [S\$100{,}000{,}000 \times (116 - 114)/114]$$
$$= S\$14{,}857{,}143 + S\$1{,}754{,}386$$
$$= S\$16{,}611{,}529$$

(H) Total Return on the Benchmark Index for the Quarter:

$$= [A1 \times ((E1 - D1)/D1)] + [A2 \times ((E2 - D2)/D2)]$$
$$= [S\$416{,}000{,}000 \times (112 - 108)/108] + [S\$100{,}000{,}000 \times (112 - 111)/111]$$
$$= S\$15{,}407{,}407 + S\$900{,}901$$
$$= S\$16{,}308{,}308$$

(I) Performance Fee for the Quarter:

$$= 20\% \times (G - H - F)$$
$$= 20\% \times (S\$16{,}611{,}529 - S\$16{,}308{,}308 - S\$0)$$
$$= S\$60{,}644$$

(J) Deficit carried forward into next Quarter:

= Nil

The Total Return on CitySpring Units (including the new Units) for Quarter 5 is greater than the Total Return on the Benchmark Index (including the new Units) for Quarter 5. As a result, a Performance Fee of S$60,644 is payable in respect of Quarter 5.

With respect to the Performance Fee examples:

Total Return on CitySpring Units	equals, in respect of a Quarter, the Beginning of Quarter Market Capitalisation (as defined below) multiplied by the percentage change in the CitySpring Accumulated Return Index (as defined below) over the relevant Quarter, based on the average daily closing value of CitySpring Accumulated Return Index over the last 15 Trading Days of the Quarter compared with the average daily closing value of the CitySpring Accumulated Return Index (as defined below) over the last 15 Trading Days of the previous Quarter except for the first Quarter where it is the initial CitySpring Accumulated Return Index value ascribed to the Units on the Listing Date before the commencement of trading
CitySpring Accumulated Return Index	measures the cumulative performance of CitySpring on a total return basis over a period. It will be calculated specifically by an appropriately qualified independent party as the accumulated total return received by the Unitholders, including all distributions, from the Listing Date
Beginning of Quarter Market Capitalisation.	equals the market value of the Units calculated on the basis of the average closing number of Units in issue during the last 15 Trading Days of the previous Quarter multiplied by the volume weighted average trading price of all Units traded on the SGX-ST over the last 15 Trading Days of the previous Quarter. The number of Units used for this calculation will be less any new Units issued during the last 15 Trading Days of the previous Quarter, other than, in relation to the Quarter or period following the close of the Offering, the Offering Units, the Units subscribed by the Sponsor and any Units issued on exercise of the Over-Allotment Option

Total Return on the Benchmark Index	equals, in respect of a Quarter, the Beginning of Quarter Market Capitalisation, multiplied by the percentage change in the Benchmark Index over the relevant Quarter, based on the average daily closing value of the Benchmark Index over the last 15 Trading Days of the current Quarter compared with the average daily closing value of the Benchmark Index over the last 15 Trading Days of the previous Quarter except for the first Quarter where it is the initial Benchmark Index value ascribed on the Listing Date
Deficit	equals, in respect of a Quarter, the aggregate sum of underperformance in respect of each Quarter since a Performance Fee has become due and payable (or, if a Performance Fee has not been paid, since the Listing Date), not including the Quarter in respect of which a calculation is being made, by which the Total Return on the Benchmark Index for each such Quarter exceeds the Total Return on CitySpring Units for that Quarter (if any)

For the purposes of new Units issued during a Quarter:

The Total Return on the new Units	equals, in respect of a Quarter, the number of new Units issued multiplied by the issue price of such Units multiplied by the percentage change in CitySpring Accumulated Return Index on the new Units over the relevant period, based on the average daily closing value of the CitySpring Accumulated Return Index over the last 15 Trading Days of the Quarter compared with the CitySpring Accumulated Return Index value ascribed to the new Units calculated based on their issue price
The relevant "Total Return on the Benchmark Index" for the new Units	equals, in respect of a Quarter, the number of new Units issued multiplied by the issue price of such Units multiplied by the percentage change in the Benchmark Index over the relevant period, based on the average daily closing value of the Benchmark Index over the last 15 Trading Days of the Quarter compared with the value of the Benchmark Index ascribed on the date of listing of the new Units

Expenses and services fees of the Trustee-Manager

In addition to the Base Fee and the Performance Fee, the Trustee-Manager may be reimbursed for the expenses incurred by it in its capacity as the Trustee-Manager.

If the Board of the Trustee-Manager has authorised the Trustee-Manager to pursue a specific transaction for the benefit of CitySpring and the transaction is completed by the Trustee-Manager, the costs incurred for such transaction (the "**Transaction Bid Costs**") will be capitalised into the transaction's costs and will be to the account of CitySpring. If the transaction is not completed, then the Trustee-Manager will be allowed to deduct the Transaction Bid Costs from the Trust Property prior to making payments to Unitholders.

All expenses incurred by the Trustee-Manager for general purposes in respect of CitySpring and which are not Transaction Bid Costs will be to the account of CitySpring.

Others

Based on the value of the Trust Property, consisting of the value of 100% of the City Gas Trust and 70% of the SingSpring Trust (which does not include the external net debt of the respective Sub-Trusts and is hence not the enterprise valuation of both 100% of the City Gas Trust and 70% of the SingSpring Trust) as provided by the Independent Valuer (for further details, see Appendix K), and based on the examples above which discuss the values for the Base Fee and the Performance Fee, it is possible that either or both fees may amount to 0.1% or more of the value of the Trust Property. However, as either fee is to be determined with reference to the market capitalisation of CitySpring or the total return on the benchmark index as the case may be, at the relevant time, the amounts payable for either or both fees cannot be determined currently.

THE SPONSOR

Temasek is an Asia investment firm headquartered in Singapore with a diversified global portfolio. Temasek's portfolio spans various industries including telecommunications and media, financial services, real estate, transportation and logistics, energy and resources, infrastructure, engineering and technology as well as bioscience and healthcare. Temasek has been assigned a corporate credit rating of "Aaa" by Moody's and "AAA" by Standard & Poor's.

Temasek was incorporated in 1974 under the Singapore Companies Act and is wholly-owned by the Government through the Minister for Finance (Incorporated), a body corporate constituted under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore.

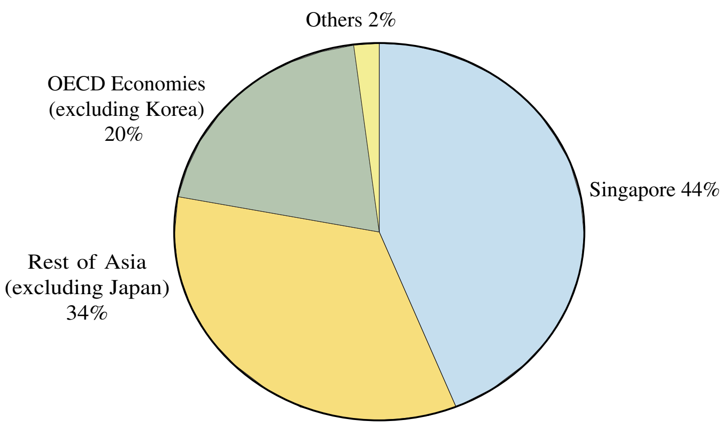
Temasek has been re-positioning its portfolio actively since 2002 and achieved a four-year total compounded return of 41% per annum from its new investments.

Temasek Group had total assets of S$213.7 billion as at 31 March 2006. Temasek Group generated total revenue of S$79.8 billion and net profit attributable to its equity holder of S$12.8 billion for the year ended 31 March 2006.

For the year ended 31 March 2006, Temasek made S$21 billion of new investments, increasing its Net Portfolio Value by 24% so that as at 31 March 2006, Temasek's Net Portfolio Value (market value of listed assets and book value for unlisted assets less debt) amounted to S$129.0 billion. Approximately 78% of Temasek's Net Portfolio Value, or approximately S$100.6 billion, is located in Asia excluding Japan, making Temasek one of the largest investors in the region. Temasek has delivered a total shareholder return by market value of 18% compounded annually since its inception.

Temasek's Portfolio by Geography

Net Portfolio Value of S$129.0 billion as at 31 March 2006



Source: Temasek

Strategy

Temasek is an active shareholder and investor, which seeks to manage its investments with the aim of maximising long-term value for its shareholder.

In addition to managing its current portfolio of investments, Temasek actively invests for growth and diversification of its portfolio. Temasek's strategy is to build a well-diversified portfolio across industry clusters and geographic regions. Temasek's investment themes are:

- *Rising Asian Economies* — Tapping Asia's growth potential by investing in sectors such as financial services, energy and resources, and infrastructure that provide broad-based correlation for Asia's economic transformation.
- *Growing Middle Class* — Leveraging on the increasing purchasing power of the growing middle class in Asia, which drives demand for services in telecommunications, consumer finance, healthcare and consumer products.
- *Deepening Comparative Advantages* — Seeking out companies and businesses with distinctive intellectual property and competitive advantages, such as those in the automotive, bioscience and healthcare, energy and resources and technology sectors.
- *Emerging Champions* — Investing in regional enterprises with the potential to grow beyond their existing markets into the rest of Asia and the world.

As a shareholder, Temasek is not involved in the daily commercial or operational decisions of its portfolio companies. These portfolio companies are managed by their respective management teams and supervised by their respective boards of directors.

Temasek regularly reviews the companies in its portfolio, including benchmarking against similar companies in their respective industries. As part of its overall portfolio management, Temasek may choose to increase its existing shareholdings in some of the companies in its portfolio, consolidate its shareholdings of companies in its portfolio or divest some or all of its shareholdings. Where appropriate, Temasek may seek to actively engage the various stakeholders in its portfolio companies, including their respective boards of directors, management, other institutional shareholders, regulators and market participants.

Overview of the Sponsor's Infrastructure Investments

Temasek has substantial investments across infrastructure sectors, directly and through its portfolio companies and joint ventures. Its major infrastructure investments include:

Utilities

Singapore Power Ltd ("**Singapore Power**") is an energy utility company, with core businesses in electricity transmission and distribution, piped gas transmission and distribution and market support services. Its wholly-owned subsidiary company, SP PowerAssets Ltd, is currently the sole provider of electricity transmission and distribution services in Singapore. Through its subsidiary, SP AusNet, Singapore Power operates regulated energy transmission and distribution businesses in metropolitan and regional Victoria, Australia.

Senoko Power Ltd, PowerSeraya Ltd and Tuas Power Ltd are the largest players in the electricity generation and retail sector in Singapore. As at 31 March 2006, they have 3,300 MW, 3,100 MW and 2,670 MW of licensed generating capacity, respectively, and currently account in total for approximately 80% of the total electricity sales by volume in Singapore.

SembCorp Industries Ltd ("**SembCorp Industries**") through its subsidiary, SembCorp Utilities Pte Ltd, offers power generation, power supply, natural gas, water and other utility services in Singapore, Middle East and the Asia Pacific region. These include SembCorp Cogen Pte Ltd's 815 MW combined cycle cogeneration plant based in Jurong Island, Singapore, to produce electricity for Jurong Island and the Singapore Electricity Pool market and to generate steam for customers on Jurong Island. SembCorp Industries recently announced a joint venture with Abu Dhabi Water & Electricity Authority to acquire a 40% stake in the Fujairah-based Independent Water and Power Plant project.

SembCorp Gas Pte Ltd, a joint venture between Temasek and SembCorp Utilities Pte Ltd, is the first commercial importer, transporter and retailer of natural gas in Singapore. This follows the 22-year Gas Sales Agreement for 325 million standard cubic feet per day of natural gas, signed on 15 January 1999 with Pertamina, the Indonesian state-owned oil and gas company.

GSPL is a commercial importer and retailer of natural gas in Singapore. The company entered into a 20-year Gas Sales Agreement for 350 million standard cubic feet per day of natural gas with Pertamina on 12 February 2001. Its customers include Senoko Power Ltd, PowerSeraya Ltd, Tuas Power Ltd and City Gas.

Keppel Corporation Ltd ("**Keppel Corp**") has an infrastructure business engaged in power generation and providing total solutions in environmental engineering from the design and construction of plants and equipment to the maintenance and operation of these plants. In Singapore, Keppel Corp's subsidiary, Keppel Energy Pte Ltd, is an independent electricity supplier and has secured a license for the construction of a co-generation power plant, which would supply both electricity and steam. The co-generation plant has secured financing in March 2005 and operations are expected to commence in early 2007. Keppel Corp, through its subsidiaries, has also been recently awarded tenders to build, under a Public-Private Partnership arrangement, a water treatment plant which will supply 35 million gallons for a 20-year period of NEWater and industrial water, and an incineration plant to incinerate 800 tonnes of refuse per day for a 25-year period.

Transportation/Logistics

PSA International Ltd ("**PSAI**") is one of the leading port operators in the world. Its primary business is the provision of integrated container terminal services. Together with its flagship terminals in Singapore and Europe, PSAI, through its subsidiaries, associated companies and joint ventures, has investments in 20 port projects in 11 countries — Singapore, Belgium, Brunei, China, India, Italy, Japan, Netherlands, Portugal, South Korea and Thailand. In April 2006, PSAI made a 20% investment in Hutchison Port Holdings Limited and Hutchison Port Investments S.a.r.l.

PSAI also provides marine services through its wholly owned subsidiary, PSA Marine (Pte) Ltd ("**PSA Marine**"). PSA Marine provides a complete suite of marine services, including harbour pilotage and towage, ocean transportation and offshore support, pilotage and salvage. In Singapore, PSA Marine has a significant portion of the harbour towage market.

SMRT Corporation Ltd ("**SMRT**") is a multi-modal transportation provider, with urban rail, bus and taxi services in Singapore. Its urban rail network serves more than a million passengers daily. SMRT also operates Singapore's first fully automated light rapid transit system, the Bukit Panjang light rapid transit system.

Communications

Singapore Telecommunications Ltd ("**SingTel**") is a communications group with operations in Singapore and Australia and major investments in India, the Philippines, Bangladesh, Thailand and Indonesia. SingTel owns the fixed line telecommunications network in Singapore.

Singapore Technologies Telemedia Pte Ltd has operations in fixed and mobile communications, global IP network and services, satellite and cable TV in the Asia Pacific region, the Americas and Europe. Its subsidiary, Global Crossing Ltd, provides telecommunications solutions through an integrated global IP-based network, connecting more than 300 major cities in 28 countries. Its Singapore subsidiary, StarHub Ltd, is a provider of info-communications and entertainment services over fixed, mobile, cable and internet platforms.

Role of the Sponsor

CitySpring is the first infrastructure business trust in Singapore. As a pioneer in a new asset class in Singapore, and with sponsorship from Temasek, CitySpring aims to position itself as a leading player in a growing sector, by achieving significant growth through acquisitions.

Temasek owns the entire issued share capital of the Trustee-Manager. It fully supports CitySpring's objective and is committed to CitySpring as follows:

- The Trustee-Manager will be able to draw on Temasek's international reach and business network in sourcing for acquisition opportunities.
- It intends, but is not under any contractual obligation, to enhance CitySpring's pipeline of acquisition opportunities by acquiring infrastructure assets that may be at an early stage where they have not yet generated regular and predictable cash flows that would otherwise make them suitable investments for CitySpring. Temasek may give an opportunity to CitySpring to acquire these assets when Temasek considers them more mature and suitable for CitySpring's investment mandate, subject to mutual agreement between Temasek and the Trustee-Manager, and approval by CitySpring's Unitholders where required, and Temasek will abstain from voting on the relevant transaction where required.
- It has a dedicated internal team drawing on relevant infrastructure expertise to assist CitySpring in identifying acquisition opportunities.
- It will co-invest in infrastructure assets with CitySpring where Temasek deems it appropriate.
- Upon the Listing, Temasek will hold 28.5% of the Units (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full), making it the single largest Unitholder of CitySpring.

Temasek presently intends to remain as CitySpring's single largest Unitholder and intends to position CitySpring as its key platform for infrastructure investments.

CORPORATE GOVERNANCE

The regime under the BTA stipulates requirements and obligations in respect of corporate governance. For example, the Business Trusts Regulations set out the requirements for, among other things, board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager. In addition to complying with the requirements of the BTA, the Board will also establish a nominating and remunerations committee and a conflicts resolution committee. The following is a summary of the material provisions of the BTA insofar as they relate to the Board.

Composition Of The Board

The Board must comprise[1]:

- at least a majority of Directors who are independent from management and business relationships with the Trustee-Manager; and
- at least one-third of Directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

Independence Of Directors[2]

Independence from management and business relationships

To be considered independent from management and business relationships with the Trustee-Manager (whether or not the Trustee-Manager is acting for or on behalf of CitySpring), a Director must not have any:

- management relationships with the Trustee-Manager or with any of its subsidiaries; and
- business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations,

that could interfere with the exercise of his independent judgment with regard to the interests of all the Unitholders as a whole.

Independence from management relationships

A Director is not considered to be independent from management relationships with the Trustee-Manager or with any of its subsidiaries if:

- he is employed by the Trustee-Manager or by any of its subsidiaries, or has been so employed, at any time during the current financial year or any of the preceding three financial years of the Trustee-Manager;
- any of his immediate family members:
  - — is being employed by the Trustee-Manager or by any of its subsidiaries as an executive officer whose compensation is determined by the Board or the subsidiary, as the case may be; or
  - — has been so employed at any time during the current financial year or any of the preceding three financial years of the Trustee-Manager; or

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1 Section 14(2) of the BTA provides that contravention of the provision on board composition is an offence and renders the Trustee-Manager liable on conviction to a fine not exceeding S$100,000. Regulation 12(5) of the Business Trusts Regulations provides that where a single substantial shareholder has an interest in 50% or more of the voting shares in the trustee-manager of a registered business trust, Regulation 12(1)(c) shall not apply to the trustee-manager in respect of the independence of its directors from that substantial shareholder. As the Trustee-Manager is a wholly-owned indirect subsidiary of the Sponsor, Regulation 12(1)(c) of the Business Trusts Regulations (requiring at least a majority of the directors to be independent from any single substantial shareholder of the Trustee-Manager) is inapplicable.

2 Regulations 3 and 4 of the Business Trusts Regulations.

- he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the Trustee-Manager or any of its subsidiaries.

Independence from business relationships

A Director is not considered to be independent from business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations, if:

- he is a substantial shareholder, a director or an executive officer of any corporation, or a sole proprietor or partner of any firm, where such corporation, sole proprietorship or firm carries on business for purposes of profit to which the Trustee-Manager or any of its related corporations has made, or from which the Trustee-Manager or any of its related corporations has received, payments (whether or not the Trustee-Manager is acting for or on behalf of CitySpring) at any time during the current or immediately preceding financial year of the Trustee-Manager; or
- he is receiving or has received compensation from the Trustee-Manager or any of its related corporations, other than remuneration received for his service as a director or as an employee of the Trustee-Manager or any of its related corporations, at any time during the current or immediately preceding financial year of the Trustee-Manager.

Independence from substantial shareholder

A Director is considered to be independent from a substantial shareholder of the Trustee-Manager if he is not that substantial shareholder of the Trustee-Manager or is not connected to that substantial shareholder of the Trustee-Manager.

The Director is connected to the substantial shareholder if:

(i) in the case where the substantial shareholder is an individual, the Director is:
   - an immediate family member of the substantial shareholder;
   - a partner of a firm of which the substantial shareholder is also a partner; or
   - accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder; or

(ii) in the case where the substantial shareholder is a corporation, the Director is:
   - employed by the substantial shareholder;
   - employed by a subsidiary or an associated company of the substantial shareholder;
   - a director of the substantial shareholder;
   - an executive director of a subsidiary or an associated company of the substantial shareholder;
   - a non-executive director of a subsidiary or an associated company of the substantial shareholder, where the subsidiary or associated company is not the Trustee-Manager;
   - a partner of a firm of which the substantial shareholder is also a partner; or
   - accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

Determination of Independence by the Board of Directors

Under Regulation 12(6) of the Business Trusts Regulations, the board of directors of the trustee-manager of a registered business trust may determine that a director who is:

- not considered to be independent from management and business relationships with the trustee-manager under Regulation 3 of the Business Trusts Regulations; or
- not considered to be independent from a substantial shareholder of the trustee-manager under Regulation 4 of the Business Trusts Regulations,

is nonetheless independent from management and business relationships with the trustee-manager or independent from a substantial shareholder of the trustee-manager, as the case may be, if the board of directors is satisfied that the director's independent judgment and ability to act with regard to the interests of all the unitholders of the registered business trust as a whole will not be interfered with, despite the relationships.

Responsibility of the Board Of Directors

The Trustee-Manager is responsible for the strategic business direction and risk management of CitySpring. The Board is responsible for the overall corporate governance of the Trustee-Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of Directors. The Board will establish a framework for the management of the Trustee-Manager and CitySpring, including a system of internal control and a business risk management process. The Board currently consists of six members, four of whom are Independent Directors. None of the Directors other than the Executive Director (See — "The Trustee-Manager of City Spring — Executive Officers".) has entered into any service contract directly with CitySpring.

In addition to compliance with requirements under the BTA, the Board composition is determined using the following principles:

- The Chairman of the Board should be a non-executive Director; and
- The Board should comprise Directors with a broad range of commercial experience, including experience with the infrastructure industry.

The composition will also be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Dealings in Units

The BTA requires each Director to give notice in writing to the Trustee-Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two Business Days after the date on which the Director becomes a Director of the Trustee-Manager or the date of such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest.

The Directors and employees of the Trustee-Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of CitySpring's annual results and two weeks before the public announcement of CitySpring's quarterly results, and ending on the date of announcement of the relevant results; and
- at any time while in possession of confidential price sensitive information.

Audit Committee and Nominating and Remuneration Committee

Audit Committee

The Audit Committee of the Trustee-Manager is required to be composed of three or more members of the Board:

- all of whom are independent of management and business relationships with the Trustee-Manager; and
- at least a majority of whom, including the chairman of the Audit Committee, are independent of management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager[3].

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[3] Section 15(4) of the BTA provides that contravention of the aforesaid requirements is an offence and renders the Trustee-Manager liable on conviction to a fine not exceeding S$100,000.

Formation of the Audit Committee and Nominating and Remuneration Committee

On 13 December 2006, the Board passed a resolution to approve the formation of the Audit Committee and the appointment of its members, as well as the Nominating and Remuneration Committee and the appointment of its members.

The Audit Committee

As at the date of this Prospectus, the members of the Audit Committee are Mr Mark Yeo, Mr Peter Foo and Mr Yeo Wico who are also Independent Directors. Mr Mark Yeo has been appointed as the Chairman of the Audit Committee.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Trustee-Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- Reviewing the financial statements and the internal audit report;
- Reviewing audit reports (whether external or internal) to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- Reviewing activities of the internal auditors on factors such as their independence, adequate resources and appropriate standing to perform an effective role;
- Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and any applicable guidelines;
- Monitoring and evaluating the effectiveness of the Trustee-Manager's internal controls;
- Reviewing the quality and reliability of information prepared for inclusion in financial reports;
- Nominating external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance;
- Reviewing the independence and objectivity of the external auditors and where the auditors also provide a substantial volume of non-audit services to CitySpring, the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money; and
- Monitoring the procedures established to regulate interested party transactions, including reviewing any interested party transactions entered into from time to time and ensuring compliance with applicable legislation and the relevant provisions of the Listing Manual (this review will exclude conflicts of interest, which will be dealt with by the Conflicts Resolution Committee).

Nominating and Remuneration Committee

The Nominating and Remuneration Committee comprises Mr Sunny Verghese, Mr Mark Yeo and Ms Margaret Lui. The Chairman of the Nominating and Remuneration Committee is Mr Sunny Verghese, an Independent Director. Mr Mark Yeo is also an Independent Director. Ms Margaret Lui is a Non-Independent Director.

Regarding nominations of Directors, it has the duties of, among other things:

- Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for appointment of Directors;
- Re-nomination for re-election of the Directors in accordance with the Trustee-Manager's articles of association, having regard to the Director's contribution and performance;

- Determining annually whether or not a Director is independent in the manner provided in the Business Trusts Regulations; and
- Deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

The Nominating and Remuneration Committee will decide how the Board's performance is to be evaluated and develop objective performance criteria which address how the Board has enhanced long-term Unitholders' value. It will also implement a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. The Chairman will review the results of the performance evaluation of the Board, and where appropriate, propose new members to be appointed to the Board of Directors or seek the resignation of Directors, in consultation with the committee. Each member of the committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

In the event that any member of the Nominating and Remuneration Committee has an interest in a matter being deliberated on by the Nominating and Remuneration Committee, he will abstain from participating in the review and approval process relating to that matter.

In regard to remuneration, the committee will develop a framework of remuneration and the specific remuneration packages for the Directors and the key executive officers of the Trustee-Manager. The committee will, if necessary, seek expert advice inside and/or outside the Group on remuneration of all Directors and the key executive officers.

The committee shall cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. Each member shall abstain from voting on any resolutions in respect of his remuneration package.

The Independent Directors on the Nominating and Remuneration Committee will annually review and approve the total remuneration of the directors, executive officers and other employees who are related to the controlling shareholder of the Trustee-Manager or the controlling Unitholder and/or the Directors.

Conflicts Resolution Committee

The Board has formed a Conflicts Resolution Committee, consisting entirely of Independent Directors, namely Mr Sunny Verghese, Mr Mark Yeo, Mr Peter Foo and Mr Yeo Wico. The Chairman of the Conflicts Resolution Committee is Mr Sunny Verghese.

The committee's terms of reference are to review conflicts or potential conflicts of interest that may arise from time to time in the course of CitySpring's business or operations between (i) CitySpring and (ii) any director or officer of the Trustee-Manager, any controlling Unitholder (as defined in the Listing Manual), or any controlling shareholder of the Trustee-Manager (as defined in the Listing Manual). An example of such conflicts or potential conflicts of interest would be in the context of the Trustee-Manager identifying, pursuing and executing opportunities to acquire or dispose of assets for CitySpring, but would exclude review of interested person transactions which fall within the purview of the Audit Committee.

The Conflicts Resolution Committee has developed the following framework to resolve such conflicts or potential conflicts of interest:

- first, to identify the conflict or potential conflict and then assess and evaluate its nature and extent; and
- then, to develop and implement one or more appropriate measures with the aim of controlling, avoiding or mitigating such conflict or potential conflict.

The Conflicts Resolution Committee will apply this framework both in the course of day-to-day conduct of business, as well as in the specific instances when a particular acquisition or disposal is contemplated. In the course of day-to-day conduct of business, all directors, officers and employees of the Trustee-Manager are obliged to keep strictly confidential all matters received by them in the course of their service to the Trustee-Manager (including without limitation information relating to potential acquisition or disposal opportunities) and not disclose any such matters to any other person.

When the Trustee-Manager identifies an acquisition or disposal target and seeks the approval of the Board to pursue the transaction:

- each Director and officer of the Trustee-Manager will be obliged to disclose to the committee whether he or, as far as he is aware, his affiliates (including family members, companies of which he is a significant shareholder, director or employee) have an interest in pursuing the same target ("**Potential Conflict of Interest**");
- if any Director discloses to the committee that he or his affiliates have a Potential Conflict of Interest, the committee will consider the nature and extent of the Potential Conflict of Interest and develop such measures as may be appropriate to address these issues (including, where material, disclosure of such measures to Unitholders at the appropriate time);
- as part of such measures, the committee may require the relevant Director to abstain from participating in the deliberations of the Board on the transaction;
- the committee will monitor the implementation by the Trustee-Manager of the measures imposed by the committee in order to resolve or mitigate the Potential Conflict of Interest; and
- the obligation on the Director to make disclosures to the committee on, and on the committee to review, a Potential Conflict of Interest in relation to any particular transaction is an ongoing obligation and lasts for so long as that transaction is still on-going. This obligation is not imposed only at the start of the transaction. Thus, if in the course of considering the transaction, a Director should learn of a Potential Conflict of Interest, then that Director is required forthwith to make the necessary disclosure to the committee so that the committee may consider such matters and take the necessary actions.

The Conflicts Resolution Committee will periodically review the framework to ascertain how it has worked out in practice and, where appropriate, will consider and implement further measures to fine-tune the framework so as to make it better suited to the potential conflict issues that the Trustee-Manager may face, including procedures to ensure that no controlling Unitholder or controlling shareholder of the Trustee-Manager would be able to influence the evaluation of potential acquisitions or disposals in a manner contrary to the interests of Unitholders as a whole.

The Conflicts Resolution Committee will have the power to appoint an independent adviser to advise on and recommend procedures to resolve or mitigate such conflict or potential conflict of interests, so as to enable the committee to discharge its duties to the Unitholders. The independent adviser may also be called on to provide an opinion as to whether the procedures recommended by the committee to resolve or mitigate conflicts or potential conflicts are carried out in an appropriate and effective manner.

The Conflicts Resolution Committee and the framework will be in place for so long as (i) the Trustee-Manager remains as the trustee-manager of CitySpring and (ii) the Sponsor, its related corporations and/or any of its associates remain as controlling shareholders (as defined in the Listing Manual) of the Trustee-Manager or in fact exercise control (as defined in the Listing Manual) over the Trustee-Manager.

Disclosure of conflicts or potential conflicts of interest

When the Trustee-Manager enters into and announces an agreement to acquire or dispose of assets, the Trustee-Manager will also disclose whether and which Director has abstained from deliberations and voting on the acquisition or disposal. The annual report of CitySpring will also disclose the workings of the Conflicts Resolution Committee in the course of the preceding financial year, including the number of meetings that the committee held in the course of that financial year and the Directors who had to abstain from deliberations and voting.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICT OF INTERESTS

Interested Persons Transactions

In general, transactions between:

- an entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee-manager of CitySpring), and upon Listing, City Gas (in its personal capacity or as trustee of the City Gas Trust), the City Gas Trust, SingSpring (in its personal capacity or as trustee of the SingSpring Trust), and the SingSpring Trust); and
- any of its Interested Persons (namely the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of CitySpring), a Director, Chief Executive Officer or controlling shareholder of the Trustee-Manager, a controlling Unitholder or an associate of any such Director, Chief Executive Officer, controlling shareholder or controlling Unitholder),

would constitute an interested person transaction for the purposes of the SF BT Regulations.

As defined by the SGX-ST, Temasek will be the controlling Unitholder of the Group as it will hold more than 15% of the Units. It has an aggregate shareholding interest of 100% of Bartley Investments and of Napier Investments, which together will, upon Listing, hold 28.5% of the Units (assuming the Over-allotment Option is not exercised and 21.4% in the case where the Over-allotment Option is exercised in full) (thereby having an interest in the said Units) and is thus considered to be able to exercise control over the Group. Temasek is also the sole shareholder of the Trustee-Manager in the sense that it holds more than 15% of the shares in the Trustee-Manager, as it has an aggregate shareholding interest of 100% of Nassim Investments, which is in turn the 100% shareholder of the Trustee-Manager.

Details of each transaction (which excludes dividends and the sale of town gas by City Gas at fixed tariffs applied consistently to all its customers (See "The provision of town gas in the ordinary course of business" below.)) or loan, between City Gas and members of Temasek Group and between SingSpring and members of Temasek Group between the beginning of the 3 most recent completed financial years and the Latest Practicable Date, or proposed transaction or loan, and which the Trustee-Manager considers material in the context of the Offering are described below. The amounts shown in this section have been rounded to the nearest thousand, unless the exact amount is used.

Certain terms, such as "associate", "control", "controlling shareholder", "controlling Unitholder", "entity at risk" and "interested person" used in this section have the meanings as provided for in the Listing Manual and in the SF BT Regulations.

Interested Person Transactions for the Trustee-Manager

Fee arrangement under the Trust Deed

The fees (including the issue of new Units in lieu of Base Fee or Performance Fee) and charges payable by CitySpring to the Trustee-Manager under the Trust Deed, which constitutes an interested person transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units. The structure and amount of fees payable to the Trustee-Manager, as well as the authority to pay such fees, are incorporated in the Trust Deed constituting CitySpring. The Trust Deed binds all persons once they acquire Units and become Unitholders. Accordingly, by subscribing for Units in the Offering, investors are deemed to have approved the Trust Deed, including the fees payable to the Trustee-Manager. The fees payable to the Trustee-Manager under the Trust Deed are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect CitySpring.

Printing agreement with SNP Security Printing Pte. Ltd.

In December 2006, the Trustee-Manager entered into an agreement with SNP Security Printing Pte. Ltd. ("**SNP**"), a subsidiary of Temasek, for the printing of this Prospectus. The quantum of this agreement is estimated to be approximately S$100,000, depending on the number of volumes printed. This agreement will terminate around the Listing Date. This agreement with SNP was negotiated on an arm's length basis on normal commercial terms, as the agreement was entered into on terms similar to what SNP would have entered into with unrelated third parties.

Amount held back for Offering fees and expenses

If and to the extent that the amount held back out of the Offering proceeds by the Trustee-Manager to provide for the fees and expenses related to the Offering (as described under "Use of Proceeds" above) exceeds or is insufficient to pay the actual amount of such fees and expenses, then any payment, directly or indirectly, between the Trustee-Manager and Temasek and Seletar in respect of the excess or shortfall will constitute an interested person transaction. Such payment will be made on arm's length terms as the amount thereof would be determined by the actual amount of such fees and expenses incurred.

City Gas

Revenue earned by City Gas from transactions with certain members of Temasek Group:

Certain members of Temasek Group	For the Year Ended 31 March			1 April 2006 to 30 September 2006
	2004	2005	2006	
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore Airport Terminal Services Ltd.(1)	Nil	Nil	3,405	1,918
PowerGas(2)	3,575	3,862	4,189	2,132
Total:	3,575	3,862	7,594	4,050

Notes:

(1) Represents revenue from SATS (as defined herein) pursuant to tariffs charged, subject to a rebate for purchases of high volume.

(2) Represents the amounts due pursuant to the sharing arrangement with PowerGas, with regard to fees paid by City Gas to SP Services for support services.

Expenses incurred by City Gas from transactions with certain members of Temasek Group:

Certain members of Temasek Group	For the Year Ended 31 March			1 April 2006 to 30 September 2006
	2004	2005	2006	
	S$'000	**S$'000**	**S$'000**	**S$'000**
PowerGas(1)	72,021	71,654	79,333	37,420
GSPL(2)	9,421	29,320	62,654	46,608
Senoko Energy Supply Pte Ltd(3)	3,610	4,076	3,773	2,393
SP Services(4)	10,758	11,428	12,213	5,955
Singapore Power Ltd(5)	767	731	1,030	288
Total:	96,577	117,209	159,003	92,664

Notes:

(1) Includes transportation tariffs paid to PowerGas (for the transportation of town gas and natural gas), rental and service charges for office space, and other charges.

(2) Includes the cost of purchase of natural gas as feedstock for production, and for direct natural gas sales.

(3) Comprises primarily sums paid to purchase electricity for gas production (includes payment for transmission, metering and other related services).

(4) Comprises fees and charges by SP Services in relation to support services rendered for gas-meter reading, billing and collection of fees and charges.

(5) Comprises rental and service charges paid for the use of office space at 111 Somerset Road, Singapore.

Past City Gas transactions with members of Temasek Group

Loan from City Gas to Temasek

On 22 March 2005, City Gas extended a loan to Temasek in the principal amount of S$60 million for Temasek's general corporate purposes. This loan was an inter-company loan made between two group companies at the time of loan and was unsecured, interest-free and had no fixed term of repayment. On 21 June 2005, Temasek partially repaid the loan in the amount of S$35 million. The largest amount of loan outstanding during the loan period was S$60 million. The amount of loan outstanding as of 31 March 2006 is S$25 million.

The aggregate amounts owing by Temasek was S$0 in FY 2004, S$60 million in FY 2005 and S$25 million in FY 2006. As of the Latest Practicable Date, the amount owing is S$44 million. This loan will be fully repaid before the Listing.

The 2002 Transportation Arrangement with PowerGas

In connection with its divestment, City Gas and PowerGas had on 2 January 2002 agreed upon the 2002 Transportation Arrangement, pursuant to which PowerGas agreed to transport town gas produced by City Gas at its Senoko Gasworks to City Gas's approximately 580,000 customers through PowerGas's piped gas Network. The arrangement with PowerGas will be terminated and be replaced by the New Transportation Agreement described below. This is expected to take place in January 2007. (See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers" for further details of this agreement.)

The 2002 Transportation Arrangement was entered into on normal commercial terms and carried out on an arm's length basis, in light of the fact that tariffs chargeable by PowerGas were and continue to be regulated by the EMA. The aggregate values of all sums paid to PowerGas are set out in the summary table above.

Bank Facility with DBS Bank

In December 2001, DBS Bank, an associate of Temasek, granted City Gas a short-term working capital facility of up to S$18 million and a foreign exchange line of S$50 million. The interest rate on the short-term working capital facilities is pegged to DBS Bank's prevailing prime lending rate at the relevant time. This facility was not utilised by City Gas. It was terminated in January 2007. This facility was entered into on normal commercial terms and carried out on an arm's length basis, as it was entered into on terms similar to those that City Gas might have obtained from an unrelated third party.

Present and Ongoing Interested Persons Transactions of City Gas

The Trustee-Manager does not consider the transactions described in this sub-section as interested person transactions which will be subject to a Unitholders' general mandate under the Listing Manual because (i) in relation to "The provision of town gas in the ordinary course of business", such supply is made on a fixed or graduated scale, which is publicly quoted, and applied consistently to customers (as described further below), and (ii) in relation to the other transactions described below, such transactions are carried out pursuant to agreements entered into before the listing of CitySpring.

The provision of town gas in the ordinary course of business

City Gas has been retailing town gas to certain members of Temasek Group from time to time, on an arm's length basis and in the ordinary course of its business.

Under the 1996 Public Utilities Act, City Gas is obliged not to show undue preference as between consumers similarly situated nor exercise undue discrimination as between persons similarly situated, having regard to the place and time of supply and the quantity supplied. City Gas is also required under the 1996 Public Utilities Act to publish the above tariffs in such manner as to ensure adequate publicity of the tariffs. In this regard, City Gas makes available its tariffs to the public in major newspapers, on its website, at its offices and through its customer hotline.

These products and services are thus provided in the ordinary course of business and the tariffs and prices charged to Temasek Group in respect of these products and services were determined on an arm's length basis on normal commercial terms, in accordance with City Gas's published or standard rates applicable to unrelated third parties for the same products and services.

Furthermore, the supply of town gas in the above-described context does not require a shareholders' or Unitholders' mandate or otherwise need to comply with Rules 905, 906 and 907 of the Listing Manual, on the basis that such supply falls within Rule 915(5) of the Listing Manual as a transaction for the provision of public utility services that are sold on a fixed or graduated scale which is publicly quoted and the sale prices are applied consistently to all customers or a class of customers. A confirmation of this has been sought and obtained from the SGX-ST.

Provision of the above-mentioned products and services to members of Temasek Group are likely to be recurrent interested person transactions. City Gas will continue to provide these services after the Listing of CitySpring.

As it is not practicable to disclose details relating to the supply of town gas to members of the Temasek Group (there are over 1,000 entities which are subsidiaries and associates of Temasek and it is not practicable for City Gas to determine which of these it supplies town gas to), and on the basis that such town gas is supplied at arm's length and is charged in accordance with City Gas's published rates made available on its website, the Trustee-Manager had applied to the Authority for an exemption from having to disclose such details. The Authority had granted such exemption on condition that such town gas is supplied at arm's length and is charged in accordance with City Gas's published rates made available on its website.

*The provision of town gas to Singapore Airport Terminal Services Ltd. ("***SATS***")*

On 29 March 2006, City Gas entered into a gas supply agreement with SATS (the "**SATS Gas Supply Agreement**") for the period of April 2006 to March 2007. SATS, through Singapore Airlines Ltd, is a subsidiary of Temasek. Under the SATS Gas Supply Agreement, City Gas will supply town gas to SATS in accordance with City Gas's published or standard rates applicable to unrelated third parties, applying volume rebates to the applicable tariffs and prices in line with similar discounts given to unrelated third parties. This agreement was therefore entered into on normal commercial terms and carried out on an arm's length basis.

The SATS Gas Supply Agreement is valid for a year, and the rates at which gas is supplied to SATS are reviewed quarterly. The aggregate values of all of City Gas's transactions with SATS are set out in the summary table above.

Purchase of natural gas from GSPL

On 5 September 2003, City Gas entered into a Gas Purchase Agreement with GSPL, a wholly-owned subsidiary of Temasek, for the supply of natural gas by GSPL to City Gas.

The agreement was entered into on normal commercial terms and carried out on an arm's length basis, as City Gas entered into the agreement on terms that were commercially reasonable having regard to all the circumstances at the time and having considered the other sources from which it might have secured a long-term supply of natural gas. The aggregate values of all sums paid to GSPL are set out in the summary table above.

(See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers" for further details of this agreement.)

New Transportation Agreement with PowerGas

This agreement formalises the 2002 Transportation Arrangement. (See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers" for further details of this agreement.) It was entered into on 12 January 2007, on normal commercial terms and will be carried out on an arm's length basis, in light of the fact that tariffs chargeable by PowerGas were and continue to be regulated by the EMA. This agreement will continue until terminated in accordance with its terms - in particular, this agreement will be terminated when either City Gas ceases to sell and supply town gas or when PowerGas ceases to transport town gas (in each case, with EMA's approval). The aggregate values of all sums paid to PowerGas are set out in the summary table above.

Interim Natural Gas Transportation Agreement with PowerGas to transport natural gas

On 15 September 2003, City Gas entered into an interim natural gas transportation agreement with PowerGas, appointing PowerGas as its transporter of natural gas purchased from GSPL pursuant to the Gas Purchase Agreement, to Senoko Gasworks via part of the natural gas pipeline network.

(See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers" for further details of this agreement.)

The agreement was entered into on normal commercial terms and was negotiated on an arm's length basis. The aggregate values of all sums paid to PowerGas are set out in the summary table above.

Services Agreement with PowerGas

On 12 January 2007, City Gas entered into a Services Agreement with PowerGas for the mutual provision of services to each other in relation to the transportation of gas under the New Transportation Agreement. It also provides for the continuation of the Management Fee Arrangement regarding the Utilities Support Services Agreement with PowerGas described below. (See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers" for further details of this agreement.)

This agreement will continue until terminated in accordance with its terms and in particular, it is provided that either party may terminate the agreement (entirely or with respect to the provision of any particular services by either party in the agreement) with six months' notice (at any time after the third anniversary of the date of the agreement). However, if the New Transportation Agreement (described above) expires or terminates, the agreement will terminate as well. City Gas does not anticipate that it will terminate the arrangement with PowerGas in ordinary circumstances since it is the sole gas transporter in Singapore and owns and operates the Network.

The arrangement was entered into on normal commercial terms and negotiated on an arm's length basis because the mutual provision of services of each party to the other under the agreement were determined to be commercially reasonable by each of the parties receiving the relevant services.

Management Fee Arrangement regarding the Utilities Support Services Agreement with PowerGas

The management fee paid by City Gas to SP Services under the Utilities Support Services Agreement (as described below), is the subject-matter of a sharing arrangement between City Gas and PowerGas. Under an arrangement agreed between City Gas and PowerGas on 2 January 2002 in connection with the divestment, the parties agreed that PowerGas would bear one-third of the Management Fee. City Gas would provide written notification to PowerGas of the amount of the management fee paid upon receipt of the invoice from SP Services, and PowerGas would then reimburse City Gas one-third of the management fee.

The arrangement was entered into on normal commercial terms and negotiated on an arm's length basis as the 1:2 sharing arrangement is a reflection of the allocation of costs between the two parties historically, prior to the divestment of the business of town gas production and retail from the business of gas transportation. This arrangement has been formalised and continues as provided for in the Services Agreement between the two parties entered into on 12 January 2007 (see above). It will continue until terminated in accordance with its terms.

Utilities Support Services Agreement with SP Services

City Gas and SP Services, a wholly-owned indirect subsidiary of Temasek, signed a Utilities Support Services Agreement on 25 May 2004 for a period of 5 years.

This agreement will continue until terminated in accordance with its terms. The agreement was entered into on normal commercial terms and carried out on an arm's length basis. The aggregate values of all sums paid to SP Services are set out in the summary table above.

(See "The Initial Businesses — City Gas and SingSpring — City Gas — Agreements with Suppliers" for further details of this agreement.)

Agreement for the supply of electricity from Senoko Energy Supply Pte Ltd (includes provision of transmission services by PowerGrid Ltd and market support services by SP Services (formerly known as Power Supply Limited))

City Gas purchases electricity from Senoko Energy Supply Pte Ltd, a wholly-owned indirect subsidiary of Temasek under an agreement where Senoko Energy Supply Pte Ltd would supply to City Gas electricity at the capacity of 5,170kW for a sum of S$4,978,000. This agreement is for a period of 12 months and will expire on 31 March 2007.

Payment under this agreement to Senoko Energy Supply Pte Ltd also includes the payment for the provision of electricity transmission services by SP PowerAssets Ltd, a subsidiary of Temasek, and which transmission is governed by standard terms and conditions. Also included is payment for market support services (including metering and retail settlement) to SP Services, which are governed by standard conditions of service.

The agreement (as well as the ancillary agreements entered into with SP PowerAssets Ltd and SP Services) was entered into on normal commercial terms and carried out on an arm's length basis, as the rates and charges paid by City Gas were those applicable to unrelated third parties for the same services. The aggregate values of all sums paid to Senoko Energy Supply Pte Ltd (which would include payments for transmission to SP PowerAssets Ltd and for market support services to SP Services) are set out in the summary table above.

Lease agreements with PowerGas

On 2 January 2005, City Gas entered into a 3-year lease agreement with PowerGas for the use of the premises as a workshop and as an office, with an option to renew the lease for a period of 3 years after the expiration of the lease, at a rent to be determined by PowerGas based on the prevailing market rent and such other terms as shall be imposed by PowerGas. Details are as follows:

Premises	**Term of Lease**	**Landlord**	**Approximate Floor Area (sq.m.)**	**Monthly rent and service charge**
Part of 1st floor and 4th floor at Lot 4765W of Mukim 13	3 years from 2 January 2005	PowerGas	1,124.48 (1st floor – workshop), 222.70 (1st floor – office), 719.01 (4th floor – office)	S$14,948.12 and S$9,297.86

It was commercially negotiated on an arm's length basis and is on normal commercial terms, taking into account the prevailing market rental rates at the time. See "The Initial Businesses — City Gas and SingSpring — City Gas — Property".

The aggregate value of all sums paid to PowerGas are set out in the summary table above.

On 29 December 2006, City Gas entered into two separate lease agreements with PowerGas. Details of the leases are as follows:

Premises	Term of Lease	Landlord	Approximate Floor Area (sq.m.)	Monthly rent
Part of Lot 4765W of Mukim 13 at Senoko Avenue	6 years from the date the consent of the President of Singapore is issued for the sub-letting, which consent must be obtained within six months from the date of the lease agreement	PowerGas	1,521.30	S$2,130.00
Part of Lot 3365T of Mukim 13 at Senoko Avenue	6 years from the date the consent of the President of Singapore is issued for the sub-letting, which consent must be obtained within six months from the date of the lease agreement	PowerGas	2,876.85	S$4,028.00

These 2 leases were entered into for the purposes of formalising City Gas's use of such part of the lands belonging to PowerGas for (i) the erection and maintenance of the buildings and structures together with, among other things, standby generators, an electricity distribution substation, switchboards and a guardhouse, and (ii) the storage of water tanks and fire-fighting facilities, all such buildings, structures, substations, facilities and equipment belonging to City Gas.

The leases were commercially negotiated on an arm's length basis and are on normal commercial terms, taking into account the prevailing market rental rates.

As PowerGas's lands are comprised of 30-year leases granted by the President of Singapore, the consent of the President has to be obtained before subletting the lands to a third party. The 2 leases are therefore conditional on the approval of the President for the subletting, which has been sought but not yet been obtained as at the Latest Practicable Date.

Provision of office and working premises from Singapore Power Ltd

City Gas entered into a lease agreement dated 15 September 2004 with Singapore Power Ltd, a wholly-owned subsidiary of Temasek, for the lease of premises at 111 Somerset Road, Upper First Floor (the "**Showroom Lease Agreement**") for use as its showroom, at a monthly rental of S$6,483.60 and a monthly service charge of S$1,860.68 payable quarterly in advance. The lease is for a period of 5 years commencing from 1 October 2004, with an option to renew the lease for a period of one year commencing after the expiration of the lease, at a revised rent to be determined by Singapore Power Ltd.

The Showroom Lease Agreement was entered into on normal commercial terms and carried out on an arm's length basis as the sums paid by City Gas are similar to those paid by unrelated third parties. The aggregate values of all sums paid to Singapore Power Ltd under the Showroom Lease Agreement are set out in the summary table above.

City Gas also entered into a lease agreement dated 27 October 2005 with Singapore Power Ltd for the lease of premises at 111 Somerset Road, #07-02, Devonshire Wing (the "**Office Lease Agreement**") for use as an office, at a monthly rental of S$30,477.09 and a monthly service charge of S$8,746.42, payable quarterly in advance. The lease is for a period of 3 years commencing from 18 January 2006, with an option to renew the lease for a period of 3 years commencing after the expiration of the lease, at a rent to be agreed between the parties.

The Office Lease Agreement was entered into on normal commercial terms and carried out on an arm's length basis as the sums paid by City Gas are similar to those paid by unrelated third parties. The aggregate values of all sums paid to Singapore Power Ltd under the Office Lease Agreement are set out in the summary table above.

Bank Facility with DBS Bank

In January 2007, DBS Bank, an associate of Temasek, granted City Gas a short-term working capital facility of up to S$18 million and a foreign exchange line of S$50 million. The interest rate on the overdraft facilities is pegged to DBS Bank's prevailing prime lending rate at the relevant time. There is also an interest rate swap facility granted of up to S$130,000,000. This facility has not been utilised by City Gas since it was provided by DBS Bank.

Furthermore, the receipt of financial assistance or services from DBS Bank, being a financial institution that is licensed or approved by the Authority, on normal commercial terms and in the ordinary course of business falls within Rule 915(6) of the Listing Manual and does not require a shareholders' or Unitholders' general mandate or otherwise need to comply with Rules 905, 906 and 907 of the Listing Manual.

Term Loan Facility with DBS Bank

The City Gas Trustee has secured the New City Gas Loan from DBS Bank. Please refer to "Restructuring Exercise — New City Gas Loan and New SingSpring Loan" for details.

This loan was entered into on normal commercial terms and carried out on an arm's length basis, as it was entered into on terms similar to those that the City Gas Trustee might have obtained from an unrelated third party.

Others

City Gas has entered into in the past three financial years and continues to have, transactions with subsidiaries and/or associates of Temasek for the provision of gas-supply related services (such as gas connection, maintenance, inspection of gas installations and servicing of burners and gas stoves), the sale of gas-related appliances, and provision of services such as telecommunications services (with Singapore Telecommunications Ltd) and security services (with The Commercial & Industrial Security Corp and AETOS Security Management Pte Ltd) for its facilities, and lease arrangements with the Trustee-Manager for office space.

SingSpring

On 29 January 2007, the SGX-ST confirmed that Hyflux is not an interested person for the purposes of Chapter 9 of the Listing Manual as it is neither (a) a "controlling" Unitholder or (b) an associate of a "controlling" Unitholder of CitySpring.

SingSpring has no past and completed interested person transactions with any interested persons.

Present and Ongoing Interested Person Transactions for SingSpring

The Trustee-Manager does not consider the transactions described in this sub-section as recurrent interested person transactions which will be subject to a Unitholders' general mandate under the Listing Manual because such transactions are carried out pursuant to agreements entered into before the listing of CitySpring.

Agreement with Seraya Energy for the provision of energy

On 30 March 2004, SingSpring entered into an energy supply agreement (supplemented by the Supplemental Agreement to Electricity Retail Agreement entered into on 20 November 2006) with Seraya Energy, a wholly-owned indirect subsidiary of Temasek, pursuant to which Seraya Energy agreed to supply electricity to the SingSpring Plant for its commercial operations from December 2004 until December 2008.

The following sums were paid to Seraya Energy for the years ended 31 December 2004, 31 December 2005, and for the period from 1 January 2006 to the Latest Praticable Date: S$0.00 (no electricity was used during the construction phase of the SingSpring Plant), approximately S$5.9 million and approximately S$10.3 million.

The sums paid include charges for electricity, for electricity transmission by SP PowerAssets Ltd (see below) and the provision of metering services by SP Services. This agreement will continue until terminated in accordance with its terms. The agreement and supplemental agreement were entered into on normal commercial terms and carried out on an arm's length basis, as the rates and fees paid by SingSpring are those applicable to unrelated third parties for the same services.

(See "The Initial Businesses — City Gas and SingSpring — SingSpring — Energy Arrangements" for further details of this agreement.)

Electricity Connection and Transmission Agreement with SP PowerAssets Ltd

On 4 December 2003, SingSpring entered into an electricity connection and transmission agreement with SP PowerAssets Ltd, a subsidiary of Temasek, for the connection of the SingSpring Plant site to the transmission network (as defined in the agreement). The connection charges (which includes equipment and cabling costs) under this agreement was for the sum of approximately S$4 million.

Under the electricity connection and transmission agreement, SP PowerAssets Ltd is entitled to schedule and implement outages in accordance with the Transmission Code and will not be liable to SingSpring in respect of any loss arising as a result of such scheduled outages.

The following sums were paid to SP PowerAssets Ltd in relation to the transmission connection, for the years ended 31 December 2004, 31 December 2005, and for the period from 1 January 2006 to the Latest Practicable Date: approximately S$2.4 million, S$1.7 million and S$0.0 m.

This agreement will continue until terminated in accordance with its terms. The agreement was entered into on normal commercial terms and carried out on an arm's length basis, as the rates and charges paid by SingSpring are those applicable to unrelated third parties for the same services.

Project Facility Agreement with DBS Bank and others

On 12 December 2003, SingSpring entered into a project facility agreement (the "**Project Facility Agreement**") with DBS Bank, an associate of Temasek, and other banks pursuant to which loan facilities of up to S$158.7 million were made available to SingSpring for the period from mid-December 2003 to June 2006, for the purpose of funding the SingSpring Project costs. The amount was fully drawn down by January 2006. Amounts are repaid monthly, beginning from the date six months after the Project Commercial Operation Date i.e. 16 December 2005. Standby loan facilities of up to S$6.5 million in respect of project cost overruns were also made available to SingSpring under this agreement, and were provided to last until the earliest of (a) 12 months after the Project Commercial Operation Date (being December 2005) as provided for under the WPA, (b) the date on which all the amounts the lenders have committed to lend are reduced to zero, and (c) 31 March 2007.

The rate of interest on the loan amount for each interest period (SingSpring selected an interest period of 1 month) is a percentage rate per annum which is the aggregate of the applicable margin provided under the agreement and the Swap Offer Rate. The margin ranges from 1.05% per annum to 1.42% per annum over the tenor of the loan, on a stepped-up basis from the Project Commercial Operation Date.

The amounts outstanding as of 31 December 2003, 31 December 2004 and 31 December 2005 were approximately S$0, S$139 million and S$152 million respectively. As of the Latest Practicable Date, the amount outstanding under the Project Facility Agreement is approximately S$156 million. The largest amount outstanding during the period of the loan to the Latest Practicable Date was approximately S$159 million (excluding interest).

The Project Facility Agreement is secured by, among other things, a mortgage of the land on the site of the SingSpring Plant and share charges on the shares held by Seletar Investments and Hyflux.

This agreement will continue until terminated in accordance with its terms. The termination date under the agreement is the earlier of 16 years from the Project Commercial Operation Date or 31 January 2022. It is intended for this amount to be fully repaid upon the Listing. The agreement was entered into on normal commercial terms and carried out on an arm's length basis, as the agreement was entered into on terms similar to those that DBS Bank (and the other lenders) might enter into with unrelated third parties.

Interest Rate Swap with DBS Bank

On 15 September 2003, SingSpring entered into an interest rate swap with DBS Bank, to facilitate the hedging of interest rate risks under the Project Facility Agreement. The interest rate swap is valid for a period of 10 years, from March 2004 to February 2014. The swap was expected to be a hedge for a minimum of 75% of the outstanding loan during the period.

The notional amount of the interest rate swap was structured to step up from S$24.2 million to S$120.0 million during the construction phase of the SingSpring Plant and to step down from S$120.0 million to S$74.0 million by February 2014. The fixed rate payable by SingSpring increases from 3.45% per annum to 6.35% per annum during the tenor of the swap.

This agreement will continue until terminated in accordance with its terms. The agreement was entered into on normal commercial terms and carried out on an arm's length basis, as the interest rate swap was entered into on terms similar to those that DBS Bank might enter into with unrelated third parties.

The New SingSpring Loan

The SingSpring Trustee has secured the New SingSpring Loan from DBS Bank and certain other banks. Please refer to "Restructuring Exercise — New City Gas Loan and New SingSpring Loan" for details. This loan was entered into on normal commercial terms and carried out on an arm's length basis, as it was entered into on terms similar to those that the SingSpring Trustee might have obtained with an unrelated third party.

Others

Since 2004, SingSpring has entered into and continues to have, transactions with subsidiaries and/or associates of Temasek for the provision of services such as telecommunications services (with Singapore Telecommunications Ltd) and utilities-related services (with SP Services).

Future Interested Persons Transactions

CitySpring is regulated by the Listing Manual and the BTA. The Listing Manual and the BTA regulate all interested person transactions. Depending on the materiality of the transaction, CitySpring may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain Unitholders' prior approval for the transaction (Rule 906 of the Listing Manual).

Section 86 of the BTA further requires (a) the Board to make a written statement in accordance with the resolution of the Board and signed by not less than two Directors on behalf of the Board certifying that, among others, the interested person transaction is not detrimental to the interests of all the Unitholders of CitySpring as a whole based on the circumstances at the time of the transaction, and (b) the Chief Executive Officer to, in his personal capacity, make a written statement certifying that he is not aware of any violation of duties of the Trustee-Manager which would have a material adverse effect on the business of CitySpring and the interests of all the Unitholders as a whole. These statements must be annexed to the profit and loss accounts of CitySpring in its annual financial statements.

In addition to these written statements, Section 87 of the BTA also requires the Board to attach to CitySpring's profit and loss accounts, a statement of policies and practices in relation to management and governance of CitySpring containing such information prescribed by Regulation 20 of the Business Trusts Regulations which includes, among others, a description of measures put in place by the Trustee-Manager to review interested person transactions in relation to CitySpring.

The Trust Deed requires the Trustee-Manager to comply with the provisions of the Listing Manual relating to interested person transactions as well as the BTA and such other guidelines relating to interested person transactions as may be prescribed by the Authority or the SGX-ST to apply to business trusts.

The Trustee-Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with interested persons, and all transactions conducted under such a general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee-Manager will appoint an independent financial adviser pursuant to Rule 920(1)(b)(v) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of CitySpring and the Unitholders.

Both the BTA and the Listing Manual requirements would have to be complied with in respect of a proposed interested person transaction which is *prima facie* governed by both sets of rules. Where matters concerning CitySpring relate to transactions entered or to be entered into by the Trustee-Manager for and on behalf of CitySpring with an "interested person" under the Listing Manual and/or the BTA of the Trustee-Manager or CitySpring, the Trustee-Manager is required to ensure that such transactions are conducted in accordance with applicable requirements of the Listing Manual, the BTA and/or such other applicable guidelines relating to the transaction in question.

The Trustee-Manager will ensure that all future business dealings between CitySpring and its Interested Persons will be at arm's length by undertaking the appropriate procedures. In particular, when CitySpring acquires other businesses from the Sponsor or parties related to the Sponsor in the future, the Trustee-Manager will obtain advice from independent parties and comply with all other requirements applicable to such transactions under the Listing Manual and the BTA. In any event, interested person transactions entered into by CitySpring in the future (including acquisitions of businesses from the Sponsor or parties related to the Sponsor), depending on the materiality of such transactions, may need to be publicly announced or, as the case may be, publicly announced and approved by Unitholders, and will, in addition to such other requirements under the Listing Manual and/or the BTA, be:

- decided by a majority vote of the Directors, including the vote of at least one Independent Director; and
- reviewed and approved by the Trustee-Manager's Audit Committee.

Review Procedures for Interested Person Transactions

The Trustee-Manager will establish an internal control system to ensure that all future interested person transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of CitySpring and the Unitholders. As a general rule, the Trustee-Manager must demonstrate to the Audit

Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Trustee-Manager.

The Trustee-Manager will maintain a register to record all interested person transactions which are entered into by CitySpring and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager will also incorporate into its internal audit plan a review of all interested person transactions entered into by CitySpring. The Audit Committee shall review the internal audit reports at least quarterly to ascertain that the guidelines and procedures established to monitor and govern interested person transactions have been complied with.

The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be undertaken:

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of CitySpring's latest audited consolidated net asset value will be subject to review by the Audit Committee at regular intervals (see also "Complying with requirements under Chapter 9 of the Listing Manual" below);
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of CitySpring's latest audited consolidated net asset value will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee-Manager with third parties which are unrelated to the Trustee-Manager; and
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of CitySpring's latest audited consolidated net asset value will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers. Further, under the Listing Manual, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning CitySpring relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of CitySpring with a related party of the Trustee-Manager (which would include relevant Associates thereof) or CitySpring, the Board is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of CitySpring and the Unitholders, and are in accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question. If the Trustee-Manager is to sign any contract with a related party of the Trustee-Manager or CitySpring, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the Authority and the SGX-ST to apply to business trusts.

CitySpring will, subject to "Complying with requirements under Chapter 9 of the Listing Manual" below, comply with Rule 905 of the Listing Manual by announcing any interested person transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of CitySpring's latest audited consolidated net asset value.

The aggregate value of all interested person transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in CitySpring's annual report for the relevant financial year.

Complying with requirements under Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual requires an issuer to disclose or seek shareholders' approval (Unitholders' approval, for CitySpring) for interested person transactions based on the value of these transactions, measured against the issuer's latest audited consolidated net tangible assets.

The SGX-ST has allowed CitySpring to calculate the materiality of its interested person transactions based on its net asset value as at the Listing Date for the period from Listing Date until 31 March 2008, and for subsequent financial years, to use its latest audited consolidated net asset value as at the end of the previous financial year. This is due to the fact that there is a negative value for the net tangible assets of CitySpring on its pro forma balance sheet as at 30 September 2006 (see "Pro Forma Historical Financial Information"), determined by calculating the difference between the value of the net assets of CitySpring, and the sum of the intangibles and goodwill of CitySpring (resulting in a net tangible liability of S$30,180,000 as at 30 September 2006). CitySpring will calculate the materiality of its interested person transactions based on its latest audited consolidated net asset value for as long as its net tangible assets value remains negative. Where CitySpring's net tangible assets should become positive, CitySpring will consult with the SGX-ST to determine an appropriate benchmark with which to assess the materiality of interested person transactions and to apply the SGX-ST's listing rules regulating such transactions.

POTENTIAL CONFLICT OF INTERESTS

The Sponsor, through its wholly-owned subsidiary Nassim Investments, is the 100% shareholder in the Trustee-Manager. Also, upon the completion of the Offering it will be a controlling Unitholder in the sense that it will hold more than 15% of the Units issued in CitySpring.

While the Sponsor has substantial investments across many infrastructure sectors, directly and through its portfolio companies and joint ventures (see "The Sponsor — Overview of the Sponsor's Infrastructure Businesses"), to the best of the Sponsor's knowledge, as at the Latest Practicable Date there are no direct conflicts of interest between the Sponsor, its related corporations and associates vis-à-vis CitySpring, as none of these entities have a business structure and predominant object, scope and focus similar to that of CitySpring — CitySpring will be an infrastructure business trust that is dedicated to investing in infrastructure assets in order to provide Unitholders with regular and predictable distributions and the potential for long-term capital growth. CitySpring is the first infrastructure business trust in Singapore and, while it is conceivable that certain subsidiaries and associates of the Sponsor which are already engaged in the infrastructure business may structure their assets into business trusts, the Sponsor fully supports CitySpring's objective to position itself as a leading player in a growing sector and intends to position CitySpring as its key platform for infrastructure investments. (See "The Sponsor — Role of the Sponsor".)

Further, companies in the Sponsor's portfolio are managed by their respective management teams. They are guided and supervised by their boards of directors.

The Sponsor does not direct the commercial or operational decisions of its portfolio companies, except where shareholder approval is specifically required under their constitutive documents and other applicable laws, regulations, and guidelines. Overall, the Sponsor seeks to promote sound corporate governance in its portfolio companies by supporting qualified, commercially experienced and diverse boards to complement business leaders and their staff.

(See "The Sponsor" for a description of the major infrastructure businesses that the Sponsor, its subsidiaries, related corporations and associates are involved with.)

Mitigation of potential conflicts

While it is possible that in future, the Sponsor, its related corporations and associates may be involved in a) acquiring infrastructure assets and/or b) in businesses with a scope that may overlap with the Initial Businesses and/or those businesses which the Trustee-Manager may acquire in future, the Trustee-Manager believes that such potential conflicts of interests will be managed for the following reasons. First, under the BTA, the Trustee-Manager has statutory duties to:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as CitySpring's trustee-manager in accordance with the BTA and the Trust Deed;
- act in the best interests of all Unitholders as a whole and give priority to the interests of all Unitholders as a whole over its own interests in the event of a conflict between the interests of all the Unitholders as a whole and its own interests;
- not to make improper use of any information acquired by virtue of its position as CitySpring's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Unitholders; and
- hold the Trust Property on trust for all Unitholders as a whole in accordance with the terms of the Trust Deed.

Secondly, although the Trustee-Manager is a wholly-owned subsidiary of the Sponsor via Nassim Investments, the Board composition includes four Independent Directors and the Board has constituted an Audit Committee to among other things, ensure that interested person transactions, if any, are conducted on arm's length terms and on terms not prejudicial to the interests of the Unitholders.

Thirdly, the board of the Trustee-Manager has formed a Conflicts Resolution Committee. The committee's terms of reference are to review conflicts or potential conflicts of interest that may arise from time to time in the course of CitySpring's business or operations between (i) CitySpring and (ii) any director or officer of the Trustee-Manager, any controlling Unitholder (as defined in the Listing Manual), or any controlling shareholder of the Trustee-Manager. An example of such conflicts or potential conflicts of interest would be in the context of the Trustee-Manager identifying, pursuing and executing opportunities to acquire or dispose of assets for CitySpring, but would exclude review of interested person transactions which fall within the purview of the Audit Committee.

This committee consists entirely of Independent Directors. The committee has developed a framework whereby conflicts or potential conflicts may be identified, their nature and extent assessed and evaluated and appropriate measures to control, avoid or mitigate such conflicts or potential conflicts are developed and implemented. (See also "The Trustee-Manager of CitySpring — The Directors — Audit Committee and Nominating and Remuneration Committee", and "The Trustee-Manager of CitySpring — The Directors — Conflicts Resolution Committee".)

The Directors

There are no conflicts of interest between each Director and his associates vis-a-vis CitySpring, as they do not have an interest in any entity or business trust carrying on the same business as CitySpring as described above.

However, a number of the Directors are directors or key executives of companies who are or have interests in infrastructure or infrastructure-related businesses. Mr Mark Yeo is a director of for example, IMC Marine Holdings (Hong Kong) Limited, a company incorporated in Hong Kong which explores shipping-related projects and of IMC Yongyue Shipyard and Engineering, a company incorporated in China which business is ship repair, ship conversion, fabrication and installation, and offshore repair services. Ms Margaret Lui is a Managing Director (Investments) in the Sponsor. (See "Trustee-Manager of CitySpring — Directors" and Appendix L for further details concerning the Directors.)

In relation to the directors, section 12 of the BTA requires every Director to declare the nature of his interest in a transaction of the Trustee-Manager on CitySpring's behalf. A Director who holds any office or possesses any property whereby duties or interests might be in conflict with the Trustee-Manager's duties in relation to CitySpring must provide details of the conflict.

Upon such disclosure as to their interest in a transaction or a conflict, as the case may be, such Directors shall not participate in Board proceedings and abstain from voting in respect of any such transaction or matter in which the conflict arises, unless the Audit Committee (in the case of interested person transactions) or the Conflicts Resolution Committee (in the case of a conflict of interests) has determined that there is no such interest or conflict of interest.

Interests of Underwriters or Financial Advisers

DBS Bank has acted as Joint Financial Adviser, Joint Bookrunner, Joint Lead Manager and Underwriter for the Offering in respect of which it will receive compensation as described in "Use of Proceeds".

Morgan Stanley Singapore has acted as Joint Financial Adviser, Joint Bookrunner, Joint Lead Manager for the Offering and Underwriter in relation to the Public Offer in respect of which it will receive the compensation described in "Use of Proceeds".

Morgan Stanley International has acted as Underwriter in relation to the Placement Tranche in respect of which it will receive compensation as described in "Use of Proceeds".

DBS Bank is a subsidiary of DBS Group Holdings Ltd. As at 26 December 2006, Temasek has an interest in 28.15% of DBS Group Holdings Ltd. Temasek is the controlling Unitholder of CitySpring and owns all the issued shares in the Trustee-Manager.

THE CONSTITUTION OF CITYSPRING

The following is a summary of the Trust Deed and is qualified in its entirety by, and is subject to, the contents of the Trust Deed. Investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of CitySpring (Registration Number: 2007001). The Trust Deed is available for inspection at the registered office of the Trustee-Manager at 111 Somerset Road, #07-02, Singapore Power Building, Singapore 238164.

Background

CitySpring was constituted as a trust on 5 January 2007 by a declaration of trust made by the Trustee-Manager. CitySpring was registered as a business trust with the Authority on 8 January 2007.

On 27 January 2007, the Unitholders have passed resolutions to:

(a) approve the issuance of the Sponsor Units and the Offer Units in connection with the Offering;

(b) give a general mandate, pursuant to Section 36 of the BTA and Clause 6.1 of the Trust Deed, to the Trustee-Manager to issue new Units or grant options over Units (including securities convertible into new Units) or otherwise dispose of the same at any time to such persons and on such terms and conditions whether for cash or otherwise as the Trustee-Manager shall in its absolute discretion deem fit provided that:

   (i) the aggregate number of Units to be issued pursuant to such authority shall not exceed 50.0% of the total number of Units in issue immediately after the close of the Offering; and

   (ii) the aggregate number of Units to be issued other than on a *pro rata* basis to the then existing Unitholders shall not exceed 20.0% of the total number of Units in issue immediately after the close of the Offering; and

(c) give a mandate to the Trustee-Manager, to allot and issue to itself Units instead of cash in the event that the Trustee-Manager elects in accordance with Clause 11 of the Trust Deed to receive all or any part of the Base Fee and/or Performance Fee due and payable to it in Units, provided that such allotment and issue shall be in accordance with the provisions of the Trust Deed,

and subject to the BTA and any other relevant applicable laws, regulations and guidelines. Unless revoked or varied by the Unitholders in general meeting, such authority shall continue in full force until the conclusion of the first annual general meeting of CitySpring or the date by which the first annual general meeting is required by law to be held, whichever is the earlier.

CitySpring's first financial year will be from 8 January 2007, the date of its registration as a business trust with the Authority, to 31 March 2008. Accordingly, CitySpring will hold its first annual general meeting by 7 July 2008, being the date falling 18 months after the date of its registration. These mandates will be in force until that date.

The Initial Businesses which will comprise CitySpring's initial portfolio consist of the City Gas Trust and the SingSpring Trust. The acquisitions will be financed in part by the funds raised in the Offering. (See "Restructuring Exercise".)

The Units are primarily not redeemable

It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Unitholders will not have the right to redeem Units or require the redemption of Units by the Trustee-Manager, though it is provided in the Trust Deed that the Trustee-Manager may repurchase and/or redeem Units in accordance with Relevant Laws, Regulations and Guidelines (as defined in the Trust Deed).

The Trust Deed

CitySpring is a registered business trust constituted by the Trust Deed and is principally regulated by the SFA and the BTA.

The terms and conditions of the Trust Deed shall be binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may empower the Trustee-Manager to do.

The provisions of the BTA prescribe certain terms of the Trust Deed and certain rights, duties and obligations of the Trustee-Manager and Unitholders under the Trust Deed.

The Units and Unitholders

The rights and interests of Unitholders are contained in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee-Manager.

Each Unit represents an undivided interest in CitySpring and shall be in registered form. A Unitholder has no proprietary interest in the underlying assets of CitySpring and is not entitled to require the transfer to it of any asset (or any part thereof) or any interest in any asset (or any part thereof) of CitySpring. A Unitholder's right is limited to the right to require due administration of CitySpring in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee-Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee-Manager by seeking an order for specific performance or for injunctive relief in respect of the assets of CitySpring (or any part thereof), and waives any rights it may otherwise have to such relief. If the Trustee-Manager breaches or threatens to breach its duties or obligations to a Unitholder under the Trust Deed, the Unitholder's recourse against the Trustee-Manager is limited to a right to recover damages or compensation from the Trustee-Manager in a court of competent jurisdiction, and each Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Trustee-Manager, exercise any right in respect of the assets of CitySpring or any part thereof, or lodge any caveat or other notice affecting the assets of CitySpring (or any part thereof), or require that any assets of CitySpring be transferred to such Unitholder.

No certificate shall be issued to Unitholders by the Trustee-Manager in respect of Units issued to Unitholders. For so long as CitySpring is listed, quoted and traded on the SGX-ST, the Trustee-Manager shall, pursuant to the Depository Services Agreement to be entered into between the Trustee-Manager and CDP appoint CDP as the unit depository for CitySpring, and all Units issued will be represented by entries in the register of Unitholders kept by the Trustee-Manager or the agent appointed by it in the name of, and deposited with, CDP as the registered holder of such Units. The Trustee-Manager or the agent appointed by it shall issue to CDP not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under a moratorium and the expiry date of such moratorium and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

There are no restrictions under the Trust Deed or Singapore law on a person's right to purchase (or subscribe for) Units and to own Units except in the case of rights issue where the Trustee-Manager has the right under the Trust Deed to elect not to extend an offer of Units under any rights issue to Unitholders whose addresses are outside Singapore.

Changes in Unitholders' equity

The Trustee-Manager may at any time and on prior written notice (such notice period to be determined by the Trustee-Manager in its absolute discretion) to each Unitholder or to CDP for onward delivery to Unitholders, determine that each Unit shall be sub-divided into two or more Units or consolidated with one or more other Units and Unitholders shall be bound accordingly.

The Register shall be altered accordingly to reflect the new number of Units held by each Unitholder as a result of such sub-division or consolidation and the Trustee-Manager shall cause CDP to alter the Depository Register accordingly in respect of each relevant Unitholder's Securities Account to reflect the new number of Units held by such Unitholder as a result of such sub-division or consolidation.

Rights, preferences and restrictions attaching to each class of Units

The Trust Deed provides that if, at any time, different classes of Units are issued, the rights attached to any class (unless otherwise provided by the terms of issue of the Units of that class) may, subject to the provisions of any applicable laws, regulations and guidelines, be varied or abrogated with the sanction of a Special Resolution passed at a separate meeting of Unitholders of that class.

Currently, there is only one class of Units and every Unit carries the same voting rights. Under the Trust Deed, only persons registered in the statutory register maintained by the Trustee-Manager are recognised as registered holders of the Units in issue. For so long as CitySpring is listed, CDP shall be the registered holder of all the Units in issue and CDP shall pursuant to the Depository Services Agreement maintain a record in a depository register of Unitholders having Units credited into their respective Securities Accounts and to record in the depository register the following information stated below in relation to each Unitholder, namely:

- The names and addresses of the Unitholders;
- The number of Units held by each Unitholder;
- The date on which every such person entered in respect of the Units standing in his name became a Unitholder and, where practicable, a sufficient reference to enable the name and address of the transferor to be identified; and
- The date on which any transfer is registered and the name and address of the transferee.

Under the Trust Deed, each Unitholder named in the Depository Register shall for such period as the Units are entered against his name in the Depository Register, be deemed to be the owner in respect of the number of Units entered against such Unitholder's name in the Depository Register and the Trustee-Manager shall be entitled to rely on any and all such information in the Depository Register.

The entries in the Depository Register shall (save in the case of manifest error) be conclusive evidence of the number of Units held by each Unitholder and, in the event of any discrepancy between the entries in the Depository Register and the details appearing in any confirmation note or monthly statement issued by CDP, the entries in the Depository Register shall prevail unless the Unitholder proves to the satisfaction of the Trustee-Manager and CDP that the Depository Register is incorrect.

Distributions

Subject to the Relevant Laws, Regulations and Guidelines (as defined in the Trust Deed) and the Trust Deed, the Trustee-Manager may make regular distributions to Holders of such amounts to be payable out of Trust Property on such distribution dates as the Trustee-Manager may think fit. All distributions are paid *pro rata* among Unitholders in proportion to the number of fully-paid up Units held by the relevant Unitholder, unless the rights attached to an issue of any Unit provide otherwise. Any monies payable to Unitholders which remain unclaimed after a period of 12 months shall be accumulated in a special account (the "**Unclaimed Monies Account**") from which the Trustee-Manager may, from time to time, make payments to Unitholders claiming any such monies.

In the case where any Unit is not fully paid up, the distribution declared shall be allocated and paid in such proportions as provided for in the terms of issue of such partially paid up Units, and failing such provision, in such proportions as the Trustee-Manager may think fit.

Subject to the winding-up provisions in the Trust Deed, the Trustee-Manager, may and if practicable, cause such sums which represent monies remaining in the Unclaimed Monies Account for six years after the date of payment of such monies into the Unclaimed Monies Account and interest, if any, earned thereon, to be paid into the courts of Singapore after deducting from such sums all fees, costs and expenses incurred in relation to such payment into the courts of Singapore[1]. If the said monies are insufficient to meet all such fees, costs and expenses, the Trustee-Manager shall be entitled to have recourse to the Trust Property.

Voting Rights

A Unitholder is entitled to attend, speak and vote at any general meeting of Unitholders in person or by proxy and a Unitholder may appoint not more than two proxies to attend and vote at the same general meeting as a Unitholder if his name appears on the Depository Register as at 48 hours before the time of the relevant general meeting as certified by the Depository to CitySpring. Except as otherwise provided in the Trust Deed, not less than two Unitholders must be present in person or by proxy of one-tenth in value of all the Units for the time being in issue to constitute a quorum at any general meeting. Under the Trust Deed, on a show of hands, every Unitholder present in person or by proxy shall have one vote, and on a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the general meeting or by five or more Unitholders (including their proxies) having the right to vote at the general meeting or by Unitholder(s) (including their proxies) representing not less than 10.0% of the total voting rights of all the Unitholders having the right to vote at the general meeting.

Variation of rights of respective classes of Units

If at any time different classes of Units are issued, the rights attached to any class (unless otherwise provided by the terms of issue of the Units of that class) may, subject to the Relevant Laws, Regulations and Guidelines (as defined in the Trust Deed), whether or not CitySpring is being wound up, be varied or abrogated with the sanction of a Special Resolution passed at a separate meeting of Unitholders of that class. To every such separate meeting of Unitholders of that class the provisions of the Trust Deed relating to general meetings of the Unitholders shall *mutatis mutandis* apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued Units of the class and that any Unitholder of that class present in person or by proxy or by attorney may demand a poll.

The rights conferred upon Unitholders of the Units of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Units of that class or by the Trust Deed as are in force at the time of such issue, be deemed to be varied by the creation or issue of further Units ranking equally therewith.

The Trust Deed does not impose more stringent conditions for variation of rights of various classes of Units than those required by the applicable law.

Issue of Units

The Trustee-Manager has the exclusive right to issue Units for the account of CitySpring. For so long as CitySpring is listed on the SGX-ST, the Trustee-Manager may, subject to the provisions of the Listing Manual, the Trust Deed, the BTA and any other relevant laws, regulations and guidelines, issue Units. In particular, the issuance of Units will be subject to Section 36 of the BTA which will require the approval by a majority of the number of votes of Unitholders who, being entitled to do so, vote in person or by proxy present at a general meeting of Unitholders and will also be subject to the limits imposed by the Listing Rules, as set out under "Background" above.

[1] The Trustees Act, Chapter 337 of Singapore, allows a trustee to discharge its liabilities towards unclaimed moneys by paying such moneys into Singapore courts, although it does not prescribe the period for which the moneys must be unclaimed before they may be paid into the courts. Although the Trustees Act is not applicable to a registered business trust, as a matter of prudence, the Trust Deed has provided that the Trustee-Manager may pay unclaimed monies into the courts.

Rights and Liabilities of Unitholders

The rights of Unitholders include rights to:

- receive income and other distributions attributable to the Units held;
- receive audited accounts and the annual reports of CitySpring; and
- participate in the termination of CitySpring by receiving a share of all net cash proceeds derived from the realisation of the assets of CitySpring less any liabilities, in accordance with their proportionate interests in CitySpring.

No Unitholder has a right to require that any or all assets of CitySpring be transferred to it.

Further, Unitholders cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:

- CitySpring or the Trustee-Manager ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the Trustee-Manager by the Trust Deed.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the Issue Price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee-Manager or any creditor of CitySpring in the event that the liabilities of CitySpring exceed its assets.

Limitation on right to own Units

Units Issued to Persons Resident Outside Singapore

In relation to any rights issue, the Trustee-Manager may in its absolute discretion elect not to extend an offer of Units under the rights issue to those Unitholders whose addresses are outside Singapore. In such event, the rights or entitlements to the Units of such Unitholders will be offered for subscription by the Trustee-Manager as the nominee and authorised agent of each such relevant Unitholder in such manner and at such price as the Trustee-Manager may determine. Where necessary, the Trustee-Manager shall have the discretion to impose such other terms and conditions in connection with the sale. The proceeds of any such sale, if successful, will be paid to the relevant Unitholders whose rights or entitlements have been thus sold, provided that where such proceeds payable to the relevant Unitholders are less than S$10.00, the Trustee-Manager shall be entitled to retain such proceeds as part of the Trust Property.

Modification of the Trust Deed

Any modification, alteration or replacement of the Trust Deed shall be made by deed supplemental to the Trust Deed and in accordance with applicable laws, regulations and guidelines. The BTA currently provides that the trust deed of a registered business trust may be amended by a resolution passed by the unitholders of that trust holding in the aggregate not less than 75% of the voting rights of all the unitholders of that trust who, being entitled to do so, vote in person or by proxy present at a general meeting of which not less than 21 days' written notice specifying the intention to propose the resolution as a special resolution has been duly given.

Circumstances under which the Trustee-Manager may be indemnified out of the Trust Property

In general, subject to any express provision under the Trust Deed and without prejudice to any right of indemnity at law given to the Trustee-Manager, the Trustee-Manager is entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands which may be brought against or incurred by it as CitySpring's trustee-manager, to have recourse to the Trust Property or any part thereof, save where such action, cost, claim, damage, expense or demand is occasioned by fraud, wilful default or breach of trust by the Trustee-Manager where the Trustee-Manager fails to exercise Due Care.

Circumstances under which the Trustee-Manager may exclude liability in relation to carrying out of its duties with respect to CitySpring

Subject to the duties and obligations of the Trustee-Manager under the Trust Deed, the Trustee-Manager shall not be liable for any act or omission in relation to CitySpring save where there is, on the part of the Trustee-Manager, fraud, wilful default, or breach of trust by the Trustee-Manager where the Trustee-Manager fails to exercise Due Care.

In the absence of fraud, wilful default and breach of trust by the Trustee-Manager where the Trustee-Manager fails to exercise Due Care, the Trustee-Manager shall not incur any liability to the Unitholders by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.

Removal of the Trustee-Manager and appointment of new trustee-manager

The Trust Deed provides that appointment and removal of the Trustee-Manager shall only be in accordance with the Relevant Laws, Regulations and Guidelines (as defined in the Trust Deed). (See "The Trustee-Manager of CitySpring — Retirement or Removal of the Trustee-Manager" for details.)

Changes in the fees and charges payable to the Trustee-Manager

A Special Resolution is required to modify the Trust Deed to approve any change in the Trustee-Manager's Base Fee or Performance Fee (See "Fees Payable to the Trustee-Manager of CitySpring" for details).

Winding-up

There is no provision in the Trust Deed which provides that CitySpring shall be wound up at a specified time, in specified circumstances or on the happening of a specified event.

Under the Trust Deed, CitySpring shall be of indefinite duration. However, in the event that any law shall be passed which renders the trust illegal or, in the opinion of the Trustee-Manager, impracticable or inadvisable to continue the trust, CitySpring may be wound up by the Trustee-Manager, subject to approval by way of a Special Resolution duly passed by the Unitholders.

TAXATION

The following is a summary of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws, regulations, rulings and decisions now in effect, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

This summary is relevant for investors who hold the Units on capital account as investment assets. The income tax consequences for investors may differ where investors hold the Units for dealing purposes, as trading assets or part of a profit-making undertaking or scheme. This summary does not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units and does not purport to apply to all categories of investors, some of which may be subject to special rules.

Prospective investors should consult their own tax advisers concerning the application of Singapore tax and other tax consequences to their particular situations as well as any consequences of the purchase, ownership and disposition of the Units arising under the laws of any other taxing jurisdiction.

The taxation of City Gas Trust and SingSpring Trust (collectively known as the "**Sub-Trusts**"), CitySpring and that of its Unitholders are described below.

Taxation of the Sub-Trusts

The income of the Sub-Trusts will comprise substantially receipts from trade/business. The Sub-Trusts may also earn interest income from the placement of their income that is not immediately distributed in fixed deposits with banks located in Singapore.

The income of the Sub-Trusts, after adjusting for any allowable expenses and permitted allowances, would be subject to Singapore tax at the prevailing corporate tax rate, currently 20%. The tax is assessed on, and collected from, the Sub-Trustees of the respective Sub-Trusts. The after-tax amount may subsequently be distributed to CitySpring free of Singapore withholding tax or tax deduction at source.

Taxation of CitySpring

The receipts of CitySpring, a registered business trust, will comprise substantially the receipts from distributions made by the Sub-Trusts, and the principal repayments and interest payments received pursuant to the Notes issued by the Sub-Trusts.

CitySpring's taxable income after adjusting for allowable expenses and permitted allowances, if any, would be subject to Singapore income tax at the prevailing corporate tax rate, currently 20% (after deducting the applicable tax exemption on the first S$100,000 of chargeable income).

Specifically, the tax treatment of each of CitySpring's receipts from the Sub-Trusts is described below.

Distributions from Sub-Trusts

Based on the Income Tax (Amendment) Bill 2006 and assuming the relevant provisions come into force, with effect from the Year of Assessment 2008, distributions made by the Sub-Trusts out of their income from trade or business carried on by the Sub-Trustees will be tax exempt in the hands of CitySpring as a unitholder in the Sub-Trusts.

Principal Repayments and Interest Payments from the Notes

Principal repayments received from the Sub-Trusts are not taxable since they are capital in nature.

On 1 November 2006, the Authority issued a circular to introduce a package of tax incentives to stimulate the growth of the project finance industry through Singapore's capital markets. One of the tax incentives is the exemption from tax of interest income from qualifying project debt securities. The Notes issued by the Sub-Trusts will qualify as qualifying project debt securities if they meet the following conditions:

(a) Issued on a non-recourse or limited recourse basis i.e. interest payment on the debt is funded primarily from the cash flows of the qualifying infrastructure projects/assets;

(b) Cash raised from the debt security can only be used to acquire, develop or invest in qualifying infrastructure projects/assets or pay down bondholders, shareholders and loan providers of qualifying infrastructure projects/assets;

(c) Either:

   (i) the issue of the debt security is lead managed by, or the debt security is issued under a programme arranged by a Financial Sector Incentive (Project Finance) company ("**FSI-PF**") or a Financial Sector Incentive (Bond Market) (**"FSI-BM**") company; or

   (ii) the issue of the debt security is arranged by a financial institution in Singapore where the Singapore-based staff play a leading and substantial role in origination, structuring and distribution of the debt security;

(d) Issued during the period from 1 November 2006 to 31 December 2008 (both dates inclusive);

(e) Approval has been given by Authority on the level of gearing in the case of an onshore qualifying infrastructure project/asset;

(f) Less than 50% of the issue of the qualifying project debt security is beneficially held or funded directly or indirectly at any time during the life of the issue by related parties of the issuer of the qualifying project debt security; and

(g) Issued to and held by four or more persons at any time during the life of the issue.

If condition (g) cannot be met, a waiver will be granted if the entire issue of the qualifying project debt security is held by entities which are Singapore tax residents and listed in Singapore or to be listed in Singapore within 6 months of the issuance of the qualifying project debt security. Where the Authority's approval has been obtained for the waiver, interest income from the qualifying project debt security will continue to be tax exempt only if it is onward-declared for distribution to the shareholders, unitholders or other equivalent security holders of the entities within 6 months from the end of the financial year in which the interest income was actually received by those entities.

With regard to the Notes issued by the Sub-Trusts, approval has been obtained from the Authority/Ministry of Finance on the waiver of condition (g), as well as the appropriate level of gearing under condition (e). With this approval, if the above conditions (a), (b), (c), (d) and (f) are met, the Notes should qualify as qualifying project debt securities.

Taxation of Unitholders of CitySpring

Distributions from Units

Distributions received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the trustee-manager of CitySpring.

Disposal of Units

If a Unitholder has held the Units as investment assets on capital account, any gains arising from subsequent sales of the Units should generally be considered capital gains not subject to Singapore income tax. However, if the Units have been held on trading account, the gains arising from a subsequent sale may be taxed as income. Because the precise tax status will vary from Unitholder to Unitholder, Unitholders should consult their own professional adviser on the Singapore tax consequences that may apply to their individual circumstances.

Stamp Duty

Stamp duty will not be imposed on instruments of transfers relating to the Units. In the event of a change of trustee-manager of CitySpring, stamp duty on any document effecting the appointment of a new trustee-manager and the transfer of trust assets from the incumbent trustee-manager to the new trustee-manager will be charged at a nominal rate not exceeding S$10 as specified under Article 3(g)(ii) of the First Schedule to the Stamp Duties Act, Chapter 312 of Singapore.

Goods and Services Tax ("GST")

The sale of the Units by an investor belonging to Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply will become an additional cost to the investor.

Where the Units are sold by a GST-registered investor to a person belonging outside Singapore, the sale is a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course or furtherance of a business is claimable as a refund from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Units will be subject to GST at the current rate of 5%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

Estate Duty

Singapore estate duty is imposed on the value of most immovable property situated in Singapore which passes on the death of a person, whatever the domicile of the deceased, subject to specific exemption limits. For persons domiciled in Singapore at the date of death, estate duty is also imposed on movable property, wherever situated, subject to specific exemption limits. Movable assets of persons not domiciled in Singapore are exempt from estate duty. The Units are considered to be movable property situated in Singapore as CitySpring is constituted in Singapore. Accordingly, the Units held by an individual are subject to Singapore estate duty upon such individual's death, if the individual is domiciled in Singapore.

Singapore estate duty is payable to the extent that the value of the Units aggregated with any other assets subject to Singapore estate duty exceeds S$600,000. Unless other estate duty exemptions apply to the other assets, any excess beyond S$600,000 will be taxed at 5% on the first S$12,000,000 of the individual's property subject to Singapore estate duty and the remainder at 10%. Quick succession relief is available for deaths occurring within 2 years of the individual and his beneficiary.

Individuals, whether or not domiciled in Singapore, should consult their own tax advisers regarding the Singapore estate duty consequences of their ownership of the Units.

PLAN OF DISTRIBUTION

The Trustee-Manager is making the Offering of 321,750,000 Units (representing 71.50% of the total number of Units which will be in issue immediately after the Offering, assuming the Over-allotment Option is not exercised) for subscription at the Offering Price of between S$0.77 (the "**Minimum Offering Price**") and S$0.89 (the "**Maximum Offering Price**") for each Unit (the "**Offering Price Range**"). An indicative minimum of 25,000,000 Units will be offered under the Public Offer. The Offering consists of (i) the Placement Tranche and (ii) the Public Offer.

The Units may be reallocated between the Placement Tranche and the Public Offer at the discretion of the Underwriters, in the event of an excess of applications in one and a deficit of applications in the other.

The Public Offer is open to members of the public in Singapore. Under the Placement Tranche, the Trustee-Manager intends to offer the Units by way of an international placement through the Underwriters to investors, including institutional and other investors in Singapore. Subject to the terms and conditions set forth in an underwriting agreement dated 30 January 2007 between the Trustee-Manager, the Sponsor, Tembusu, Napier Investments, Morgan Stanley Singapore, Morgan Stanley International and DBS Bank (the "**Underwriting Agreement**"), the Trustee-Manager is expected to effect for the account of CitySpring the issue of, and the Underwriters are expected to severally (and not jointly) subscribe or procure subscribers for, the 321,750,000 Units which are the subject of the Offering in the amounts set forth opposite their respective names below.

Underwriters	**Number of Units in the Public Offer**[(1)]	**Number of Units in Placement Tranche**[(1)]
Morgan Stanley Singapore	18,750,000	Nil
Morgan Stanley International	Nil	222,562,500
DBS Bank	6,250,000	74,187,500
Total	25,000,000	296,750,000

Note:

(1) Assuming the size of the Public Offer to be 25,000,000 Units.

The Underwriters may enter into sub-underwriting arrangements in respect of their obligations under the Underwriting Agreement.

The Offering Price per Unit in the Placement Tranche and the Public Offer will be identical. The Underwriters have agreed to subscribe or procure the subscription of 321,750,000 Units at the Offering Price in the amounts set forth opposite their respective names above, less the underwriting commission, the selling concession, the management commission and certain costs and expenses of the Offering to be borne by CitySpring. In addition, the Trustee-Manager may, in its discretion pay to the Underwriters the Incentive Fee. To the extent that there are Units that are subsequently resold pursuant to the exercise of the Over-allotment Option, Napier Investments will bear the underwriting commission, selling concession and management commission and, if the Trustee-Manager should exercise its discretion to pay the Incentive Fee, the Incentive Fee as well in respect of such Units.

The Offering Price will be determined, following a book-building process, by agreement between the Underwriters, the Sponsor and the Trustee-Manager on the Price Determination Date, which is expected to be 5 February 2007 but is subject to change. The Offering Price so determined may be lower than the Minimum Offering Price. If for any reason the Offering Price is not agreed between the Underwriters, the Sponsor and the Trustee-Manager, the Offering will not proceed and all application monies will be refunded, without interest or any share of revenue or other benefit arising therefrom, to all applicants, at their own risk, provided that such refunds are made in accordance with the procedures set out in Appendix M — "Terms, Conditions and

Procedures for Application for and Acceptance of the Units in Singapore". Among the factors that will be considered in determining the Offering Price are the level of investor demand for the Units and prevailing market conditions in the securities markets.

The Trustee-Manager and Tembusu Capital Pte. Ltd. ("**Tembusu**") have agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities. Tembusu is a wholly-owned subsidiary of Temasek and holds all the issued share capital of Bartley Investments, Napier Investments and Nassim Investments (which in turn holds all the issued share capital of the Trustee-Manager). See "Summary – Structure of CitySpring".

The Underwriting Agreement also provides that the obligations of the Underwriters to subscribe or procure the subscription of the Units in the Offering are subject to certain conditions contained in the Underwriting Agreement.

As set out in the Underwriting Agreement, the Underwriters may, in their absolute discretion, terminate the Underwriting Agreement, prior to Listing, upon the occurrence of certain events including, among other things, certain force majeure events.

Subscribers of the Units may be required to pay brokerage (and if so required, such brokerage will be up to 1.0% of the Offering Price) and applicable stamp duties, taxes and other similar charges (if any) in accordance with the laws and practices of the country of subscription, in addition to the Offering Price.

Over-allotment Option

In connection with the Offering, the Underwriters have been granted the Over-allotment Option by Napier Investments exercisable in full or in part on one or more occasions by the Stabilising Manager, in consultation with the other Underwriters, from the date of commencement of trading of the Units on the SGX-ST until the earliest of (i) the date falling 30 days from the commencement of trading of the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriters) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units, to purchase from Napier Investments up to an aggregate of 32,175,000 Units at the Offering Price, solely to cover the over-allotment of Units (if any).

Price Stabilisation

In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may, in consultation with the other Underwriters, over-allot Units or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action.

Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the commencement of trading of the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriters) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units.

None of CitySpring, the Trustee-Manager, the Sponsor or the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Units. In addition, none of CitySpring, the Trustee-Manager, the Sponsor or the Underwriters make any representation that the Stabilising Manager will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Stabilising Manager will be required to make a public announcement through the SGX-ST on the cessation of the stabilisation action not later than the start of the trading day of the SGX-ST immediately after the day of cessation of stabilisation action. (See "Risk Factors — Risks Relating to an Investment in the Units".)

Unit Lending Agreement

Upon signing the Underwriting Agreement, the Stabilising Manager, on behalf of the Underwriters, will enter into a Unit Lending Agreement with Napier Investments under which the Stabilising Manager, in consultation with the other Underwriters, may borrow up to 32,175,000 Units from Napier Investments for the purpose of facilitating settlement of the over-allotment of Units in connection with the Offering. The Stabilising Manager, on behalf of the Underwriters, will re-deliver to Napier Investments such number of Units which are equivalent to the Units (if any) borrowed under the Unit Lending Agreement no later than five Business Days following the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-Allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-Allotment Option by the the Stabilising Manager on behalf of itself and the other Underwriters) or (iii) the date falling 30 days after the date of adequate public disclosure of the Offering Price of the Units or such earlier time as may be agreed between Napier Investments and the Stabilising Manager.

Other Relationships

Certain of the Underwriters, the co-managers and their affiliates may engage in transactions with, and perform services for, CitySpring in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions with CitySpring, for which they have or may in the future receive customary compensation.

The Underwriters, the co-managers and their affiliates may also subscribe for Units in the Placement Tranche other than pursuant to their underwriting commitments.

Lock-up Arrangements

Bartley Investments and Napier Investments

Each of Bartley Investments and Napier Investments has undertaken with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), during the First Lock-up Period offer, pledge, lend, sell or contract to sell, grant any option over, charge or otherwise grant security over, create any encumbrance over or otherwise transfer or dispose of (or enter into any swap, hedge, derivatives or other transaction or arrangement which is designed to result in such transfer or disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise), conditionally or unconditionally, any of the Sponsor Units (or any interest therein or in respect thereof) to be issued to them by CitySpring as at the Listing Date or any other securities convertible into or exchangeable for such Sponsor Units or which carry rights to subscribe for or purchase Sponsor Units or agree to do, or publicly announce any intention to do, any of the foregoing or deposit any Sponsor Units (or any securities convertible into or exchangeable for Sponsor Units or which carry rights to subscribe for or purchase Sponsor Units) in any depository receipt facilities. Further, the same restrictions will also apply in respect of 50% of the Sponsor Units held by Bartley Investments and Napier Investments during the Second Lock-up Period.

The restrictions described in the preceding paragraph do not apply to any transfer of Units by Napier Investments pursuant to (i) the Unit Lending Agreement, (ii) the exercise of the Over-allotment Option, or (iii) to another investment holding company, which is a wholly-owned subsidiary of the Sponsor, provided that the restrictions described above are applicable to such investment holding company.

Trustee-Manager

The Trustee-Manager has undertaken with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), during the First Lock-up Period offer, issue or contract to issue, conditionally or unconditionally, any Units (or any interest therein or in respect thereof) or any other securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units or agree to do, or publicly announce any intention to do, any of the foregoing.

The restrictions described in the preceding paragraph do not apply to the issue of Units under the Offering, the issue of Sponsor Units or the issue of Units to the Trustee-Manager from time to time in full or part payment of the Trustee-Manager's fees.

The Sponsor

The Sponsor has undertaken with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), during the First Lock-up Period offer, pledge, lend, sell or contract to sell, grant any option over, charge or otherwise grant security over, create any encumbrance over or otherwise transfer or dispose of (or enter into any swap, hedge, derivatives or other transaction or arrangement which is designed to result in such transfer or disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise), conditionally or unconditionally, its direct or indirect interest in any of the Sponsor Units or any other securities convertible into or exchangeable for such Sponsor Units or which carry rights to subscribe for or purchase such Sponsor Units or agree to do, or publicly announce any intention to do, any of the foregoing or deposit any such Sponsor Units (or any securities convertible into or exchangeable for such Sponsor Units or which carry rights to subscribe for or purchase such Sponsor Units) in any depository receipt facilities. Further, the same restrictions will also apply in respect of the Sponsor's direct or indirect interest in 50% of the Sponsor Units held by Bartley Investments and Napier Investments during the Second Lock-up Period.

The Cornerstone Investors

The Cornerstone Investors are not subject to any lock-up arrangements in respect of their Unitholdings.

SGX-ST Listing

CitySpring has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, CitySpring, the Trustee-Manager or the Units. The Trustee-Manager expects that the Units will commence trading on the SGX-ST on a ready basis on or about 2.00 p.m. 12 February 2007.

Prior to the Offering there has been no trading market for the Units. There can be no assurance that an active trading market will develop for the Units or that the Units will trade in the public market subsequent to the Offering at or above the Offering Price.

Subscription for more than 5.0% of the Units

To the Trustee-Manager's knowledge, as at the Latest Practicable Date, other than Bartley Investments, Napier Investments and Fidelity, no person intends to subscribe for more than 5.0% of the Units comprised in the Offering. The final allocation of Units will be in accordance with the unitholding spread and distribution guidelines set out in Rule 210 of the Listing Manual.

Distribution and Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Prospectus or any other offering or publicity material relating to CitySpring or the Units in any country or jurisdiction (other than Singapore, where action for the purpose is required). Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material, circular, form of application or advertisement in connection with the Units may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations of any such country or jurisdiction.

United States of America

The Units have not been and will not be registered under the Securities Act, and subject to certain exceptions may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. The Units are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Units, an offer or sale of the Units within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

United Kingdom

This Prospectus is not available for general distribution in, from or into the United Kingdom because CitySpring is an unregulated collective investment scheme whose promotion is restricted by sections 238 and 240 of the Financial Services and Markets Act 2000. When distributed in, from or into the United Kingdom, this Prospectus is only intended for investment professionals, high net worth companies, partnerships, associations or trusts and investment personnel of any of the foregoing (each within the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005), persons outside the European Economic Area receiving it electronically, persons outside the United Kingdom receiving it non-electronically and any other persons to whom it may be communicated lawfully. No other person should act or rely on it. Persons distributing this Prospectus in, from or into the United Kingdom must satisfy themselves that it is lawful to do so.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of the Units to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Units which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Units to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Trustee-Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Units to the public" in relation to any Units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Units to be offered so as to enable an investor to decide to purchase or subscribe the Units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

Except pursuant to any approval of CitySpring by *Autorité des marchés financiers*, the Units are not being and may not be offered or sold in France and this Prospectus, or any offering material relating to the Units, may not be distributed or caused to be distributed in France.

Germany

The Units which are the subject of this Prospectus are neither registered for public distribution with the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht -the "**BaFin**") according to the German Investment Act nor listed on a German exchange. No sales prospectus pursuant to the German Securities Prospectus Act or German Sales Prospectus Act or German Investment Act has been filed with the BaFin. Consequently, the Units must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner and this Prospectus and any other document relating to the Units, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Units to the public in Germany or any other means of public marketing. No view on taxation is expressed. Prospective investors in Germany are urged to consult their own tax advisers as to the tax consequences that may arise from purchasing Units.

Ireland

The Units described in this Prospectus are interests in a collective investment scheme which is not supervised or authorised by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**") or approved by the Financial Regulator to market the Units in Ireland. Therefore, no advertising or marketing of Units may take place in Ireland without the prior approval in writing of the Financial Regulator. In addition, any sales or marketing of Units in Ireland must take place in accordance with all applicable provisions of the Irish Investment Intermediaries Act, 1995 (as amended) and all other relevant laws and regulations.

Italy

Each Underwriter has undertaken that no offering of the Units or distribution of any offering materials in relation to the Units will be made in the Republic of Italy unless the requirements of Italian law concerning the offering of securities in general and collective investment schemes in particular have been complied with including (i) the requirements of Article 42 and Article 92 and seq. of Legislative Decree no. 58 of 24 February 1998 and CONSOB Regulation no. 11971 of 14 May 1999, and (ii) all other Italian securities tax and exchange controls and any other applicable laws and regulations, all as amended from time to time.

Switzerland

This Prospectus does not constitute an issue prospectus pursuant to Articles 652a or 1156 of the Swiss Code of Obligations and CitySpring has not and will not register with the Swiss Federal Banking Commission as a foreign investment fund. The Units will not be listed on the SWX Swiss Exchange and, therefore, this Prospectus may not comply with the Disclosure Standards of the Listing Rules of the Swiss Exchange.

Accordingly, the Units may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors. The investors will be individually approached by CitySpring and/or the Underwriters from time to time.

This Prospectus is personal to each offeree and do not constitute an offer to any other person. It may only be used by those persons to whom it has been delivered in connection with the offering described therein and may neither be copied nor directly or indirectly distributed or made available to other persons without the express consent of CitySpring and/or the Underwriters. Any person to whom the Prospectus has been delivered, may not on-sell or offer the Units to any other person, except that banks, securities dealers, and asset managers in Switzerland may acquire the Units for the account of their clients based on a written asset management agreement which complies with the Portfolio Management Guidelines of the Swiss Bankers' Association or equivalent standards.

The Netherlands

The Units may not be offered, sold or acquired, directly or indirectly, in The Netherlands as part of initial distribution or at any time thereafter, and neither this Prospectus nor any other document in respect of the Offering may be distributed or circulated in The Netherlands, other than:

(a) to professional investors;

(b) to less than 100 individuals or legal entities other than professional investors;

(c) for a minimum consideration of at least EUR50,000 per investor; and/or

(d) under any of the other exemptions referred to in the Exemption Regulation pursuant to the Act on the Supervision of Collective Investment Schemes (Vrijstellingsregeling Wet toezicht beleggingsinstellingen).

As from the date that the new Dutch Financial Supervision Act (Wet op het financieel toezicht) enters into force (which is expected to occur in the first quarter of 2007), the Units must be offered in accordance with such Act.

Australia

This Prospectus has not been lodged with the Australian Securities and Investments Commission (the "**ASIC**"), and are not a disclosure document or product disclosure statement for the purposes of Australian law.

The provision of this Prospectus to any person in Australia does not constitute an offer of the Units to that person or an invitation to that person to subscribe for the Units unless the recipient is a person to whom an offer of the Units may be made in Australia without the need for a product disclosure statement under Chapter 7.9 of the Corporations Act 2001 (Cth). This Prospectus is not, and under no circumstances are to be construed as, an advertisement or a public offering of the Units in Australia. CitySpring is not a registered scheme in Australia. Neither ASIC nor any other similar authority in Australia has reviewed or in any way approved this document or the merits of investing in the Units. The Units may not be resold in Australia within a period of 12 months after the date of issue of the Units unless a product disclosure statement is not required for the sale in accordance with sections 1012D or 1012DA of the Corporations Act 2001 (Cth).

Hong Kong

CitySpring has not been authorised by the Hong Kong Securities and Futures Commission. Accordingly, no person may issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Units which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Units which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors", as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong and any rules made under that Ordinance.

Japan

The Units offered outside of Japan have not been and will not be registered under the Securities and Exchange Law of Japan (the "**SEL**") and the Investment Trust and Investment Company Law of Japan (the "**ITICL**"). Accordingly, the Units will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and the ITICL and other relevant laws and regulations of Japan.

Taiwan

The Units are not registered in Taiwan and may not be sold, issued or publicly offered in Taiwan. No person or entity in Taiwan has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Units.

United Arab Emirates

Each Underwriter has represented and agreed that the Units have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and/or sale of securities. The information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise is not intended to be an offer or an invitation to subscribe for or purchase any Units. Further, the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

CLEARANCE AND SETTLEMENT

Introduction

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units.

Upon listing and quotation on the SGX-ST, the Units will be traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organization. CDP holds securities for its account holders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the Securities Accounts maintained by such account holders with CDP.

Clearance and Settlement under the Depository System

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a S$10.00 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

Clearing Fees

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction. The clearing fee, deposit fee and unit withdrawal fee may be subject to GST (currently 5.0%).

Dealings in the Units will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

Other Fees

As the Units will be listed and traded on SGX-ST and Unitholders have no right to request the Trustee-Manager to redeem their Units, no subscription fee, preliminary charge, realization fee or switching fee is payable in respect of the Units.

EXPERTS

Ernst & Young, the Independent Tax Adviser, was responsible for preparing the Independent Taxation Report found in Appendix J of this Prospectus.

Scott Wilson, of Scott House, Basing View, Basingstoke, Hampshire RG21 4JG, England, the Independent Market Research Consultant, was responsible for preparing the section of this Prospectus entitled "Infrastructure Industry".

BNP Paribas Capital (Singapore) Ltd., of 20 Collyer Quay, #08-01, Tung Centre, Singapore 049319, the Independent Valuer, was responsible for preparing the Independent Valuation Summary Letter found in Appendix K of this Prospectus.

Robert Khan & Co Pte Ltd, of 261 Waterloo Street, #04-24, Waterloo Centre, Singapore 180261, the Independent Valuer (Property, Plant and Equipment), was responsible for preparing the independent valuation of the property, plant and equipment of City Gas and SingSpring described in the section "The Restructuring Exercise — Accounting for Restructuring Exercise".

The Independent Tax Adviser, the Independent Market Research Consultant, the Independent Valuer and the Independent Valuer (Property, Plant and Equipment) have each given and have not withdrawn their written consents to the issue of this Prospectus with the inclusion herein of their names and their respective write-ups and reports and all references thereto in the form and context in which they respectively appear in this Prospectus, and to act in such capacity in relation to this Prospectus. The above-mentioned reports have been prepared for the purpose of incorporation in this Prospectus.

None of the Independent Tax Adviser, the Independent Market Research Consultant, the Independent Valuer and the Independent Valuer (Property, Plant and Equipment):

- is employed on a contingent basis by the Trustee-Manager;
- has a material interest, whether direct or indirect, in the Units; or
- has a material economic interest, whether direct or indirect, in CitySpring, including an interest in the success of the offer.

None of Allen & Gledhill, Linklaters Allen & Gledhill and Venture Law LLC has authorised or caused the issue of this Prospectus nor makes, or purports to make, any statement in this Prospectus and none of them is aware of any statement in this Prospectus which purports to be based on a statement made by it and it makes no representation, express or implied, regarding, and, to the extent permitted by law, takes no responsibility for, any statement in or omission from this Prospectus.

REPORTING AUDITORS AND AUDITORS

PricewaterhouseCoopers, Certified Public Accountants, the reporting auditors, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of:

- Their name,
- The Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of CitySpring and its subsidiaries in relation to the Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries for the year ended 31 March 2006 and the six month period ended 30 September 2006; and
- The Reporting Auditors' Report on the Profit and Cash Flow Projections in relation to the profit and cash flow projections of CitySpring and its subsidiaries for the financial period ending 31 March 2007 and the financial year ending 31 March 2008,

in the form and context in which they appear in this Prospectus and references to their name and such reports in the form and context in which they appear in this Prospectus and to act such capacity in relation to this Prospectus.

PricewaterhouseCoopers, Certified Public Accountants, the auditors of City Gas, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of:

- Their name,
- The Audit Reports on the Financial Statements of City Gas for the financial years ended 31 March 2004 and 2005;
- The Audit Report on the Financial Statements of City Gas and its Subsidiary for the financial year ended 31 March 2006; and
- The Review Report on the Interim Financial Statements of City Gas and its Subsidiary for the six months ended 30 September 2006,

in the form and context in which they appear in this Prospectus and references to their name and such reports in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

Ernst & Young, Certified Public Accountants, the auditors of SingSpring have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of:

- Their name,
- The Auditors' Reports on the Financial Statements of SingSpring for the financial year ended 31 December 2005 and for the three months ended 31 March 2006; and
- The Review Report on the Interim Financial Statements of SingSpring for the six months ended 30 September 2006,

in the form and context in which they appear in this Prospectus and references to their name and such reports in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

GENERAL AND STATUTORY INFORMATION

MATERIAL BACKGROUND INFORMATION

1. None of the Directors or Executive Officers of the Trustee-Manager, was or is involved in any of the following events:

   (a) At any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;

   (b) At any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

   (c) Any unsatisfied judgment against him;

   (d) A conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;

   (e) A conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

   (f) At any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;

   (g) A conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

   (h) Disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

   (i) Has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

   (j) To his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

      (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

      (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

      (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust;

(k) Has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

LITIGATION

2. Neither CitySpring nor the Trustee-Manager is engaged in any legal or arbitration proceedings as plaintiff or defendant in the 12 months immediately preceding the date of lodgment of this Prospectus in respect of any amounts or claims which are material in the context of the Offering and to the best of the Directors' knowledge and belief, having made all due enquiries, there are no legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgment of this Prospectus, or any facts likely to give rise to any litigation, claims or proceedings which might have, a material effect on the financial position or profitability of CitySpring or the Group.

EXCHANGE CONTROLS

3. As at the Latest Practicable Date, there is no governmental law, decree or regulatory requirement or any other requirement which may affect the repatriation of capital and the remittance of profits by or to the Trustee-Manager.

MATERIAL CONTRACTS

4. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Trustee-Manager from the date of establishment of CitySpring to the date of lodgment of the Prospectus and may or may not be material:

   (a) The City Gas Restructuring Agreement;

   (b) The SingSpring Restructuring Agreement;

   (c) City Gas Subscription Deed; and

   (d) SingSpring Subscription Deed.

DOCUMENTS FOR INSPECTION

5. For a period of six months from the date of registration by the Authority of this Prospectus, the following documents (or copies thereof as the case may be) may be inspected at the registered office of the Trustee-Manager in Singapore:

   (a) The Trust Deed;

   (b) The service contract of Mr Fai Au Yeung who is both the Chief Executive Officer and Director;

   (c) The material contracts referred to under "General and Statutory Information — Material Contracts";

   (d) The reports set out in Appendices A to J;

   (e) The letter set out in Appendix K;

   (f) The independent valuation report of the plant, property and equipment prepared by Robert Khan & Co Pte Ltd;

   (g) The letters of consent set in out in "Experts" and "Reporting Auditors and Auditors";

(h) The pro forma financial statements of CitySpring and its subsidiaries for the year ended 31 March 2006 and the six months ended 30 September 2006;

(i) The audited financial statements of City Gas for each of FY 2004, FY 2005, and FY 2006 (which includes those of its subsidiary), and the unaudited interim financial statements of City Gas and its subsidiary for the six months ended 30 September 2006; and

(j) The audited financial statements of SingSpring for each of FY 2004, FY 2005, and for the three months ended 31 March 2006, and the unaudited interim financial statements of SingSpring for the six months ended 30 September 2006.

MISCELLANEOUS

6. When CitySpring is listed on the SGX-ST, investors may check the SGX-ST website http://www.sgx.com for the prices at which Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers such as *The Straits Times, The Business Times* and *Lianhe Zaobao* for the price range within which Units were traded on the SGX-ST on the preceding day.

7. There have been no public take-over offers by a third party in respect of the Units or by the Trustee-Manager (acting in its capacity as trustee-manager of CitySpring) in respect of the shares of a corporation or the units of another business trust, which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.

8. The Trustee-Manager had received a ruling from The SGX-ST to the effect that CitySpring is not required to issue its annual report and hold its annual general meeting within four months from 31 March 2007 as the first financial year of CitySpring would end only on 31 March 2008.

9. Save as disclosed elsewhere in this Prospectus, there is no arrangement or understanding with a substantial shareholder of the Trustee-Manager, substantial Unitholder, customer or supplier of the Trustee-Manager, pursuant to which any Director or any Executive Officer was selected as a Director or Executive Officer.

10. There is no family relationship among the Directors and Executive Officers or between the Director, Executive Officers and any substantial shareholder of the Trustee-Manager or any substantial Unitholder of CitySpring.

11. There is no known arrangement the operation of which may, at a subsequent date, result in a change of control of CitySpring or the Trustee-Manager.

12. The concepts of the order book and seasonality are not applicable to each of the businesses of CitySpring, City Gas and SingSpring, save that in the case of City Gas, there may be a non-material increase in the consumption of town gas on holidays or during festive periods.

13. Dilution is the difference between the offer price per unit and the net asset value per unit for the equivalent class of unit, as of the latest balance-sheet date after adjusting for the effects of the offer, and any disposal or acquisition which occurred between the latest balance sheet date and the date of the registration of the prospectus by the Authority on the net asset value per unit. Dilution cannot be computed in the case of CitySpring, as the net asset value of CitySpring is equivalent to the value of the net proceeds from the Offering.

14. The principal banker of CitySpring is DBS Bank.

15. Except as disclosed in "Pro Forma Historical Financial Information", "Historical Financial Information of the Initial Businesses", "The Business of CitySpring", "The Initial Businesses — City Gas and SingSpring" and elsewhere in this Prospectus, no event has occurred since 30 September 2006 and up to the Latest Practicable Date that may have a material effect on the financial position and results of CitySpring, City Gas and/or SingSpring.

16. CitySpring was constituted on 5 January 2007 with 2 initial issued Units. As at the date of this Prospectus, the issued equity of CitySpring is 2 Units. Except as disclosed below, there has been no change in the equity of CitySpring since its constitution. These Units will be paid for upon the Listing, and the price for these Units will be the Offering Price.

    The City Gas Trust was constituted on 5 January 2007 with 1 initial issued unit. As at the date of this Prospectus, the issued equity of the City Gas Trust is 1 unit. Except as disclosed below, there has been no change in the equity of the City Gas Trust since its constitution. These units will be paid for upon the Listing, and the price for these units will be in accordance with the City Gas Restructuring Agreement. (See "The Restructuring Exercise".)

    The SingSpring Trust was constituted on 5 January 2007 with 10 initial issued units. As at the date of this Prospectus, the issued equity of the SingSpring Trust is 10 units. Except as disclosed below, there has been no change in the equity of the SingSpring Trust since its constitution. These units will be paid for upon the Listing, and the price for these units will be in accordance with the SingSpring Restructuring Agreement. (See "The Restructuring Exercise".)

Name of Trust	**Date**	**Number of Units issued**	**Purpose of issue**
CitySpring	5 January 2007	2	Initial Subscription
City Gas Trust	5 January 2007	1	Initial Subscription
SingSpring Trust	5 January 2007	10	Initial Subscription

17. This Prospectus contains data and forecasts derived from various sources published by "ADB-JBIC-World Bank", "Singapore Department of Statistics" and "PUB" that are publicly available. The Trustee-Manager has confirmed that the data attributed to "ADB-JBIC-World Bank", "Singapore Department of Statistics" and "PUB" in this Prospectus has been extracted from the cited sources in its proper form and context. The Trustee-Manager reasonably believes that the sources listed are reliable in the context of the information extracted. The Trustee-Manager has not verified the accuracy of the information extracted from nor has it obtained the specific consents of "ADB-JBIC-World Bank", "Singapore Department of Statistics" or "PUB" for the inclusion of such data in this Prospectus. Accordingly, "ADB-JBIC-World Bank", "Singapore Department of Statistics" and "PUB" would not be liable for the data extracted from the cited sources and used in this Prospectus under Sections 282N and 282O of the SFA. The Trustee-Manager is also not aware of any disclaimers made by "ADB-JBIC-World Bank", "Singapore Department of Statistics" or "PUB" in relation to the reliance on the contents of their cited sources. See also the section "The Infrastructure Industry" for other sources cited by Scott Wilson Ltd.

18. The Trustee-Manager has appointed PricewaterhouseCoopers as the auditors of CitySpring in accordance with the requirements of the BTA.

WAIVERS FROM THE SGX-ST FOR THE PURPOSES OF THE BUSINESS OF CITYSPRING

19. In addition to other waivers sought and described elsewhere in this Prospectus, the Trustee-Manager has obtained the following waivers from the SGX-ST, to facilitate its business:

    - The requirement under Rule 404(5) of the Listing Manual for the management company (in this case, the Trustee-Manager) to be reputable and to have an established track record in managing investments;

- The requirement under Rule 407(4) of the Listing Manual for the submission of the financial track record of the investment manager and investment adviser (in this case, the Trustee-Manager) and persons employed by each of them in the listing application; and
- The requirement under Rule 409(3) of the Listing Manual for the submission of the annual accounts of CitySpring for each of the last five financial years.

(See "The Trustee-Manager of CitySpring — Other rights and obligations of the Trustee-Manager — Waivers by the SGX-ST of certain requirements in the Listing Manual")

CONSENT OF JOINT FINANCIAL ADVISERS, JOINT BOOKRUNNERS, JOINT LEAD MANAGERS AND UNDERWRITERS

20. DBS Bank, named as Joint Financial Adviser, Joint Bookrunner, Joint Lead Manager and Underwriter for the Offering has given, and not withdrawn, its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

21. Morgan Stanley Singapore, named as Joint Financial Adviser, Joint Bookrunner, Joint Lead Manager for the Offering and Underwriter in relation to the Public Offer has given, and not withdrawn, its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

22. Morgan Stanley International, named as Underwriter in relation to the Placement Tranche has given, and not withdrawn, its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

Table of disclaimers for the section "The Infrastructure Industry"

Footnote number	**Disclaimers in relation to reliance on the contents of the relevant statement**
Footnote 3, 5, 17	The Asian Development Bank, Japan Bank for International Cooperation and The World Bank do not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the Asian Development Bank, Japan Bank for International Cooperation, or The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.
Footnotes 7, 8	The Contents of this Site are provided on an "as is" basis without warranties of any kind. To the fullest extent permitted by law, MOF does not warrant and hereby disclaims any warranty: (a) as to the accuracy, correctness, reliability, timeliness, non-infringement, title, merchantability or fitness for any particular purpose of the Contents of this Site; (b) that the Contents available through this Site or any functions associated therewith will be uninterrupted or error-free, or that defects will be corrected or that this Site and the server is and will be free of all viruses and/or other harmful elements. MOF shall also not be liable for any damage or loss of any kind caused as a result (direct or indirect) of the use of the Site, including but not limited to any damage or loss suffered as a result of reliance on the Contents contained in or available from the Site.
Footnotes 10	The information in this Consultation Paper is not to be treated by any person as any kind of advice. The Energy Market Authority shall not be liable for any damage or loss suffered as a result of the use of or reliance on the information given in this Consultation Paper.
Footnote 13	The content on this site, including news, quotes, data and other information, is provided by Reuters and its third party content providers for your personal information only, and is not intended for trading purposes. Content on this site is not appropriate for the purposes of making a decision to carry out a transaction or trade. Nor does it provide any form of advice (investment, tax, legal) amounting to investment advice, or make any recommendations regarding particular financial instruments, investments or products. Reuters.com does not provide investment advice nor recommendations to buy or sell securities. We do not request personal information in any unsolicited email correspondence with our customers. Any correspondence offering trading advice or unsolicited message asking for personal details should be treated as false and reported to (add in email address at Reuters). Neither Reuters nor its third party content providers shall be liable for any errors, inaccuracies or delays in content, or for any actions taken in reliance thereon. REUTERS EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, AS TO THE ACCURACY OF ANY THE CONTENT PROVIDED, OR AS TO THE FITNESS OF THE INFORMATION FOR ANY PURPOSE. Although Reuters makes reasonable efforts to obtain reliable content from third parties, Reuters does not guarantee the accuracy of or endorse the views or opinions given by any third party content provider. This site may point to other Internet sites that may be of interest to you, however Reuters does not endorse or take responsibility for the content on such other sites.
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Footnote 25	The information found below was provided to Industry Canada by STAT-USA, and is supplied in English only. Industry Canada assumes no responsibility for the accuracy or timeliness of the information. Any views or opinions expressed are those of the authors. Industry Canada re-publishes U.S. trade opportunities (in international Market Insights) as a courtesy to assist Canadian companies identify potential markets, and not as a recommendation or endorsement of any specific company.
Footnote 29	This website and the Materials are provided "as is", "as available". SPH does not warrant the accuracy, adequacy or completeness of this website and/or the Materials and expressly disclaims liability for errors or omissions in the Materials. No warranty of any kind, implied, express or statutory, including but not limited to the warranties of non-infringement of third party rights, title, merchantability, satisfactory quality and/or fitness for a particular purpose, is given in conjunction with the Materials and/or this website.
Footnote 48	Your use of the services or information provided within this site is solely at your risk. The service is provided on an "as is" and "as available" basis. IndianAirports.com expressly disclaims all warranties of any kind, whether express or implied, including, but not limited to the implied warranties of merchantability, fitness for a particular purpose and non-infringement. IndianAirports.com makes no warranty that (i) the service will meet your requirements, (ii) the service will be uninterrupted, timely, secure, or error-free, (iii) the results that may be obtained from the use of the service will be accurate or reliable, (iv) the quality of any products, services, information, or other material purchased or obtained by you through the service will meet your expectations, and (v) any errors in the site will be corrected. Any material obtained through the use of the service is done at your own discretion and risk and that you will be solely responsible for any damage that may result with the use of any such material or service.
Footnote 53	THE MATERIALS AND INFORMATION YOU FIND ON THE THAI'S WEB SITE ARE PROVIDED "AS IS", WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED,INCLUDING WITHOUT LIMITATION ANY WARRANTY FOR INFORMATION, SERVICES, OR PRODUCTS PROVIDED THROUGH OR IN CONNECTION WITH THE THAI'S SERVICES AND ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, EXPECTATION OF PRIVACY OR NON-INFRINGMENT. This disclaimer of liability applies to any damages or injury caused by any failure of performance, error, omission, interruption, deletion, defect, delay in operation or transmission, computer virus, communication line failure, theft or destruction or unauthorized access to, alteration of, or use of record, whether for breach of contract, tortious behavior, negligence, or under any other cause of action. You specifically acknowledge that THAI is not liable for your defamatory, offensive, infringing or illegal materials or conduct or that of third parties, and THAI reserves the right to remove such materials from the THAI' web site without liability. All contents, including, but not limited to text, figures, timetables, photographs, graphics, etc., in any THAI's web site and any automatic responding messages may contain technical errors or typing inaccuracies or other types of errors or inaccuracies. THAI assumes no responsibility whatsoever for any such errors or inaccuracies. This web site has been complied in good faith by THAI without representation nor warranty, neither express nor implied, as to the completeness or accuracy of the information it contains. You must always verify this information before you act upon it by calling your local THAI office, THAI's partner concerned or a THAI's agent. You agree not to hold THAI liable for the consequence of any action(s) you may take on the basis of the information contained on any THAI's web site.
Footnotes 55, 56, 58, 59	While we make every effort to ensure that material on this site is accurate and up to date (unless denoted as archived material), such material is not published as professional advice. Users should seek appropriate independent professional advice prior to relying on, or entering into any commitment based on material published here. By entering the site, you will be deemed to have released and discharged the Commonwealth of Australia, represented by Invest Australia, from all liability in respect of any loss suffered as a result of relying on the information on this site, including liability in respect of any defamatory material on any database or in respect of any dealings with any work (including software) in which you hold any copyright or other intellectual property right. By entering the site, you will be assuming all risks associated with the use of this site, including risks to your computer, software or data damaged by any virus which might be transmitted, downloaded or activated via the Invest Australia site and/or its contents and your access to it. Material, summarised views, standards or recommendations of third parties, which may also be included on this site, do not necessarily reflect the views of Invest Australia, or indicate a commitment to a particular course of action. All financial information is unaudited unless otherwise specified. Links to other sites are provided in good faith, but we can give no assurance of the quality, accuracy, or relevance of material on such sites. Such links do not constitute endorsement of material at those sites, or any associated organisation, product or service. The Commonwealth of Australia, represented by Invest Australia hereby excludes all liability to the extent permissible by law.
Footnote 57	All information in this web site is meant for your reference only, and is not intended, nor should be construed, as investment advice. The Cheung Kong Infrastructure Group does not warrant or represent that the information provided here is complete and accurate, nor that the information is up to date. No liability will be accepted for any loss or damage howsoever arising from or in reliance upon the contents of this web site.
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GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of CitySpring's business, the following glossary provides an explanation on some of the technical terms and abbreviations used in this Prospectus. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

Aeration adjustment	Adjustment of the proportion of primary air induced by the gas (to be mixed with the gas) for proper burning of the gas
Alkalinisation	Alkalinisation is the addition of carbonate, bicarbonate or hydroxide to increase the pH of the water
Anti-surge vessel	A tank which absorbs the rate of change of flow. They are positioned at peaks of a pipeline to prevent pressure disruptions from occurring in the pipeline.
Backwash water	The water used for the reversal of flow through a filter to wash clogging material out of the filtering medium.
Boiler	A closed vessel where water is heated under pressure to produce steam.
Brine discharge system	A system which removes the rejected concentrated brine from the reverse osmosis trains.
Btu	British thermal unit, used for measuring energy.
Buffer tank	A storage tank used for hydraulic isolation and surge protection.
Burner head	The part of a gas appliance where the gas or air-gas mixture is discharged and burned.
Calorific value	Heating value of fuel, and may be expressed in MJ/Sm^3 or Btu/scf.
Chlorination	The application of chlorine to water is generally for the purpose of disinfection.
Coarse screen	Filters installed at intake ports (gate openings) to prevent large objects from entering the conveying system.
DAFF sludge	Thickened impurities from raw seawater formed during dissolved air floatation filtration.
Dehydrator	A unit used to remove moisture content from town gas through the action of condensation by cooling.
Desalinated potable water	Product drinking water which is processed from seawater.
Desulphurisation reactor	A separation unit used for removal of sulphur from the process.
Distillation process	A separation process in which a liquid is converted to vapour and the vapour is then condensed to a liquid.
Energy recovery system	A system which transfers energy from the RO high pressure brine discharge to RO high pressure feed.
Feedstock	Raw material for industrial process.
Flame extinction	This means the flame has been extinguished.

Flame lifting . . . . This refers to the abnormal separation of flame from the burner head/port where the flame is burning some distance away from the burner head/port.

Flocculation . . . . The aggregation of particles into larger elements.

Fluoride dosing . . . . The addition of sodium silicofluoride to increase the concentration of fluoride ions in drinking water to a predetermined optimum limit to reduce dental cavities.

Gas compressor . . . . A unit used to increase the pressure of a gas through the action of compressing the gas.

Gas Supply Code . . . . A Code of Practice to be made pursuant to the Gas Act (Cap.116A).

Hazard Analysis Critical Control Point . . . . A systematic approach to the identification, evaluation, and control of food safety hazards.

HSFO . . . . High sulphur fuel oil

HSFO 180 cst. . . . . The Singapore spot High Sulfur fuel oil 3.5% sulfur 180 centistokes viscosity as quoted in Platt's

kW . . . . Kilowatt

kWh . . . . Kilowatt Hour

Latent defect . . . . A defect in any equipment or service that could not have been discovered by a reasonably thorough inspection before sales.

Lean gas . . . . Gas produced from steam reforming reaction with low calorific value, typically at 11–12 MJ/Sm^3.

Light virgin naphtha . . . . A lighter fraction of naphtha consisting predominantly of paraffin hydrocarbon, low aromatic constituents and specific gravity of less than 0.67.

LNG . . . . Liquefied Natural Gas

LPCG . . . . Low Pressure Cyclic Gasmaking Plant.

LPG . . . . Liquefied Petroleum Gas, a mixture of hydrocarbon gases. It is composed predominantly of propane and butane.

m^3 . . . . Cubic metre

MPCG. . . . . Medium Pressure Continuous Gasmaking Plant.

Membrane . . . . Membranes are engineered thin semi-permeable films, which serve as barriers permitting the passage of materials only up to a certain size, shape or electrochemical character. They are used as separating agents in reverse osmosis, ultrafiltration, nanofiltration and microfiltration.

Micron level filtration. . . . . Micron level filtration is a process that filters particles on the basis of size. It is typically used to separate or remove relatively large particles, such as emulsified oils, suspended solids and macromolecules with molecular weights greater than approximately 50,000. Pore sizes of such filters range from approximately 0.1 to 10 μm.

Naphtha. . . . . Straight-run gasoline fractions. Used as a feedstock for reforming and as a petrochemical feedstock.

Naphtha splitter . . . . Distillation column used for separating naphtha into lighter and heavier hydrocarbons.

Natural gas . . . . A mixture of gaseous hydrocarbon, consisting mainly of methane, which occurs naturally in underground geological formations.

Odorisation process . . . . A mixing process whereby odorant such as Tetrahydrothiophene (THT) is added to the town gas to give the gas a distinct smell. It serves as a safety measure for the detection of gas leakage.

Reformer tube . . . . A tube where steam reforming reaction takes place in the presence of a catalyst.

Remineralisation . . . . The addition of chemicals to alter the mineral composition of desalted water so as to meet certain standards such as the World Health Organisation regulations.

Reticulation . . . . The supply of gas through a piped system.

RO or **Reverse osmosis** . . . . Reverse osmosis is the forced passage of a concentrated solution through a membrane against the natural osmotic pressure to produce a less concentrated solution. In the case of seawater desalination, seawater is a concentrated solution of water and salt which is forced through a membrane to produce water free of salt (less concentrated).

Reverse osmosis train . . . . A single module of RO Pressure Vessels with associated pipe works, valves, instrumentation and controls.

Salinity . . . . A measurement of the concentration of dissolved salt content in a body of water.

Seawater desalination plant. . . . A plant which removes salt and other minerals from seawater in order to obtain water which is suitable for consumption.

Sedimentation . . . . The removal of solid particles from suspension by gravity.

Semi-permeable membrane . . . . Thin barriers or films of material with a large number of small pores of a predetermined size that allow small molecules such as H2O to pass through the pores while preventing the passage of larger molecules and other materials.

Specific gravity. . . . . Ratio of the density of a substance to the density of a reference substance. Air is typically used as a reference for gas while water is used typically as a reference for liquid.

Spherical gasholders . . . . A spherical tank used to store town gas.

Town gas . . . . A gas which is manufactured from petrochemical feedstock, has hydrogen as one of its main constituents and is conveyed to consumers via the Network.

Water availability . . . . The important aspects of water availability include the location, extent and quality of (1) natural surface-water and groundwater sources and (2) sources resulting from water-use practices.

Water demineralization treatment plant . . . . A treatment process whereby minerals or impurities from the raw water are removed to produce high quality boiler feed water.

Water reclamation . . . . Reprocessing of any source of raw water, for example wastewater or seawater, into potable water.

DEFINITIONS

%	Per centum or percentage
1996 Public Utilities Act	Public Utilities Act, Chapter 261 of Singapore, 1996 Revised Edition
2002 Public Utilities Act	Public Utilities Act, Chapter 261 of Singapore, 2002 Revised Edition
Application Forms	The printed application forms to be used for the purpose of the Offering and which form part of this Prospectus
Application List	The list of applicants subscribing for Units which are the subject of the Public Offer
associate	Has the meaning ascribed to it in the SF BT Regulations and/or in the Listing Manual
associated company	Has the meaning ascribed to it in the Listing Manual
Audit Committee	The audit committee of the Trustee-Manager
Authority.	The Monetary Authority of Singapore
Bartley Investments	Bartley Investments Pte. Ltd.
BNP Paribas	BNP Paribas Capital (Singapore) Ltd
Board	The board of directors of the Trustee-Manager
BTA or **Business Trusts Act**	Business Trusts Act, Chapter 31A of Singapore (including all subsidiary legislation made pursuant to the said Act)
Business Day	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading
CDP	The Central Depository (Pte) Limited
Chief Executive Officer.	The chief executive officer of the Trustee-Manager
Chief Financial Officer or **CFO** .	The chief financial officer of the Trustee-Manager
City Gas	City Gas Pte Ltd
City Gas Notes.	Up to S$195,600,000 subordinated notes due 2037 to be issued by the City Gas Trustee to CitySpring
City Gas Restructuring Agreement	The restructuring agreement dated 5 January 2007 entered into among Temasek, the Trustee-Manager, City Gas (acting in its personal capacity), City Gas Trustee, Bartley Investments, Napier Investments and Tembusu, and as amended and supplemented from time to time
City Gas Subscription Deed . . .	The subscription deed dated 5 January 2007 entered into between City Gas Trustee and the Trustee-Manager, and as amended and supplemented from time to time
CitySpring	CitySpring Infrastructure Trust
Companies Act.	Companies Act, Chapter 50 of Singapore
Company Secretary or **Joint Company Secretaries**	The company secretary(ies) of the Trustee-Manager
Completion	Completion of the acquisition of the Initial Businesses

Control	Unless the context otherwise requires, "control" has the meaning ascribed to it in the Listing Manual and "controlling Unitholder" and "controlling shareholder" shall be construed accordingly
DBS Bank	DBS Bank Ltd.
Depository Register	The electronic register of book entry securities of CitySpring maintained by the CDP
Depository Services Agreement .	The depository services agreement to be entered into between CDP and the Trustee-Manager relating to the deposit of the Units in CDP
Director	Director of the Trustee-Manager
EMA	Energy Market Authority of Singapore
EPC	Engineering, procurement and construction
Executive Officers	The key executive officers of the Trustee-Manager, as defined in the SF BT Regulations
First Lock-up Period	The period commencing from the Listing Date until the date falling six months after the Listing Date
FY 2004	The financial year (i) beginning on 1 April 2003 and ending on 31 March 2004 in relation to City Gas (ii) beginning on 1 January 2004 and ending on 31 December 2004 in relation to SingSpring
FY 2005	The financial year (i) beginning on 1 April 2004 and ending on 31 March 2005 in relation to City Gas (ii) beginning on 1 January 2005 and ending on 31 December 2005 in relation to SingSpring
FY 2006	The financial year beginning on 1 April 2005 and ending on 31 March 2006 in relation to City Gas
Gas Act	Gas Act, Chapter 116A of Singapore, 2002 Revised Edition
GDP	Gross Domestic Product
Group	The group of entities consisting of CitySpring, City Gas, the City Gas Trust, SingSpring, and the SingSpring Trust, that will be formed upon Listing, in accordance with the Restructuring Exercise
GSPL	Gas Supply Pte Ltd
GST	Goods and Services Tax
Hydrochem	Hydrochem (S) Pte Ltd
Hyflux	Hyflux Ltd
Hyflux Engineering.	Hyflux Engineering Pte Ltd
Hong Kong	The Hong Kong Special Administrative Region of the PRC
immediate family member.	in relation to an individual, means the individual's spouse, son, adopted son, step-son, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister
Independent Directors	Independent Directors for the purposes of the BTA

Independent Market Research Consultant	Scott Wilson Ltd
Independent Tax Adviser	Ernst & Young
Independent Valuer	BNP Paribas
Independent Valuer (Property, Plant and Equipment).	Robert Khan & Co Pte Ltd
Initial Businesses	The business undertakings of City Gas Trust and SingSpring Trust collectively
interested person	Has the meaning ascribed to it in the BTA and, where applicable, includes an "interested person" as defined in the Listing Manual and in the SF BT Regulations
interested person transaction. . .	Has the meaning ascribed to it in the Listing Manual and the SF BT Regulations
IRAS	Inland Revenue Authority of Singapore
Issue Price	Issue price of each Unit
Joint Financial Advisers	DBS Bank and Morgan Stanley Singapore
Latest Practicable Date.	10 January 2007 being the latest practicable date prior to the lodgment of this Prospectus with the Authority
Listing	Means the admission of CitySpring to the Official List of the SGX-ST pursuant to the Offering
Listing Date	The date of commencement of dealing in the Units on the SGX-ST
Listing Manual.	The Listing Manual of the SGX-ST
Market Day	A day on which the SGX-ST is open for trading in securities
Morgan Stanley International . .	Morgan Stanley & Co. International Limited
Morgan Stanley Singapore	Morgan Stanley Dean Witter Asia (Singapore) Pte
Napier Investments.	Napier Investments Pte. Ltd.
Nassim Investments	Nassim Investments Pte. Ltd.
Nominating and Remuneration Committee	The nominating and remuneration committee of the Trustee-Manager
Non-Independent Directors	Directors who are not Independent Directors
Notes	The City Gas Notes and the SingSpring Notes
OECD	Organization for Economic Co-operation and Development
Offering.	The offering of 321,750,000 Units by the Trustee-Manager for subscription at the Offering Price under the Placement Tranche and the Public Offer
Offering Price	The Offering Price of each Unit under the Offering
OPEC	Organisation of Petroleum Exporting Countries

Ordinary Resolution	A resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders or, to the extent permitted by law, a resolution in writing signed by or on behalf of more than 50.0% of the Unitholders for the time being entitled to receive notice of any meeting of Unitholders
O&M.	Operations and management
Participating Banks	DBS Bank (including POSB), Oversea-Chinese Banking Corporation Limited and, United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the "**UOB Group**")
Placement Tranche	The international placement of Units to investors, including institutional and other investors in Singapore, pursuant to the Offering
PowerGas	PowerGas Ltd
PUB	The Public Utilities Board
PRC or **China**	People's Republic of China
Principal banker(s).	DBS Bank Ltd. 6 Shenton Way DBS Building Tower One Singapore 068809
Projection Period 2007	The period from 1 February 2007 to 31 March 2007
Projection Year 2008.	The period from 1 April 2007 to 31 March 2008
Public Offer.	The initial offering by the Trustee-Manager to the public in Singapore of the Units
Receiving Banker	DBS Bank
Recognised Stock Exchange. . . .	Any stock exchange of repute in any part of the world
Register	Means the register of Unitholders kept in accordance with the Trust Deed
Registrar	Such person as may from time to time be appointed by the Trustee-Manager to, *inter alia*, keep and maintain the Register
Regulation S	Regulation S under the Securities Act
S$ or **Singapore dollars and Scents**	Singapore dollars and cents, the lawful currency of the Republic of Singapore
SATS.	Singapore Airport Terminal Services Ltd.
Second Lock-up Period.	The period of six months commencing from the day immediately following the expiry of the First Lock-up Period
Securities Account	Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with CDP
Securities Act.	U.S. Securities Act of 1933, as amended
Senoko Gasworks.	The town gas production plant owned and operated by City Gas and located at 26 Senoko Avenue, Singapore 758312
Seraya Energy	Seraya Energy Pte Ltd
SingSpring Plant	The seawater desalination plant located at 90, Tuas South Avenue 1, Singapore 637493

SingSpring Restructuring Agreement	The restructuring agreement dated 5 January 2007 entered into among Hyflux, the Trustee-Manager, SingSpring (acting in its personal capacity), SingSpring Trustee and Seletar Investments, and as amended and supplemented from time to time
SingSpring Subscription Deed . .	The subscription deed dated 5 January 2007 entered into among SingSpring Trustee, the Trustee-Manager and Hyflux, and as amended and supplemented from time to time
SF BT Regulations	Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005
SFA or **Securities and Futures Act**	Securities and Futures Act, Chapter 289 of Singapore
SGX-ST	Singapore Exchange Securities Trading Limited
SingSpring	SingSpring Pte. Ltd.
SingSpring Notes	Up to S$50,000,000 subordinated notes due 2025 to be issued by the SingSpring Trustee to CitySpring and Hyflux
SP Services.	SP Services Ltd
Special Resolution	A resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders or, to the extent permitted by law, a resolution in writing signed by or on behalf of 75.0% or more of the Unitholders for the time being entitled to receive notice of any meeting of Unitholders
Sponsor or **Temasek**	Temasek Holdings (Private) Limited
Stabilising Manager	Morgan Stanley International
Subsidiaries	Has the meaning ascribed thereto in the Companies Act
Substantial Shareholder	Persons who have an interest in the shares, the nominal amount of which is not less than 5.0% of the aggregate of the nominal amount of all the voting shares of the company
Substantial Unitholder	Any Unitholder with an interest in one or more Units constituting not less than 5.0% of all Units in issue
Sub-Trust(s)	Either of the City Gas Trust or the SingSpring Trust, and both where the reference is to “Sub-Trusts”
Sub-Trustee(s)	Either of the City Gas Trustee or the SingSpring Trustee, and both where the reference is to “Sub-Trustees”
Take-Over Code	The Singapore Code on Take-Overs and Mergers
Temasek Group	Temasek together with its subsidiary companies and associated companies, taken as a whole
Tembusu	Tembusu Capital Pte. Ltd.
Trading Day.	A day when the Units are traded on the SGX-ST for a full Market Day
Trust Deed	The trust deed dated 5 January 2007 constituting CitySpring
Trust Property	All the assets of CitySpring
Trustee-Manager	CitySpring Infrastructure Management Pte. Ltd., acting in its capacity as trustee-manager of CitySpring

Unclaimed Monies Account	A special account in which any monies payable to Unitholders which remain unclaimed after a period of 12 months shall be accumulated
Underwriters	DBS Bank, Morgan Stanley Singapore and Morgan Stanley International
underwriting commission, selling concession and management commission	The underwriting commission, selling concession and management commission payable to the Underwriters for its services in connection with the Offering
Unit	An undivided interest in CitySpring
Unitholder(s)	The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with Units
US$ or **US dollars** or **US cents** . .	The lawful currency of the United States
WPA	The Water Purchase Agreement dated 17 April 2003 entered into between SingSpring and the PUB, as the same may be amended from time to time in accordance with the terms and conditions of the Water Purchase Agreement, and includes but is not limited to the Amended and Restated Water Purchase Agreement made between SingSpring Trustee and PUB.

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.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-acted.

Any reference to a time of day in this Prospectus is made by reference to Singapore time unless otherwise stated.

Any reference to any enactment in this Prospectus shall be deemed also to refer to any statutory modification, codification or re-enactment thereof.

REPORTING AUDITORS' REPORT ON EXAMINATION OF THE PRO FORMA FINANCIAL STATEMENTS OF CITYSPRING INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES AND THE PRO FORMA FINANCIAL STATEMENTS OF CITYSPRING INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2006 AND THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2006

The Board of Directors
CitySpring Infrastructure Management Pte. Ltd.
(in its capacity as Trustee-Manager of CitySpring Infrastructure Trust)
111 Somerset Road, #07-02
Singapore Power Building
Singapore 238164

30 January 2007

Dear Sirs

This Report has been prepared for inclusion in the Prospectus (the "Prospectus") dated 30 January 2007 in connection with the offering of units in CitySpring Infrastructure Trust ("CitySpring").

We report on the Pro Forma Financial Statements of CitySpring and its subsidiaries (referred to collectively as "the Group") set out on pages 49 and 50 of the Prospectus dated 30 January 2007, which have been prepared for illustrative purposes only, in accordance with the provisions set out in the Securities and Futures (Offers of Investments)(Business Trust)(No.2) Regulations 2005 and are based on certain assumptions after making certain adjustments to show what:–

(a) the financial results of the Group for the financial year ended 31 March 2006, would have been if the restructuring exercise (as described in Note 2 to the Pro Forma Financial Statements of the Group) had occurred at 1 April 2005;

(b) the financial position of the Group as at 31 March 2006 would have been if the restructuring exercise had occurred at 31 March 2006;

(c) the changes in equity and the cash flows of the Group for the financial year ended 31 March 2006 would have been if the restructuring exercise had occurred at 1 April 2005;

(d) the financial results of the Group for the six months period ended 30 September 2006, would have been if the restructuring exercise (as described in Note 2 to the Pro Forma Financial Statements of the Group) had occurred at 1 April 2006;

(e) the financial position of the Group as at 30 September 2006 would have been if the restructuring exercise had occurred at 30 September 2006; and

(f) the changes in equity and the cash flows of the Group for the six months period ended 30 September 2006 would have been if the restructuring exercise had occurred at 1 April 2006.

The Pro Forma Financial Statements, because of their nature, may not give a true picture of the Group's actual financial results, financial position, changes in equity and cash flows.

The Pro Forma Financial Statements are the responsibility of the directors of CitySpring Infrastructure Management Pte. Ltd. (the "Directors"). Our responsibility is to express an opinion on the Pro Forma Financial Statements based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice ("SSAP") 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the Pro Forma Financial Statements to the financial statements of City Gas Pte Ltd and SingSpring Pte Ltd (or where information is not available in these financial statements, to accounting records), considering the evidence supporting the adjustments and discussing the Pro Forma Financial Statements with the Directors.

In our opinion:

(a) the Pro Forma Financial Statements have been properly prepared on the basis set out in Notes 3 to 5 to the Pro Forma Financial Statements of the Group; and

(b) each material adjustment made to the information used in the preparation of the Pro Forma Financial Statements is appropriate for the purpose of preparing such financial statements and in accordance with SSAP 24.

Yours faithfully

PricewaterhouseCoopers
Certified Public Accountants
Singapore

Partner-in-charge: Lee Kok Hooi

CITYSPRING INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES
PRO FORMA INCOME STATEMENTS
For the year ended 31 March 2006 and the six months period ended 30 September 2006

	Notes	Group	
		1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
		S$'000	**S$'000**
Revenue	7	221,810	128,941
Other income (net)	7	16,359	8,881
Operating expenses			
Fuel and electricity costs		(80,555)	(49,337)
Transportation costs	8	(67,973)	(34,067)
Staff costs	9	(15,183)	(10,215)
Depreciation and amortisation		(19,185)	(9,845)
Finance costs, net		(7,709)	(6,430)
Management fee		(3,500)	(1,750)
Operating and maintenance costs		(1,500)	(2,588)
Other operating expenses		(35,946)	(19,938)
		(231,551)	(134,170)
Profit before income tax		6,618	3,652
Income tax expense	10	(418)	(829)
Net profit after tax		6,200	2,823
Attributable to:			
Unitholders of the CitySpring		4,981	1,381
Minority interest		1,219	1,442
		6,200	2,823
Earnings per unit (cents)	11	1.11	0.31

CITYSPRING INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES
PRO FORMA BALANCE SHEETS
As at 31 March 2006 and 30 September 2006

	Notes	Group As at 31 March 2006	Group As at 30 September 2006
		S$'000	S$'000
Current assets			
Cash and cash equivalents		26,847	32,679
Trade and other receivables	12	29,585	32,121
Due from related parties (non-trade)		594	630
Inventories	13	11,475	12,814
Other assets		293	109
Derivative financial instruments	14	14,907	10,619
Finance lease receivable (current)	15	5,955	6,029
		89,656	95,001
Non-current asset			
Intangibles	16	133,100	141,400
Goodwill	16	294,476	292,760
Property, plant and equipment	17	92,154	87,316
Finance lease receivable (non-current)	15	192,025	187,772
Other assets		208	212
		711,963	709,460
Total assets		801,619	804,461
Current liabilities			
Trade and other payables	18	8,039	6,197
Accruals and other creditors	19	14,896	15,548
Deposits received		18,808	17,823
Derivative financial instruments	14	7,279	9,412
Due to related parties (trade)		783	—
Due to related parties (non-trade)		471	510
Borrowings	20	2,373	2,373
Current tax liabilities	10	21,899	23,812
		74,548	75,675
Non-current liabilities			
Borrowings	20	281,865	280,410
Notes payable to minority interest	21	15,000	15,000
Deferred tax liability	22	28,897	29,396
		325,762	324,806
Total liabilities		400,310	400,481
Net assets		401,309	403,980
Unitholders' funds			
Units in issue	23	400,500	400,500
Unit issue costs	23	(9,622)	(9,622)
Retained earnings		(5,258)	(3,388)
		385,620	387,490
Minority interest		15,689	16,490
Total Unitholders' funds		401,309	403,980

CITYSPRING INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES
PRO FORMA STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 March 2006 and the six months ended 30 September 2006

		Group	
	Notes	1 April 2005 to 31 March 2006	1 April 2006 to 30 September 2006
		S$'000	S$'000
Unitholders' funds as at beginning of year/period		395,109	401,157
Total profit for the year/period		6,200	2,823
Unitholders' funds as at end of year/period		401,309	403,980

CITYSPRING INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES
PRO FORMA CASH FLOW STATEMENTS
For the year ended 31 March 2006 and six months period ended 30 September 2006

	Notes	Group	
		1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
		S$'000	**S$'000**
Cash flows from operating activities			
Net profit		6,200	2,823
Adjustments for:			
Income tax expense		418	829
Depreciation and amortisation		19,185	9,845
Finance costs		8,748	6,845
Interest income		(1,039)	(415)
Excess of fair value of identifiable net assets over purchase consideration	16	(2,233)	(4,907)
Issue expenses and set up costs		6,823	6,823
Fair value gain on derivative financial instruments		(7,025)	—
Profit on disposal of property, plant and equipment		(30)	—
Operating cash flow before working capital changes		31,047	21,843
Changes in operating assets and liabilities			
Trade and other receivables		(22,443)	1,796
Inventories		(2,766)	(1,338)
Trade and other payables		6,484	(1,263)
Income tax paid		—	(2,268)
Net cash from operating activities		12,322	18,770
Cash flows from investing activities			
Interest received		1,039	415
Purchase of property, plant and equipment		(1,542)	(10)
Proceeds from disposal of property, plant and equipment		30	—
Acquisition of subsidiaries, net of cash acquired	16	(663,079)	(658,793)
Net cash used in investing activities		(663,552)	(658,388)
Cash from financing activities			
Interest paid		(6,575)	(4,674)
Net proceeds raised from issue of units	23	384,055	384,055
Proceeds from borrowings		284,238	282,783
Repayments of borrowings		(675)	(1,350)
Proceeds from notes payable issued to minority interest		15,000	15,000
Net cash from financing activities		676,043	675,814
Net increase in cash and cash equivalents		24,813	36,196
Cash and cash equivalents at beginning of the year/period		—	—
Cash and cash equivalents at end of the year/period		24,813	36,196

1. Introduction

The unaudited Pro Forma Financial Statements have been prepared for inclusion in the Prospectus to be issued in connection with the proposed listing of CitySpring Infrastructure Trust ("CitySpring") on the Singapore Exchange Securities Trading Limited.

CitySpring is a business trust constituted by a trust deed dated 5 January 2007 and is principally regulated by the Business Trusts Act and Securities and Futures Act. Under the trust deed, CitySpring Infrastructure Management Pte. Ltd. (the "Trustee-Manager"), has declared that it will hold all its assets (including businesses) acquired on trust for the unitholders as the trustee-manager of CitySpring. The registered address of the Trustee-Manager is at 111 Somerset Road #07-02, Singapore Power Building, Singapore 238164.

CitySpring is a business trust registered with the Monetary Authority of Singapore. It has been established with the principal objective of investing in infrastructure assets and providing unitholders with regular and predictable distributions and the potential for long-term capital growth.

CitySpring's initial portfolio will comprise 100% of City Gas Trust, the sole producer and retailer of town gas in Singapore, and 70% of SingSpring Trust, the sole supplier of desalinated water to the Public Utilities Board ("PUB"), Singapore's national water agency.

2. Restructuring exercise

Overview

City Gas Pte Ltd ("City Gas") and SingSpring Pte Ltd ("SingSpring") have put in place arrangements for a restructuring exercise (the "Restructuring Exercise") in preparation for, and which will be effected upon, the Listing of CitySpring.

2.1 City Gas Restructuring

Prior to the Listing, City Gas is owned 100% by Temasek Holdings (Private) Limited ("Temasek").

Upon the Listing, City Gas, in its capacity as trustee (the "City Gas Trustee"), will acquire and hold the assets and business undertakings of City Gas on trust (the "City Gas Trust") for CitySpring, as beneficial owner of 100% of the units and notes in the City Gas Trust. The City Gas Trustee will fund the purchase of the assets and business undertaking of City Gas by drawing down the New City Gas Loan referred to below and issuing the New City Gas Notes referred to below and units in City Gas Trust to CitySpring.

The City Gas Trustee, will continue to be the legal owner of the assets and business undertakings of City Gas and the contracting party to the material agreements for carrying on the business of City Gas. The City Gas Trustee will be a wholly-owned subsidiary of CitySpring.

2.2 SingSpring Restructuring

Prior to the Listing, SingSpring is owned 50:50 by Hyflux Ltd ("Hyflux") and Seletar Investments Pte Ltd ("Seletar"), a wholly-owned indirect subsidiary of Temasek.

2. Restructuring exercise (continued)

2.2 SingSpring Restructuring (continued)

Upon the Listing, SingSpring, in its capacity as trustee (the "SingSpring Trustee"), will acquire and hold the assets and business undertakings of SingSpring on trust (the "SingSpring Trust") for CitySpring and Hyflux, as beneficial owners of 70% and 30%, respectively, of the units and notes in the SingSpring Trust. The SingSpring Trustee will fund the purchase of the assets and business undertakings of SingSpring by drawing down the New SingSpring Loan referred to below and issuing the SingSpring Notes referred to below and units in SingSpring Trust to CitySpring and Hyflux in the proportion of 70% and 30%, respectively.

The SingSpring Trustee will continue to be the legal owner of the assets and business undertakings of SingSpring and the contracting party to the material agreements for carrying on the business of SingSpring. The SingSpring Trustee will be a wholly-owned subsidiary of CitySpring.

2.3 Group Structure

The group structure subsequent to the restructuring exercise results in CitySpring holding the following subsidiaries:

Name of Company/ Entity	Country of incorporation	Principal activities	Principal country of operation	Types of Securities/Percentage owned
City Gas Pte Ltd	Singapore	Production and retail of town gas, retail of natural gas, supply of LPG and sales of gas appliances	Singapore	Shares 100% held by CitySpring Infrastructure Management Pte. Ltd. in its capacity as trustee-manager of, and for the benefit of, CitySpring
City Gas Trust	Singapore	N.A.	Singapore	Units and City Gas Notes 100% held by CitySpring Infrastructure Management Pte. Ltd. in its capacity as trustee-manager of, and for the benefit of, CitySpring
CityGas China Pte Ltd (in liquidation)	Singapore	Operation of and investment in gas related activities	Singapore	Shares 100% held by City Gas Pte Ltd in its capacity as trustee of, and for the benefit of, the City Gas Trust
SingSpring Pte Ltd	Singapore	Development and operation of seawater desalination plant and sale of desalinated water	Singapore	Shares 100% held by CitySpring Infrastructure Management Pte. Ltd. in its capacity as trustee-manager of, and for the benefit of, CitySpring

2. Restructuring exercise (continued)

2.3 Group Structure (continued)

Name of Company/ Entity	Country of incorporation	Principal activities	Principal country of operation	Types of Securities/Percentage owned
SingSpring Trust	Singapore	N.A.	Singapore	Units and SingSpring Notes 70% held by CitySpring Infrastructure Management Pte. Ltd. in its capacity as trustee-manager of, and for the benefit of, CitySpring 30% held by Hyflux Ltd

2.4 New City Gas Loan and New SingSpring Loan

The City Gas Trustee and the SingSpring Trustee have secured a S$130.0 million five-year term loan (the "New City Gas Loan") and a S$155.5 million 18-year term loan (the "New SingSpring Loan") respectively from certain lenders. On the Listing Date, the City Gas Trustee and the SingSpring Trustee will draw down the New City Gas Loan and the New SingSpring Loan (collectively, the "New Loans") to pay part of the purchase price of the assets and business undertakings of City Gas and SingSpring, respectively.

Set forth below is a summary of the key terms of the New Loans.

The City Gas Trustee and the SingSpring Trustee will borrow pursuant to the New Loans solely in their capacities as trustees of the City Gas Trust and the SingSpring Trust, respectively. Recourse of the lenders under the New Loans will be limited to the assets of the City Gas Trust and the SingSpring Trust and neither the City Gas Trustee nor the SingSpring Trustee shall incur any personal liability under the New Loans, except in the event of negligence, fraud or breach of trust. Further, the liabilities of the City Gas Trustee under the New City Gas Loan shall not be borne by CitySpring or the SingSpring Trustee and *vice versa*.

The New City Gas Loan will be repayable in one lump sum on maturity, while the New SingSpring Loan will be repayable in instalments. The New Loans bear interest at a floating rate (based on the relevant Singapore Dollar Swap Offer Rate) plus a margin. The New Loans are secured over the assets and business undertakings of City Gas and SingSpring, respectively. The New SingSpring Loan is in addition secured by a charge over the units in the SingSpring Trust held by CitySpring and Hyflux and a charge over the shares held by the Trustee-Manager in the SingSpring Trustee.

The New Loans impose certain covenants on the City Gas Trustee and the SingSpring Trustee, respectively. The City Gas Trustee must have sufficient funds to pay under the New City Gas Loan all scheduled interest due in respect of the New City Gas Loan for the next three months, and to fund capital expenditure requirements for the next six months, before it may pay interest on the City Gas Notes. No principal payments under the City Gas Notes are permitted while the New City Gas Loan is outstanding. Under the New SingSpring Loan, the SingSpring Trustee must have sufficient funds to pay the principal and interest on the New SingSpring Loan for the next three months before it may pay interest and principal on the SingSpring Notes.

2. Restructuring exercise (continued)

2.4 New City Gas Loan and New SingSpring Loan (continued)

City Gas will consider hedging its interest rate exposure under the New City Gas Loan. SingSpring will novate the existing interest rate swap it has in respect of the original project debt incurred for the construction of the SingSpring Plant to hedge its interest rate exposure under the New SingSpring Loan. Under the New SingSpring Loan, the SingSpring Trust will be required to hedge its interest rate exposure under the loan for successive periods of five years, with the first such period commencing upon the expiry of the existing interest rate swap, such that not less than 75% of the aggregate principal amount of the loan outstanding at any time will be so hedged.

2.5 City Gas and SingSpring Notes

On the Listing Date, CitySpring will apply part of the issue proceeds of the Units to subscribe for up to S$195,600,000 subordinated notes due 2037 (the "City Gas Notes") issued by the City Gas Trustee and up to S$50,000,000 subordinated notes due 2025 (the "SingSpring Notes") issued by the SingSpring Trustee. The City Gas Trustee and the SingSpring Trustee will apply the issue proceeds of the City Gas Notes and the SingSpring Notes (collectively, the "Notes") to pay part of the purchase price of the assets and business undertakings of City Gas and SingSpring, respectively.

The City Gas and SingSpring Notes are eliminated on consolidation.

Set forth below is a summary of the key terms of the Notes.

The City Gas Notes and the SingSpring Notes will mature in 2037 and in 2025, respectively, but may be redeemed prior to maturity by the relevant issuer. Interest on the Notes will be payable quarterly in arrears at a fixed rate, subject to a reset to a floating rate based on the three-month Singapore Dollar Swap Offer Rate plus a margin.

No amount under the Notes shall be due or payable on any date if the relevant issuer is not able to meet its liabilities after payment of such amount ("solvency condition"). Such non-payment will not constitute a default under the Notes. However, any interest not paid due to the solvency condition not being met will continue to accrue and will bear interest at the rate applicable to the Notes. In addition, if the Notes cannot be redeemed in full upon maturity due to the solvency condition not being met, the Notes and other obligations ranking *pari passu* with them will be redeemed or repaid in equal proportion out of and to the extent of surplus assets available after paying all obligations ranking senior to the Notes.

The Notes will be direct, unsecured and subordinated obligations of the relevant issuer. On winding-up, holders of the City Gas Notes will be subordinated to the senior creditors of City Gas Trustee but will rank senior to the holders of units in the City Gas Trust, while holders of the SingSpring Notes will be subordinated to the senior creditors of the SingSpring Trustee and Hyflux (in respect of the energy support loans that Hyflux may advance to the SingSpring Trust) but will rank senior to the holders of units in the SingSpring Trust.

All payments in respect of the Notes will be made without deduction or withholding of any taxes, unless such deduction or withholding is required by law. In that event (and subject to the solvency condition being met), such payments shall be grossed-up so as to ensure that holders of the Notes will receive the same amount had such deduction or withholding not been required, subject to customary exceptions.

2. Restructuring exercise (continued)

2.6 Interest payments from the Notes

The Notes are intended to qualify for concessionary tax treatment under the proposed "qualifying project debt security" scheme announced by the Monetary Authority of Singapore (the "Authority") as described in a circular issued on 1 November 2006. One of the tax incentives is the exemption from tax of interest income from qualifying project debt securities subject to meeting certain conditions. The Notes issued by the City Gas Trust and SingSpring Trust will qualify as qualifying project debt securities if they meet the following conditions:

(a) Issued on a non-recourse or limited recourse basis i.e. interest payment on the debt is funded primarily from the cash flows of the qualifying infrastructure projects/assets;

(b) Cash raised from the debt security can only be used to acquire, develop or invest in qualifying infrastructure projects/assets or pay down bondholders, shareholders and loan providers of qualifying infrastructure projects/assets;

(c) Either:

  (i) the issue of the debt security is lead managed by, or the debt security is issued under a programme arranged by a Financial Sector Incentive (Project Finance) company ("**FSI-PF**") or a Financial Sector Incentive (Bond Market) (**"FSI-BM**") company; or

  (ii) the issue of the debt security is arranged by a financial institution in Singapore where the Singapore-based staff play a leading and substantial role in origination, structuring and distribution of the debt security;

(d) Issued during the period from 1 November 2006 to 31 December 2008 (both dates inclusive);

(e) Approval has been given by Authority on the level of gearing in the case of an onshore qualifying infrastructure project/asset;

(f) Less than 50% of the issue of the qualifying project debt security is beneficially held or funded directly or indirectly at any time during the life of the issue by related parties of the issuer of the qualifying project debt security; and

(g) Issued to and held by four or more persons at any time during the life of the issue.

If condition (g) cannot be met, a waiver will be granted if the entire issue of the qualifying project debt security is held by entities which are Singapore tax residents and listed in Singapore or to be listed in Singapore within 6 months of the issuance of the qualifying project debt security. Where the Authority's approval has been obtained for the waiver, interest income from the qualifying project debt security will continue to be tax exempt only if it is onward-declared for distribution to the shareholders, unitholders or other equivalent security holders of the entities within 6 months from the end of the financial year in which the interest income was actually received by those entities.

With regard to the Notes issued by the City Gas Trust and SingSpring Trust, approval has been obtained from the Authority/Ministry of Finance on the waiver of condition (g), as well as the appropriate level of gearing under condition (e). With this approval, if the above conditions (a), (b), (c), (d) and (f) are met, the Notes should qualify as qualifying project debt securities.

2. Restructuring exercise (continued)

2.7 Purchase Price of the Initial Businesses

In connection with the Restructuring Exercise, CitySpring, Temasek (as the 100% owner of City Gas and 50% owner of SingSpring) and Hyflux (as the 50% owner of SingSpring) have agreed that the purchase price ("**Purchase Price**") of the assets and business undertakings of City Gas and SingSpring to be acquired by CitySpring will be determined by the net proceeds of the Offering. This is because CitySpring will apply such net proceeds, together with the New Loans, to pay for the purchase price of the assets and business undertakings of City Gas and SingSpring.

3. Basis of presentation and compilation of the Pro Forma Financial Statements

3.1 The Pro Forma Financial Statements of CitySpring Infrastructure Trust and its subsidiaries (the "Group") have been prepared for illustrative purposes only and are based on certain assumptions after making certain adjustments to show what:–

(a) the financial results of the Group for the financial year ended 31 March 2006, would have been if the restructuring exercise (as described in Note 2 to the Pro Forma Financial Statements of the Group) had occurred at 1 April 2005;

(b) the financial position of the Group as at 31 March 2006 would have been if the restructuring exercise had occurred at 31 March 2006;

(c) the changes in equity, and the cash flows of the Group for the financial year ended 31 March 2006 would have been if the restructuring exercise had occurred at 1 April 2005;

(d) the financial results of the Group for the six months period ended 30 September 2006, would have been if the restructuring exercise (as described in Note 2 to the Pro Forma Financial Statements of the Group) had occurred at 1 April 2006;

(e) the financial position of the Group as at 30 September 2006 would have been if the restructuring exercise had occurred at 30 September 2006; and

(f) the changes in equity, and the cash flows of the Group for the six months period ended 30 September 2006 would have been if the restructuring exercise had occurred at 1 April 2006.

The Pro Forma Financial Statements, because of their nature, may not give a true picture of the Group's actual financial results, financial position, changes in equity and cash flows.

3.2 The Pro Forma Financial Statements for the year ended 31 March 2006 have been compiled based on the following:

(a) The audited consolidated financial statements of City Gas Pte Ltd and its subsidiary for the financial year ended 31 March 2006 which were prepared in accordance with Singapore Financial Reporting Standards and audited by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Singapore Standards on Auditing;

(b) The audited financial statements of SingSpring Pte Ltd for the financial year ended 31 December 2005 which were prepared in accordance with Singapore Financial Reporting Standards and audited by Ernst & Young, Certified Public Accountants, in accordance with Singapore Standards on Auditing; and

3. Basis of presentation and compilation of the Pro Forma Financial Statements (continued)

(c) The audited financial statements of SingSpring Pte Ltd for the three months periods ended 31 March 2005 and 31 March 2006 which were prepared in accordance with Singapore Financial Reporting Standards and audited by Ernst & Young, Certified Public Accountants, in accordance with Singapore Standards on Auditing.

The auditors' reports on the financial statements described above do not contain any qualification.

3.3 The Pro Forma Financial Statements for the six months period ended 30 September 2006 have been compiled based on the following:

(a) The unaudited consolidated financial statements of City Gas Pte Ltd and its subsidiary for the six months period ended 30 September 2006 which were prepared in accordance with Singapore Financial Reporting Standards and reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Singapore Standards on Review Engagements; and

(b) The unaudited financial statements of SingSpring Pte Ltd for the six months period ended 30 September 2006 which were prepared in accordance with Singapore Financial Reporting Standards and reviewed by Ernst & Young, Certified Public Accountants, in accordance with Singapore Standards on Review Engagements.

The auditors' review reports on the financial statements described above do not contain any qualification.

3.4 In arriving at the Pro Forma Financial Statements, certain adjustments and assumptions, as set out in Notes 3.5 and 4, have been made. The Pro Forma Financial Statements have been compiled from those financial statements stated in Notes 3.2 and 3.3 and are based on accounting policies adopted by the Group, which are in accordance with Singapore Financial Reporting Standards.

3.5 The following key adjustments and assumptions were made for each of the periods presented:

(a) The businesses are acquired at a purchase price of S$669,272,000 and S$667,817,000, assuming that the acquisitions occurred as at 31 March 2006 and 30 September 2006 respectively. The acquisition shall be funded by the proceeds from the offering and bank borrowings. Net proceeds from the offering are assumed to be S$384,055,000 (based on the maximum offering price), net of issue expenses and establishment costs.

(b) Following the disposal of businesses by City Gas Pte Ltd and SingSpring Pte Ltd, cash receipts of S$18,118,000 and S$20,030,000 are set aside by City Gas Pte Ltd as at 31 March 2006 and 30 September 2006 respectively and S$3,781,000 is set aside by SingSpring Pte Ltd as at 31 March 2006 and 30 September 2006, for the repayment of tax liabilities.

(c) In accounting for the acquisition of the businesses for each of the periods, the fair values of the tangible assets, identifiable intangible assets, goodwill and the fair values of the property, plant and equipment are based on the fair values as at 31 March 2006 and 30 September 2006. Intangibles are amortised over the useful life of 10 to 20 years, and property, plant and equipment are depreciated over their remaining useful life. Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

3. Basis of presentation and compilation of the Pro Forma Financial Statements (continued)

(d) The term loan and revolving credit facility of S$128,009,000 of City Gas Trust, which shall be drawn down at the date of the listing, is assumed to be drawn down at the beginning of the periods presented. Borrowing fee is estimated to be S$549,027. The interest expense is based on an effective interest rate of 4.05% per annum (inclusive of amortisation of debt arrangement fees). The interest shall be payable quarterly in arrears.

(e) The term loan and revolving credit facility of S$158,657,000 and S$157,202,000 as at 31 March 2006 and 30 September 2006 respectively of SingSpring Trust, which shall be drawn down at the date of the listing, is assumed to be drawn down at the beginning of the periods presented. The loan amount drawn down as at 31 March 2006 and 30 September 2006 is based on the outstanding amount under the current credit facility. Borrowing fee is estimated to be S$1,879,000. The interest expense is based on an effective interest rate of 4.79% per annum (inclusive of amortisation of debt arrangement fees). The interest shall be payable monthly in arrears.

(f) CitySpring shall subscribe for S$195,570,000 of notes issued by City Gas Pte Ltd in its capacity as trustee of the City Gas Trust (the "City Gas Notes") on the date of listing. The principal of the City Gas Notes shall be payable in 2037 and interest shall be payable quarterly in arrears at a fixed rate of 6.5% per annum (with a one-time option for the Issuer, on any interest payment date, to switch to a floating rate per annum equal to three month Singapore Dollar Swap Offer Rate plus 2.5%). The notes payable and interest payable are eliminated on consolidation as this is as an intercompany transaction.

(g) CitySpring and Hyflux Ltd shall subscribe for S$35,000,000 and S$15,000,000 of notes respectively, issued by SingSpring Pte Ltd in its capacity as trustee of the SingSpring Trust (the "SingSpring Notes") on the date of listing. The principal of the SingSpring Notes shall be payable in 2025 and interest shall be payable quarterly in arrears at a fixed rate of 6.5% per annum (with a one-time option for the Issuer, on any interest payment date, to switch to a floating rate per annum equal to three-month Singapore Dollar Swap Offer Rate plus 2.5%). The notes payable and interest payable by SingSpring Pte Ltd in its capacity as trustee of the SingSpring Trust to CitySpring is eliminated on consolidation as this is an intercompany transaction. The notes payable and interest payable to Hyflux Ltd is not eliminated but is recognised as amounts payable to minority interest.

(h) Trustee-Manager's fee is based on the minimum fee of S$3,500,000 per annum and no performance fee is payable. The fees shall be payable quarterly in arrears.

(i) Issue expenses relating to the offering are estimated to be S$15,945,000 (based on the maximum offering price) of which S$9,622,000 is net of against the unitholders' funds and the remaining recognised in the income statement.

(j) Trust set up cost are estimated to be S$500,000.

(k) Other trust expenses, amounting to S$1,500,000, comprise annual listing fee, registry fees, audit and tax advisory fees, valuation fees, costs associated with the preparation and distribution of reports to unitholders, investor communication and miscellaneous expenses which are based on estimates provided by the Trustee-Manager.

3. Basis of presentation and compilation of the Pro Forma Financial Statements (continued)

(l) Balancing charge and tax liabilities arising from the disposal of the businesses by City Gas and SingSpring are assumed to be payable by the companies one year later and a cash amount equivalent to the balancing charge and tax liabilities has been retained by the companies.

(m) 100% of the taxable income available for distribution to the Unitholders of the CitySpring is distributed and CitySpring is not taxed on the taxable income that is distributed to the Unitholders.

(n) Notes issued by City Gas and SingSpring are assumed to qualify for concessionary tax treatment under the proposed qualifying project debt security scheme announced by the Monetary Authority of Singapore (the "Authority") as described in a circular issued on 1 November 2006, subject to the approval from the Authority. Interest income derived from the City Gas Notes and SingSpring Notes are therefore assumed to be tax exempt.

(o) Distributions from City Gas Trust and SingSpring Trust in excess of their taxable income are assumed to be tax exempt.

(p) No stamp duty is assumed to be payable during the restructuring process.

(q) SingSpring Trust is able to continue claiming capital allowances.

4. Statement of adjustments

(a) Pro Forma Consolidated Income Statement for the year ended 31 March 2006

The following adjustments have been made in arriving at the Pro Forma Consolidated Income Statement for the financial year ended 31 March 2006:

	Per audited consolidated income statement of City Gas Pte Ltd and its subsidiary for the year ended 31 March 2006	Per audited income statement of SingSpring Pte Ltd for the year ended 31 December 2005	Total	Pro Forma adjustments									Pro Forma consolidated income statement for the year ended 31 March 2006
	S$'000	**S$'000**	**S$'000**	**S$'000 Note (a)**	**S$'000 Note (b)**	**S$'000 Note (c)**	**S$'000 Note (d)**	**S$'000 Note (e)**	**S$'000 Note (f)**	**S$'000 Note (g)**	**S$'000 Note (h)**	**S$'000 Note (i)**	**S$'000**
Revenue	214,841	1,404	216,245	7,483	—	—	—	—	—	(1,918)	—	—	221,810
Other income (net)	6,582	12,177	18,759	(3,595)	—	—	14,987	(14,987)	(1,038)	—	—	2,233	16,359
Expenses													
Fuel and electricity costs	(77,694)	(433)	(78,127)	(2,428)	—	—	—	—	—	—	—	—	(80,555)
Transportation costs	(67,973)	—	(67,973)	—	—	—	—	—	—	—	—	—	(67,973)
Staff costs	(15,183)	—	(15,183)	—	—	—	—	—	—	—	—	—	(15,183)
Depreciation and amortisation	(10,876)	(309)	(11,185)	309	—	—	—	—	—	(8,309)	—	—	(19,185)
Finance costs, net	—	(433)	(433)	(1,763)	—	(5,576)	(15,962)	14,987	1,038	—	—	—	(7,709)
Management fee	—	—	—	—	(3,500)	—	—	—	—	—	—	—	(3,500)
Operating and maintenance costs	—	(287)	(287)	(1,213)	—	—	—	—	—	—	—	—	(1,500)
Other operating expenses	(27,226)	(10)	(27,236)	(237)	(8,473)	—	—	—	—	—	—	—	(35,946)
	(198,952)	(1,472)	(200,424)	(5,332)	(11,973)	(5,576)	(15,962)	14,987	1,038	(8,309)	—	—	(231,551)
Profit before income tax	22,471	12,109	34,580	(1,444)	(11,973)	(5,576)	(975)	—	—	(10,227)	—	2,233	6,618
Income tax expense	(4,547)	(2,410)	(6,957)	360	—	—	—	—	—	—	6,179	—	(418)
Net profit after tax	17,924	9,699	27,623	(1,084)	(11,973)	(5,576)	(975)	—	—	(10,227)	6,179	2,233	6,200

4. Statement of adjustments (continued)

Notes:

(a) Being adjustments to realign SingSpring Pte Ltd's financial year end from 31 December 2005 to 31 March 2006 based on the audited financial statements of SingSpring Pte Ltd for the three months period ended 31 March 2005 and 31 March 2006 and to reflect the adoption of INT FRS 104.

(b) Being adjustments to effect the set up of the trust and engagement of trustee-manager, as disclosed in Notes 3.5(h), (i) and (j) to the Pro Forma financial statements.

(c) Being adjustments to effect borrowing fee and interest expense on new long term borrowings as disclosed in Notes 3.5(d) and (e) to the Pro Forma financial statements.

(d) Being adjustments to effect interest income earned on the subscription of notes payable issued by City Gas Trust and SingSpring Trust and the interest expense incurred by City Gas Trust and SingSpring Trust on the notes issued as disclosed in Notes 3.5(f) and (g) to the Pro Forma financial statements.

(e) Being adjustments to eliminate the intercompany interest income and interest expense, except for the interest expense payable to minority interest, as disclosed in Notes 3.5(f) and (g) to the Pro Forma financial statements.

(f) Being adjustments to show interest income and interest expense as net.

(g) Being adjustments to effect the amortisation of intangibles and the additional depreciation arising from the revaluation of the property, plant and equipment and the adjustment on finance lease income and service income arising from the fair valuation of the finance lease receivable, as disclosed in note 3.5(c).

(h) Being adjustments to reflect the revised tax expense as a result of the restructuring.

(i) Being adjustments to reflect the excess of fair value of identifiable net assets over the purchase consideration.

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Balance Sheet as at 31 March 2006

The following adjustments have been made in arriving at the Pro Forma Consolidated Balance Sheet as at 31 March 2006:

	Per audited consolidated balance sheet of City Gas Pte Ltd as at 31 March 2006	Per audited balance sheet of SingSpring Pte Ltd as at 31 March 2006	Total	Pro Forma Adjustments					Pro Forma consolidated balance sheet as at 31 March 2006
	S$'000	S$'000	S$'000	S$'000 Note (a)	S$'000 Note (b)	S$'000 Note (c)	S$'000 Note (d)	S$'000 Note (e)	S$'000
Current assets									
Cash and cash equivalents	54,856	1,927	56,783	384,055	284,238	30,018	(728,247)	—	26,847
Trade and other receivables	23,180	6,405	29,585	—	—	—	—	—	29,585
Due from related parties (non-trade)	386	208	594	—	—	—	—	—	594
Due from a shareholder (non-trade)	—	20	20	—	—	—	(20)	—	—
Inventories	11,045	—	11,045	—	—	—	—	430	11,475
Other assets	14	279	293	—	—	—	—	—	293
Derivative financial instruments	—	14,907	14,907	—	—	—	—	—	14,907
Finance lease receivable (current)	—	1,370	1,370	—	—	—	—	4,585	5,955
	89,481	25,116	114,597	384,055	284,238	30,018	(728,267)	5,015	89,656
Non-current asset									
Intangibles	—	—	—	—	—	—	133,100	—	133,100
Goodwill	—	—	—	—	—	—	294,476	—	294,476
Property, plant and equipment	117,138	—	117,138	—	—	—	—	(24,984)	92,154
Finance lease receivable (non-current)	—	199,648	199,648	—	—	—	—	(7,623)	192,025
Other assets	131	—	131	—	—	—	—	77	208
Loan to holding company	25,000	—	25,000	—	—	—	(25,000)	—	—
	142,269	199,648	341,917	—	—	—	402,576	(32,530)	711,963
Total assets	231,750	224,764	456,514	384,055	284,238	30,018	(325,691)	(27,515)	801,619

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Balance Sheet as at 31 March 2006

	Per audited consolidated balance sheet of City Gas Pte Ltd as at 31 March 2006	Per audited balance sheet of SingSpring Pte Ltd as at 31 March 2006	Total	Pro Forma Adjustments					Pro Forma consolidated balance sheet as at 31 March 2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
				Note (a)	Note (b)	Note (c)	Note (d)	Note (e)	
Current liabilities									
Trade and other payables	6,667	1,372	8,039	—	—	—	—	—	8,039
Accruals and other creditors	14,213	683	14,896	—	—	—	—	—	14,896
Deposits received	18,808	—	18,808	—	—	—	—	—	18,808
Derivative financial instruments	—	7,279	7,279	—	—	—	—	—	7,279
Due to related parties (trade)	—	783	783	—	—	—	—	—	783
Due to related parties (non-trade)	—	471	471	—	—	—	—	—	471
Due to a shareholder (non-trade)	—	1	1	—	—	—	(1)	—	—
Interest bearing loans and borrowings	—	3,504	3,504	—	2,373	—	(3,504)	—	2,373
Current tax liabilities	4,547	—	4,547	—	—	—	17,352	—	21,899
	44,235	14,093	58,328	—	2,373	—	13,847	—	74,548

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Balance Sheet as at 31 March 2006

	Per audited consolidated balance sheet of City Gas Pte Ltd as at 31 March 2006	Per audited balance sheet of SingSpring Pte Ltd as at 31 March 2006	Total	Pro Forma Adjustments					Pro Forma consolidated balance sheet as at 31 March 2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
				Note (a)	Note (b)	Note (c)	Note (d)	Note (e)	
Non-current liabilities									
Borrowings	—	155,153	155,153	—	281,865	—	(155,153)	—	281,865
Notes payable to minority interest	—	—	—	—	—	15,000	—	—	15,000
Shareholders' loan	—	44,250	44,250	—	—	—	(44,250)	—	—
Deferred tax liability	18,426	2,182	20,608	—	—	—	—	8,289	28,897
	18,426	201,585	220,011	—	281,865	15,000	(199,403)	8,289	325,762
Total liabilities	62,661	215,678	278,339	—	284,238	15,000	(185,556)	8,289	400,310
Net assets attributable to Unitholders	169,089	9,086	178,175	384,055	—	15,018	(140,135)	(35,804)	401,309

Notes:

(a) Being adjustments to effect the proceeds, net of issue expenses and trust set up cost, from listing of CitySpring as disclosed in Notes 3.5(a), (i) and (j).

(b) Being adjustments to effect the new borrowings and the borrowing fee as disclosed in Note 3.5(d) and (e).

(c) Being adjustments to effect the notes payable to Hyflux Ltd and subscription in SingSpring Trust by Hyflux Ltd as disclosed in Notes 3.5(f) and (g).

(d) Being adjustments to effect the acquisition of businesses as disclosed in Notes 3.5(a), (b), (c).

(e) Being adjustments to effect the revaluation of the assets and liabilities based on the fair value as at 31 March 2006 as disclosed in note 3.5(c).

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Income Statement for the six months ended 30 September 2006

The following adjustments have been made in arriving at the Pro Forma Consolidated Income Statement for the financial six months ended 30 September 2006:

	Per unaudited consolidated income statement of City Gas Pte Ltd and its subsidiary for the six months ended 30 September 2006	Per unaudited income statement of SingSpring Pte Ltd for the six months ended 30 September 2006	Total	Pro Forma adjustments								Pro Forma consolidated income statement for the six months ended 30 September 2006
	S$'000	S$'000	S$'000	S$'000 Note (a)	S$'000 Note (b)	S$'000 Note (c)	S$'000 Note (d)	S$'000 Note (e)	S$'000 Note (f)	S$'000 Note (g)	S$'000 Note (h)	S$'000
Revenue	116,065	15,379	131,444	—	—	—	—	—	(2,503)	—	—	128,941
Other income (net)	1,753	2,635	4,388	—	—	7,494	(7,494)	(414)	—	—	4,907	8,881
Expenses												
Fuel and electricity costs	(44,345)	(4,992)	(49,337)	—	—	—	—	—	—	—	—	(49,337)
Transportation costs	(34,067)	—	(34,067)	—	—	—	—	—	—	—	—	(34,067)
Staff costs	(10,215)	—	(10,215)	—	—	—	—	—	—	—	—	(10,215)
Depreciation and amortisation	(5,336)	—	(5,336)	—	—	—	—	—	(4,509)	—	—	(9,845)
Finance costs, net	—	(3,672)	(3,672)	—	(2,685)	(7,981)	7,494	414	—	—	—	(6,430)
Management fee	—	—	—	(1,750)	—	—	—	—	—	—	—	(1,750)
Operating and maintenance costs	—	(2,588)	(2,588)	—	—	—	—	—	—	—	—	(2,588)
Other operating expenses	(11,795)	(419)	(12,214)	(7,724)	—	—	—	—	—	—	—	(19,938)
	(105,758)	(11,671)	(117,429)	(9,474)	(2,685)	(7,981)	7,494	414	(4,509)	—	—	(134,170)
Profit before income tax	12,060	6,343	18,403	(9,474)	(2,685)	(487)	—	—	(7,012)	—	4,907	3,652
Income tax expense	(3,299)	(1,285)	(4,584)	—	—	—	—	—	—	3,755	—	(829)
Net profit after tax	8,761	5,058	13,819	(9,474)	(2,685)	(487)	—	—	(7,012)	3,755	4,907	2,823

4. Statement of adjustments (continued)

Notes:

(a) Being adjustments to effect the set up of the trust and engagement of trustee-manager, as disclosed in Notes 3.5(h), (i) and (k) to the Pro Forma financial statements.

(b) Being adjustments to effect borrowing fee and interest expense on new long term borrowings as disclosed in Notes 3.5(d) and (e) to the Pro Forma financial statements.

(c) Being adjustments to effect interest income earned on the subscription of notes payable issued by City Gas Trust and SingSpring Trust and the interest expense incurred by City Gas Trust and SingSpring Trust on the notes issued as disclosed in Notes 3.5(f) and (g) to the Pro Forma financial statements.

(d) Being adjustments to eliminate the intercompany interest income and interest expense, except for the interest expense payable to minority interest, as disclosed in Notes 3.5(f) and (g) to the Pro Forma financial statements.

(e) Being adjustments to show interest income and interest expense as net.

(f) Being adjustments to effect the amortisation of intangibles and the additional depreciation arising from the revaluation of the property, plant and equipment and the adjustment on finance lease income and service income arising from the fair valuation of the finance lease receivable, as disclosed in note 3.5(c).

(g) Being adjustments to reflect the revised tax expense as a result of the restructuring.

(h) Being adjustments to reflect the excess of fair value of identifiable net assets over the purchase consideration.

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Balance Sheet as at 30 September 2006

The following adjustments have been made in arriving at the Pro Forma Consolidated Balance Sheet as at 30 September 2006:

	Per audited consolidated balance sheet of City Gas Pte Ltd as at 30 September 2006	Per audited balance sheet of SingSpring Pte Ltd as at 30 September 2006	Total	Pro Forma Adjustments					Pro Forma consolidated balance sheet as at 30 September 2006
	S$'000	S$'000	S$'000	S$'000 Note (a)	S$'000 Note (b)	S$'000 Note (c)	S$'000 Note (d)	S$'000 Note (e)	S$'000
Current assets									
Cash and cash equivalents	25,649	5,847	31,496	384,055	282,783	30,018	(695,673)	—	32,679
Trade and other receivables	25,974	6,147	32,121	—	—	—	—	—	32,121
Due from related parties (non-trade)	378	252	630	—	—	—	—	—	630
Due from a shareholder (non-trade)	—	20	20	—	—	—	(20)	—	—
Inventories	14,202	—	14,202	—	—	—	—	(1,388)	12,814
Other assets	18	91	109	—	—	—	—	—	109
Derivative financial instruments	—	10,619	10,619	—	—	—	—	—	10,619
Finance lease receivable (current)	—	1,463	1,463	—	—	—	—	4,566	6,029
	66,221	24,439	90,660	384,055	282,783	30,018	(695,693)	3,178	95,001
Non-current asset									
Intangibles	—	—	—	—	—	—	141,400	—	141,400
Goodwill	—	—	—	—	—	—	292,760	—	292,760
Property, plant and equipment	111,812	—	111,812	—	—	—	—	(24,496)	87,316
Finance lease receivable (non-current)	—	198,889	198,889	—	—	—	—	(11,117)	187,772
Other assets	125	—	125	—	—	—	—	87	212
Loan to holding company	44,000	—	44,000	—	—	—	(44,000)	—	—
	155,937	198,889	354,826	—	—	—	390,160	(35,526)	709,460
Total assets	222,158	223,328	445,486	384,055	282,783	30,018	(305,533)	(32,348)	804,461

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Balance Sheet as at 30 September 2006

	Per audited consolidated balance sheet of City Gas Pte Ltd as at 30 September 2006	Per audited balance sheet of SingSpring Pte Ltd as at 30 September 2006	Total	Pro Forma Adjustments					Pro Forma consolidated balance sheet as at 30 September 2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
				Note (a)	Note (b)	Note (c)	Note (d)	Note (e)	
Current liabilities									
Trade and other payables	4,545	1,652	6,197	—	—	—	—	—	6,197
Accruals and other creditors	14,937	611	15,548	—	—	—	—	—	15,548
Deposits received	17,823	—	17,823	—	—	—	—	—	17,823
Derivative financial instruments	—	9,412	9,412	—	—	—	—	—	9,412
Due to related parties (non-trade)	—	510	510	—	—	—	—	—	510
Due to a shareholder (non-trade)	—	1	1	—	—	—	(1)	—	—
Interest bearing loans and borrowings	—	4,032	4,032	—	2,373	—	(4,032)	—	2,373
Current tax liabilities	6,459	—	6,459	—	—	—	17,353	—	23,812
	43,764	16,218	59,982	—	2,373	—	13,320	—	75,675

4. Statement of adjustments (continued)

(b) Pro Forma Consolidated Balance Sheet as at 30 September 2006

	Per audited consolidated balance sheet of City Gas Pte Ltd as at 30 September 2006	Per audited balance sheet of SingSpring Pte Ltd as at 30 September 2006	Total	Pro Forma Adjustments					Pro Forma consolidated balance sheet as at 30 September 2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
				Note (a)	Note (b)	Note (c)	Note (d)	Note (e)	
Non-current liability									
Borrowings	—	153,170	153,170	—	280,410	—	(153,170)	—	280,410
Notes payable to minority interest	—	—	—	—	—	15,000	—	—	15,000
Shareholders' loan	—	42,750	42,750	—	—	—	(42,750)	—	—
Deferred tax liability	17,544	2,132	19,676	—	—	—	—	9,720	29,396
	17,544	198,052	215,596	—	280,410	15,000	(195,920)	9,720	324,806
Total liabilities	61,308	214,270	275,578	—	282,783	15,000	(182,600)	9,720	400,481
Net assets attributable to Unitholders	160,850	9,058	169,908	384,055	—	15,018	(122,933)	(42,068)	403,980

Notes:

(a) Being adjustments to effect the proceeds, net of issue expenses and trust set up cost, from listing of CitySpring as disclosed in Notes 3.5(a), (i) and (j).

(b) Being adjustments to effect the new borrowings and the borrowing fee as disclosed in Note 3.5(d) and (e).

(c) Being adjustments to effect the notes payable to Hyflux Ltd and subscription in SingSpring Trust by Hyflux Ltd as disclosed in Notes 3.5(f) and (g).

(d) Being adjustments to effect the acquisition of businesses as disclosed in Notes 3.5(a), (b), (c).

(e) Being adjustments to effect the revaluation of the assets and liabilities based on the fair value as at 30 September 2006 as disclosed in note 3.5(c).

5. Significant Accounting Policies

The significant accounting policies adopted by CitySpring, which have been consistently applied in preparing the Pro Forma Financial Statements set out in this report, are as follows:

5.1 Basis of preparation

The Pro Forma Financial Statements are prepared in accordance with the bases set out in Note 3 and are drawn up in accordance with Singapore Financial Reporting Standards. The Pro Forma Financial Statements has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial period. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

5.2 Group accounting

Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Any excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost are recognised immediately in the income statement. If there is an excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Please refer to the paragraph "Intangible assets — Goodwill" for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency of accounting policies adopted by the Group.

5. Significant Accounting Policies (continued)

5.2 Group accounting (continued)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interest in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interest is attributed to the Unitholders of the CitySpring, unless the minority interest has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interest is attributed to the Unitholders of the CitySpring until the minority interest's share of losses previously absorbed by the Unitholders of the CitySpring has been recovered.

5.3 Revenue recognition

Revenue from sale of goods comprises sale of gas and other related charges and is recognised upon services rendered.

Operating lease, maintenance and service income are recognised upon billing and provision of services.

Finance income is recognised as reduction of rental income over the lease term on a straight-line basis.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

5.4 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

(i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and

(ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

5. Significant Accounting Policies (continued)

5.4 Income taxes (continued)

Current and deferred income tax are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets and cash flow hedges, and the liability component of convertible debts are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

5.5 Property, plant and equipment

(a) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using a straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold land	30 years
Buildings	30 years
Computers	5 years
Plant and machinery	3–30 years
Vehicles	5 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

(c) Construction work-in-progress

Construction work-in-progress are stated at cost and depreciation commences upon work completion or usage, whichever is earlier. Expenditure relating to capital work-in-progress (including interest expense) is capitalised when incurred.

(d) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as repair and maintenance expense during the financial year in which it is incurred.

5. Significant Accounting Policies (continued)

5.5 Property, plant and equipment (continued)

(e) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

5.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or associated companies over the fair value at the date of acquisition of the Group's share of their identifiable net assets.

Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associated companies is included in investments in associated companies.

Goodwill on acquisitions is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

Goodwill recognised as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of the subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

5.7 Borrowing costs

Borrowing costs incurred to finance the development of properties are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

The cost capitalised is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

5.8 Impairment of assets

(a) Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies of the business combination.

An impairment loss is recognised in the income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

5. Significant Accounting Policies (continued)

5.8 Impairment of assets (continued)

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

5. Significant Accounting Policies (continued)

5.9 Investments in financial assets

(i) Classification

The Group classifies all its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing more than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" on the balance sheet.

(ii) Recognition and derecognition

Purchases and sales of loans and receivables are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method less impairment.

(iv) Impairment

An allowance for impairment of loans and receivables including trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

5.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Provision for obsolete, deteriorated or damaged stocks is made when considered appropriate.

5.11 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

5. Significant Accounting Policies (continued)

5.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet.

5.13 Provisions for other liabilities or charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, that it is probable an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

5.14 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as interest rate and commodity swaps to hedge its risks associated with fuel price and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are classified as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement.

The fair values of interest rate swap and commodity swap contracts are determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

(i) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss; or

(ii) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

5. Significant Accounting Policies (continued)

5.14 Derivative financial instruments and hedging activities (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised to the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in fair value attributable to the risk being hedged.

Cash flow hedge

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the income statement.

5. Significant Accounting Policies (continued)

5.14 Derivative financial instruments and hedging activities (continued)

Amount taken to hedging reserve are recognised in the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognised in the income statement.

5.15 Fair value estimation

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5.16 Leases

(a) When a group company is the lessee:

Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance lease are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charges and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

5. Significant Accounting Policies (continued)

5.16 Leases (continued)

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required is to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) When a group company is the lessor:

Finance leases

Leases of assets where substantially all the risks and rewards incidental to legal ownership of the assets are transferred by the Group to the lessees are classified as finance leases.

The leased asset is derecognised and the present value of the finance lease receivable (net of initial direct costs for negotiating and arranging lease) is recognised on the balance sheet as finance lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Contingent rents are recognised as income in the income statement in the financial year in which they are earned.

A subsidiary of the Group has signed a Water Purchase Agreement (“WPA”) with Public Utilities Board (“PUB”), Singapore’s national water agency, to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by the Company. The supply arrangement is for 20 years from 16 December 2005, the day when the desalination plant commenced commercial operations. The desalination plant is located on a piece of leasehold land and the lease period is 30 years from January 2004.

In accordance with INT FRS 104 — Determining Whether an Arrangement contains a Lease, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17(Revised) — Leases.

5. Significant Accounting Policies (continued)

5.16 Leases (continued)

Operating leases

Assets leased out under operating lease are included in investment properties and property, plant and equipment.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term.

Indirect costs incurred by the Group in negotiating and arranging lease are added to the carrying amount of the leased asset and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement in the financial year in which they are earned.

5.17 Employee benefits

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund ("CPF") on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expenses when they are due.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

5.18 Issue expenses

Issue expenses are expenses incurred in issuance of units in CitySpring. Expenses which are directly attributable to the issuance of units are deducted directly from the net assets attributable to the Unitholders. Expenses which are not directly attributable to the issuance of units are recognised in the income statement.

5.19 Foreign currency translation

(a) *Functional or presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements of CitySpring are presented in Singapore Dollars, which is the functional and presentation currency of CitySpring.

5. Significant Accounting Policies (continued)

5.19 Foreign currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Translation of Group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

5.20 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

5.21 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

No business segment information has been presented as the Trustee-Manager is of the view that the operations of City Gas Trust and SingSpring Trust are engaged in the provision of utilities. No geographical segment has been presented as the customers are located in Singapore.

6. Significant accounting estimate and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of investments and financial assets

The Group follows the guidance of FRS 39 — Financial Instruments: Recognition and Measurement on determining when a financial asset is other-than-temporarily impaired. This determination requires significant judgement which the Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost; and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

(ii) Fair value of financial instruments

Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period. The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value estimates.

(iii) Hedge effectiveness

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flow of the hedging instrument based on the Group's risk management strategy.

Management exercise judgement in assessing the hedge effectiveness by making comparison of past changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk with past changes in the fair value or cash flows of the hedging instrument, or by demonstrating a high statistical correlation between the fair value or cash flows of the hedged item and those of the hedging instrument.

6. Significant accounting estimate and judgements (continued)

In particular, management has assumed that the daily volume of water supplied by the Group's desalination plant will average 50% of its operating capacity during the period from 1 October 2006 to 31 December 2008 and therefore, in respect of three commodity swaps entered into by the Group as of 30 September 2006, they are 100% effective for hedging purposes.

(iv) Fair value of customer relationships and customer contracts

The valuation of the customer relationships and customer contract was arrived at using the Income Approach. Income Approach is predicated on the value of the future cash flows which an asset or business will generate over its remaining useful life. Based on the forecasted revenue attributable to the customer relationships and customer contract acquired, the values of these intangibles are determined. In determining the value of the customer relationships and customer contract, cash flow projection based on the financial budgets covering a period of 10 years and 20 years, respectively, is used. The discount rate applied to the cash flow projection arising from customer relationship and customer contract is 9.3% and 9.5%, respectively. The financial budgets, prepared by management, were based on past performance and expectation of the market development. In the preparation of the financial budget, revenue growth is expected to be relatively stable over the next 10 to 20 years.

The Trustee-Manager has estimated that the customer relationships and customer contract acquired are expected to have a useful life of 10 years and 20 years, respectively.

7. Revenue

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**
Sale of gas	214,841	116,065
Finance lease income	1,670	2,986
Maintenance income	2,409	4,190
Service income	2,890	5,700
Total	221,810	128,941
Gain on settlement of commodity swaps	3,550	2,592
(Loss)/Gain on settlement of interest rate swaps	(13)	43
Fair value gain on derivative financial instruments	7,025	—
Excess of fair value of identifiable net assets over purchase consideration (note 16)	2,233	4,907
Others	3,564	1,339
Total other income (net)	16,359	8,881
	238,169	137,822

8. Transportation costs

In consideration of PowerGas Pte Ltd providing transportation of town gas to the retail customers, and transportation of natural gas for direct reticulation, a transportation tariff is levied by PowerGas on City Gas Trust, CitySpring's wholly-owned subsidiary, based on the quantity of town gas and natural gas transported through its pipeline.

9. Staff costs

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**
Wages and salaries	13,190	8,273
Employer's contribution to defined contribution plans including CPF	1,393	715
Termination benefits	39	1,078
Other benefits	561	149
	15,183	10,215

10. Income tax expense and current income tax liabilities

(a) Income tax

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
Deferred tax	418	829

10. Income tax expense and current income tax liabilities (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	$'000	**$'000**
Profit before income tax	6,618	3,652
Tax calculated at a tax rate of 20%	1,324	730
Income not subjected to tax	(2,334)	(2,275)
Tax deductible expenses capitalised	(977)	(27)
Expenses not deductible for tax purpose	2,405	2,401
	418	829

(b) Current tax liabilities

Current tax liabilities include the balancing charge amounting to S$17,352,000 arising from the disposal of the businesses by City Gas and SingSpring (See note 3.5(b)).

11. Earnings per unit

The calculation of basic earnings per unit is based on:

	Group	
	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
Total profit attributable to Unitholders of CitySpring ($'000)	4,981	1,381
Weighted average number of units outstanding during the period ('000)	450,000	450,000
Earnings per unit (cents)	1.11	0.31

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial period.

12. Trade and other receivables

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Trade receivables	32,555	33,926
Less: Provision for impairment of receivables	(5,572)	(4,447)
Trade receivables — net	26,983	29,479
Receivable on settlement of commodity swap	451	395
Staff loans	14	15
Advances	514	947
Other receivables	1,623	1,285
	29,585	32,121

The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Singapore Dollar	28,884	31,437
United States Dollar	688	684
Chinese Yuan	13	—
	29,585	32,121

13. Inventories

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Pipes and fittings	74	73
Spare parts and accessories	5,890	5,562
Fuel	5,511	7,179
	11,475	12,814

14. Derivative financial instruments

Derivative financial instruments included in the balance sheet are as follows:

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Derivative financial instruments — current assets	14,907	10,619
Derivative financial instruments — current liabilities	7,279	9,412

Cash flow hedges

As at 31 March 2006, the Group held four financial derivatives namely one interest rate swap and three commodity swaps. These swaps are designated as hedges for expected future interest rate and utilities expenses that the Group have firm commitments. The interest rate swap is being used to hedge the interest rate risks of the Group's existing bank loans. The commodity swaps are used to hedge the fuel price risk that directly impact the Group's existing commitments under an energy supply contract.

The terms of the swaps have been negotiated to match the terms of the commitments.

The cash flow hedge of the expected future interest expense is assessed to be highly effective and a fair value loss of S$7,279,000 and S$9,412,000 as at 31 March 2006 and 30 September 2006 respectively with a related deferred tax asset of S$1,455,743 and S$1,802,501 as at 31 March 2006 and 30 September 2006 respectively, is included in the hedging reserve.

The commodity swaps were only designated as a cash flow hedge in December 2005. Hence, the fair value gain of S$7,024,877 from 1 April 2005 to 31 December 2005 is recognised in the income statement. Subsequent to 31 December 2005, the commodity swaps qualified for hedge accounting. Accordingly, the fair value gain for the financial period from 1 January 2006 to 31 March 2006 of S$2,105,450, with a related deferred tax charge of S$432,688 is included in the hedging reserve. The fair value gain from 1 April 2006 to 30 September 2006 of S$77,178, with a related deferred tax charge of S$43,590 is included in the hedging reserve.

15. Finance lease receivable

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Minimum finance lease receivable		
Not later than one year	12,749	6,076
Later than one year but not later than five years	50,665	48,644
Later than five years	186,284	178,852
Total minimum finance lease receivable	249,698	233,572
Less: future finance income	(77,222)	(67,244)
Present value of minimum finance lease receivable	172,476	166,328
Present value of unguaranteed residual value	25,504	27,473
	197,980	193,801
Present value of the finance lease receivable is analysed as follows:		
Not later than one year	5,955	6,029
Later than one year but not later than five years	25,946	26,503
Later than five years	140,575	133,796
Present value of minimum finance lease receivable	172,476	166,328

The finance lease receivable relates to the lease arrangement under a Water Purchase Agreement (see note 5.16(b)).

16. Intangible assets

	Group	
Composition:	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Goodwill arising on consolidation (note(a))	294,476	292,760
Customer relationships (note (b))	68,000	68,200
Customer contract (note (c))	65,100	73,200
	133,100	141,400
	427,576	434,160

16. Intangible assets (continued)

During the financial year/period, CitySpring acquired the business of production of town gas, and retail of town gas and natural gas; and the business of collection, purification, and distribution of water (including desalination of water) through the acquisition of City Gas Trust and SingSpring Trust for a total purchase consideration of S$669,272,000 and S$667,817,000 assuming that the acquisition occurred as at 31 March 2006 and 30 September 2006 respectively. The aggregate effects of the acquisition of subsidiaries and businesses are as follows:

	Fair value at City Gas Trust and SingSpring Trust Level as at 31 March 2006	Carrying amount in City Gas Pte Ltd and SingSpring Pte Ltd as at 31 March 2006
	S$'000	**S$'000**
ASSETS		
Cash and cash equivalents	27,823	27,823
Trade and other receivables	29,585	29,585
Due from related parties (non-trade)	594	594
Inventories	11,475	11,045
Derivative financial instruments	14,907	14,907
Finance lease receivable (current)	5,955	1,370
Intangibles	133,100	—
Property, plant and equipment	92,154	117,138
Finance lease receivable (non-current)	192,025	199,648
Other assets	501	424
Total assets	508,119	402,534
LIABILITIES		
Trade and other payables	8,039	8,039
Current tax liabilities	21,899	21,899
Accruals and other creditors	14,896	14,896
Deposits received	18,808	18,808
Derivative financial instruments	7,279	7,279
Due to related parties (trade)	783	783
Due to related parties (non-trade)	471	471
Deferred taxation	28,897	20,608
Total liabilities	101,072	92,783
Net identifiable assets	407,047	309,751
Less: Notes payable to minority interest	(15,000)	—
Less: Minority interest	(15,018)	—
Net identifiable assets acquired	377,029	309,751
Excess of fair value of identifiable net assets over purchase consideration	(2,233)	
Goodwill	294,476	
Total cash consideration	669,272	
Less: Cash and cash equivalents in subsidiaries acquired	(27,823)	
Net cash outflow from acquisition of subsidiaries	641,449	
Pro Forma effects arising from the basis of preparation of the Pro Forma balance sheet and income statement	21,630	
Net cash outflow from acquisition of subsidiaries per cashflow	663,079	

16. Intangible assets (continued)

	Fair value at City Gas Trust and SingSpring Trust Level as at 30 September 2006 S$'000	Carrying amount in City Gas Pte Ltd and SingSpring Pte Ltd as at 30 September 2006 S$'000
ASSETS		
Cash and cash equivalents	33,658	33,658
Trade and other receivables	32,121	32,121
Due from related parties (non-trade)	630	630
Inventories	12,814	14,202
Derivative financial instruments	10,619	10,619
Finance lease receivable (current)	6,029	1,463
Intangibles	141,400	—
Property, plant and equipment	87,316	111,812
Finance lease receivable (non-current)	187,772	198,889
Other assets	321	234
Total assets	512,680	403,628
LIABILITIES		
Trade and other payables	6,197	6,197
Current tax liabilities	23,812	23,812
Accruals and other creditors	15,548	15,548
Deposits received	17,823	17,823
Derivative financial instruments	9,412	9,412
Due to related parties (non-trade)	510	510
Deferred taxation	29,396	19,676
Total liabilities	102,698	92,978
Net identifiable assets	409,982	310,650
Less: Notes payable to minority interest	(15,000)	—
Less: Minority interest	(15,018)	—
Net identifiable assets acquired	379,964	310,650
Excess of fair value of identifiable net assets over purchase consideration	(4,907)	
Goodwill	292,760	
Total cash consideration	667,817	
Less: Cash and cash equivalents in subsidiaries acquired	(33,658)	
Net cash outflow from acquisition of subsidiaries	634,159	
Pro Forma effects arising from the basis of preparation of the Pro Forma balance sheet and income statement	24,634	
Net cash outflow from acquisition of subsidiaries per cashflow	658,793	

16. Intangible assets (continued)

(a) Goodwill arising on consolidation

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Cost		
Balance at the beginning of financial year/period	—	—
Acquisition of subsidiaries	294,476	292,760
Balance at end of financial year/period	294,476	292,760

(b) Customer relationships

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Cost		
Balance at the beginning of financial year/period	—	—
Acquisition of subsidiaries	68,000	68,200
Balance at end of financial year/period	68,000	68,200

(c) Customer contract

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Cost		
Balance at the beginning of financial year/period	—	—
Acquisition of subsidiaries	65,100	73,200
Balance at end of financial year/period	65,100	73,200

The valuation of the customer relationships and customer contract was arrived at using the Income Approach. Income Approach is predicated on the value of the future cash flows which an asset or business will generate over its remaining useful life. Based on the forecasted revenue attributable to the customer relationships and customer contract acquired, the values of these intangibles are determined.

16. Intangible assets (continued)

In determining the values of the customer relationships and customer contract, cash flow projections based on the financial budgets, prepared by management, were used and a discount rate is applied to the projections.

	31 March 2006	**30 September 2006**
Customer relationship		
Cash flow projections	10 years	10 years
Discount rate	8.9%	9.0%
Revenue growth	2.0%	2.0%
Customer contract		
Cash flow projections	20 years	19.5 years
Discount rate	9.6%	9.5%
Revenue growth	0%	0%

The financial budgets, prepared by management, were based on past performances and expectation of the market development. The discount rates used are post-tax and reflect specific risks relating to the relevant business sectors.

17. Property, plant and equipment

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Leasehold land	3,000	3,000
Buildings	8,053	7,748
Computer	3,347	2,843
Plant and equipment	77,129	73,141
Vehicles	625	584
Balance at end of financial year/period	92,154	87,316

As at 31 March 2006, EMA has completed its review on the report on the conversion of the existing town gas system to natural gas for the retail market which was submitted in August 2004. As at 30 September 2006, no decision has been made with respect to the implementation of the conversion exercise. As such, the impact of the conversion exercise on the existing property, plant and equipment is not determinable at the date of the financial statements. Notwithstanding, the directors are of the opinion that the carrying value of the property, plant and equipment as at 31 March 2006 and 30 September 2006 are appropriate.

18. Trade and other payables

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Trade payables to:		
— Third parties	4,947	3,085
— Related parties	3,092	3,112
	8,039	6,197

The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Singapore Dollar	7,393	6,139
United States Dollar	646	58
	8,039	6,197

19. Accruals and other creditors

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Accruals	12,527	13,226
Interest payable	668	599
Other creditors	1,701	1,723
	14,896	15,548

19. Accruals and other creditors (continued)

The carrying amounts of accruals and other creditors approximate their fair values and are denominated in the following currencies:

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Singapore Dollar	7,737	9,059
United States Dollar	7,126	6,489
Chinese Yuan	33	—
	14,896	15,548

20. Borrowings

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Current		
Bank loans ("New Loans")	2,373	2,373
Non-current		
Bank loans ("New Loans")	281,865	280,410
	284,238	282,783

(a) *Security granted*

The New Loans are secured over the assets and business undertakings of City Gas and SingSpring, respectively. The New SingSpring Loan is in addition secured by a charge over the units in the SingSpring Trust held by CitySpring and Hyflux and a charge over the shares held by the Trustee-Manager in the SingSpring Trustee.

The New Loans impose certain covenants on the City Gas Trustee and the SingSpring Trustee, respectively. These covenants include having to maintain funds sufficient to pay principal, interest and retention of additional amounts (see note 2.4).

20. Borrowings (continued)

(b) *Maturity of borrowings*

The current borrowings have a maturity of 12 months from the end of the financial year. The non-current borrowings have the following maturity:

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Later than one year but not later than five years	156,785	157,438
Later than five years	125,080	122,972
	281,865	280,410

(c) The carrying amounts of the borrowings are denominated in Singapore Dollar, bear a weighted average effective interest rate of 4.46% and approximate their fair values.

21. Notes payable to minority interest

This relates to SingSpring Notes issued to Hyflux. The principal of the SingSpring Notes shall be payable in 2025 and interest shall be payable quarterly in arrears at a fixed rate of 6.5% per annum (with a one-time option for the Issuer, on any interest payment date, to switch to a floating rate per annum equal to three-month Singapore Dollar Swap Offer Rate plus 2.5%) (See note 2.5).

22. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relates to the same fiscal authority. The amounts, determine after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Deferred tax assets		
Provision for untilised leave, doubtful debts and inventories	(1,268)	(1,145)
Revaluation of fair value of commodity swap arising from business combination	(1,456)	(1,882)
	(2,724)	(3,027)
Deferred tax liabilities		
Intangible assets acquired from business combination	26,620	28,280
Revaluation of fair value of land arising from business combination	2,019	2,019
Revaluation of fair value of interest rate swap arising from business combination	2,982	2,124
	31,621	32,423
	28,897	29,396

23. Net assets attributable to Unitholders

	Group	
	As at 31 March 2006	As at 30 September 2006
	S$'000	S$'000
Net assets attributable to holders of CitySpring Units comprise:		
CitySpring Units in issue (note (a))	400,500	400,500
Issue costs charge to equity (note (b))	(9,622)	(9,622)
	390,878	390,878
Issue expenses recognised in income statement (note (b))	(6,323)	(6,323)
Set up costs recognised in income statement	(500)	(500)
Net proceeds	384,055	384,055

(a) CitySpring Units in Issue

	As at 31 March 2006		As at 30 September 2006	
	No of units '000	S$'000	No of units '000	S$'000
Creation of new CitySpring Units arising from:				
— the Offering	321,750	286,357	321,750	286,357
— private placement	128,250	114,143	128,250	114,143
	450,000	400,500	450,000	400,500

(b) Issue expenses

Issue expenses comprise professional, advisory, underwriting, printing and other costs related to issuance of units in CitySpring.

24. Commitments

(a) Operating lease commitments

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	As at 31 March 2006	**As at 30 September 2006**
	S$'000	**S$'000**
Not later than one year	879	888
Later than one year but not later than five years	1,330	898
	2,209	1,786

(b) Guarantee

A subsidiary of the Group has guaranteed a sum of S$12,830,950 to PUB, Singapore's national water agency, in relating to certain of its obligation under the Water Purchase Agreement which was signed between the subsidiary and PUB. The guarantee expires on 30 November 2006 and no liability is expected to arise.

(c) Other commitments

A subsidiary of the Group entered into long-term Gas Purchase Agreement with Gas Supply Pte Ltd to purchase 112 thousand billion of British thermal unit of natural gas over a period of 20 years, starting from September 2003.

25. Related party transactions

Related parties relate to subsidiaries of Temasek and subsidiaries of Hyflux. Hyflux is a shareholder of SingSpring Trust.

The following transactions took place between the Group and related parties during the financial year:

	1 April 2005 to 31 March 2006	**1 April 2006 to 30 September 2006**
	S$'000	**S$'000**
(a) Sales and purchases of goods and services		
Purchase of goods/services from related parties	159,605	96,715
Construction cost paid to related parties	14,801	—
Operation and maintenance costs paid to related parties	1,503	2,588
Gain on settlement of commodity swap payable to a related party	1,379	—
Loan interest paid to related parties	11	7

25. Related party transactions (continued)

	1 April 2005 to 31 March 2006	1 April 2005 to 30 September 2006
	S$'000	**S$'000**
(b) Key management personnel compensation is as follows:		
Salaries and other short-term employee benefits	1,506	1,527
Post-employment benefit — contribution to CPF	55	49

26. Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of credit, interest rate, liquidity, commodity price and foreign currency exchange rate. Risk management is integral to the whole business of the Group, with the Group's overall risk management programme focusing on the unpredictability of financial markets and seeking to minimise potential adverse effects on the financial performance of the Group.

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Due to the nature of its customer base, the Group has no significant concentration of credit risk of trade debt. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of gas sales accounts. SP Services Ltd, a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Interest rate risk

The Group obtains additional financing through bank borrowings. Therefore, it is exposed to market risk for changes in interest rates. The Group's policy is to obtain the most favourable interest rate available without increasing its interest rate exposure.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps. The interest rate swaps allow the Group to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to reduce variability in cash flows arising from interest rate fluctuations.

Surplus funds are placed with reputable banks with sound credit ratings. Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

26. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Regular cash management and monitoring activities ensure that the Group is not faced with significant liquidity risk.

(d) Commodity price risk

Electricity is a major component in the total operating costs of the seawater desalination plant. The cost of electricity is affected by the volatility in fuel prices and consequently, the Group is exposed to commodity price risk on purchase of electricity.

The Group manages its commodity price risk by using commodity swaps and hedge up to three years forward based on anticipated capacity demand of the plant so as to provide the Group with protection against sudden and significant increases in fuel prices.

(e) Foreign currency risk

The Group is exposed to an embedded foreign currency risk as the fuel prices on purchase of electricity is denominated in United States dollars ("US$").

The Group aims to reduce its exposure to fluctuations between US$ and S$ to a minimal level. It has arranged for the settlements of its electricity charges and commodity swaps in S$, which are computed using the same average exchange rate in the month of consumption.

Except in situations when the plant runs at an operating capacity that exceeds the anticipated capacity used by the Company in entering into hedging transactions to mitigate its risk, the Company's exposure to foreign currency risk is minimal as its revenue and other major operating expenses are denominated in S$.

27. Fair value

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, trade and other receivables, trade and other payables and deposit received.

28. Events occurring after balance sheet date

On 12 October 2006, City Gas Pte Ltd commenced liquidation of its subsidiary, CityGas China Pte Ltd.

29. New accounting standards and FRS interpretations

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Group does not expect that adoption of these accounting standards or interpretations will have a material impact on the Group's financial statements.

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on 30 January 2007.

APPENDIX B

REPORTING AUDITORS' REPORT ON THE PROFIT AND CASH FLOW PROJECTIONS

The Board of Directors
CitySpring Infrastructure Management Pte. Ltd.
(in its capacity as Trustee-Manager of CitySpring Infrastructure Trust)
111 Somerset Road, #07-02
Singapore Power Building
Singapore 238164

30 January 2007

Dear Sirs

Letter from the Reporting Auditors on the Profit and Cash Flow Projections for the Period from 1 February 2007 to 31 March 2007 and for the Year Ending 31 March 2008

This letter has been prepared for inclusion in the Prospectus (the "Prospectus") dated 30 January 2007 to be issued in connection with the offering of units in CitySpring Infrastructure Trust ("CitySpring").

The directors of CitySpring Infrastructure Management Pte. Ltd. (the "Directors"), in its capacity as trustee-manager of CitySpring, are responsible for the preparation and presentation of the projected consolidated income statements and consolidated cash flow statements of CitySpring and its subsidiaries (the "Group") for the period from 1 February 2007 to 31 March 2007 and for the year ending 31 March 2008 (collectively, the "Profit and Cash Flow Projections"), as set out on pages 74 and 75 of the Prospectus, which have been prepared on the basis of the assumptions as set out on pages 76 to 85 of the Prospectus.

We have examined the Profit and Cash Flow Projections for the period from 1 February 2007 to 31 March 2007 and the year ending 31 March 2008 of the Group as set out on pages 74 and 75 of the Prospectus in accordance with Singapore Standard on Assurance Engagements 3400 applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit and Cash Flow Projections including the assumptions set out on pages 76 to 85 of the Prospectus on which they are based.

The Profit and Cash Flow projections of SingSpring have been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently readers are advised that these projections may not be appropriate for purposes other than for the proposed listing of the assets and business of SingSpring Pte Ltd under CitySpring.

In the preparation of the Profit and Cash Flow projections of SingSpring, one such hypothetical assumption is that the volume of water will be supplied to PUB at an average of 50% of the plant's operating capacity. PUB has the right under the WPA to require SingSpring to supply water at 0% (in the case of no draw down of water) or between 23% and 100% (in the case of draw down of water) of the plant's capacity. The daily volume of water supplied to PUB from 16 December 2005 (beginning of operations of SingSpring Pte Ltd) to 30 September 2006 averaged 25% of the plant's operating capacity. A sensitivity analysis based on 25% and 50% of the plant's capacity is provided on page 86 of the Prospectus.

The Profit and Cash Flow Projections are intended to show a possible outcome based on the stated assumptions. As CitySpring is newly established without any history of activities and SingSpring is in a start-up phase, the assumptions used in the Profit and Cash Flow Projections (which included hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for profit forecasts. The Profit and Cash Flow Projections do not therefore constitute forecasts.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit and Cash Flow Projections. Further, in our opinion the Profit and Cash Flow Projections, in so far as the accounting policies and calculations are concerned, are properly prepared on the basis of the assumptions, are consistent with the accounting policies set out on pages A-26 to A-37 of the Prospectus, and are presented in accordance with Singapore Financial Reporting Standards (but not all the required disclosures) which is the accounting framework to be adopted by CitySpring in the preparation of the consolidated financial statements of the Group and financial statements of CitySpring.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Profit and Cash Flow Projections since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those projected. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Profit and Cash Flow Projections.

Attention is drawn, in particular, to the risk factors set out on pages 25 to 39 of the Prospectus which describe the principal risks associated with the Offering to which the Profit and Cash Flow Projections relate and the sensitivity analysis of the Directors' Profit and Cash Flow Projections as set out on pages 85 to 87 of the Prospectus.

Yours faithfully

PricewaterhouseCoopers
Certified Public Accountants
Singapore

Partner-in-charge: Lee Kok Hooi

THE FINANCIAL STATEMENTS OF CITY GAS FOR THE YEAR ENDED 31 MARCH 2004

CITY GAS PTE LTD

(Incorporated in Singapore)

FINANCIAL STATEMENTS

For the financial year ended 31 March 2004

CITY GAS PTE LTD
(Incorporated in Singapore)

FINANCIAL STATEMENTS
For the financial year ended 31 March 2004

Contents

DIRECTORS' REPORT
For the financial year ended 31 March 2004

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2004.

Directors

The directors at the date of this report are:

Lee Yong Siang
Lai Hock Meng
Lim Kian Seng
Ong Kian Ngee
Richard Fam
Sundaresh Menon
Peter Sung (appointed on 15 August 2003)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital of the Company.

(b) None of the directors holding office at 31 March 2004 had any interest in the shares in, or debentures of, any related corporation, except as follows:

		Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
Names of directors and corporations in which interest are held	Description of interest	**At 31.3.04**	At 1.4.03	**At 31.3.04**	At 1.4.03
CapitaLand Limited					
Lim Kian Seng	Ordinary shares of $1 each	**20,000**	20,000	**-**	-

Directors' interests in shares or debentures (continued)

Names of directors and corporations in which interest are held	Description of interest	Holdings registered in the name of director At 31.3.04	At 1.4.03	Holdings in which a director is deemed to have an interest At 31.3.04	At 1.4.03
Sembcorp Industries Ltd					
Sundaresh Menon	Ordinary shares of $0.25 each	**10,086**	10,086	**258**	258
Singapore Airlines Ltd					
Richard Fam	Ordinary shares of $1 each	**6,000**	6,000	**4,000**	4,000
Lai Hock Meng	Ordinary shares of $0.50 each	**-**	-	**600**	600
SIA Engineering					
Ong Kian Ngee	Ordinary shares of $2.05 each	**1,000**	1,000	**-**	-
SMRT					
Ong Kian Ngee	Ordinary shares of $0.61 each	**2,000**	2,000	**-**	-
Singapore Telecommunications Limited					
Lee Yong Siang	Ordinary shares of $0.15 each	**1,740**	1,740	**1,540**	1,540
Lai Hock Meng	Ordinary shares of $0.15 each	**1,690**	1,690	**1,690**	1,690
Richard Fam	Ordinary shares of $0.15 each	**1,820**	1,820	**1,540**	1,540
Lim Kian Seng	Ordinary shares of $0.15 each	**21,740**	321,740	**1,740**	1,740
Sundaresh Menon	Ordinary shares of $0.15 each	**1,680**	1,680	**1,540**	1,540
Ong Kian Ngee	Ordinary shares of $0.15 each	**1,740**	1,740	**700**	700
Peter Sung	Ordinary shares of $0.15 each	**1,540**	-	**1,540**	-
Singapore Technologies Engineering Ltd					
Lai Hock Meng	Ordinary shares of $0.10 each	**30,000**	30,000	**-**	-
Singapore Press Holdings Limited					
Lai Hock Meng	Ordinary shares of $1.00 each	**3,000**	-	**-**	-

Directors' interests in shares or debentures (continued)

Names of directors and corporations in which interest are held	Description of interest	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
		At 31.3.04	At 1.4.03	**At 31.3.04**	At 1.4.03
Singapore Post Limited					
Lai Hock Meng	Ordinary shares of $0.05 each	**5,000**	-	**5,000**	-

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

LAI HOCK MENG
Director

LEE YONG SIANG
Director

Singapore

31 May 2004

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company as set out on pages 6 to 23 are drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2004 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

LAI HOCK MENG Director	LEE YONG SIANG Director

Singapore

31 May 2004

AUDITORS' REPORT TO THE SHAREHOLDER OF CITY GAS PTE LTD

We have audited the financial statements of City Gas Pte Ltd for the financial year ended 31 March 2004 set out on pages 6 to 23. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2004 and the results, changes in equity and cash flows of the Company for the financial year ended on that date, and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 31 May 2004

CITY GAS PTE LTD

INCOME STATEMENT
For the financial year ended 31 March 2004

	Notes	**2004** **$**	2003 $
Sales	3	**202,010,343**	206,700,729
Other operating income		**2,422,787**	3,616,901
Fuel and Electricity costs		**(57,090,060)**	(57,391,634)
Transportation tariff	4	**(69,228,850)**	(70,621,781)
Staff costs	5	**(16,878,509)**	(16,953,354)
Staff costs – Termination benefits (under the Special Retirement Scheme)	5	**(2,247,810)**	-
Depreciation		**(9,885,968)**	(9,827,888)
Provision for Doubtful Debts		**(4,940,907)**	(429,809)
Consultancy Fees *		**(1,328,906)**	(30,910)
Other operating expenses		**(21,837,620)**	(21,673,249)
Operating profit	6	**20,994,500**	33,389,005
Finance income	7	**360,723**	232,076
Finance costs	8	**-**	(50,757)
Profit before tax		**21,355,223**	33,570,324
Tax	9	**(3,507,066)**	(7,063,877)
Net profit		**17,848,157**	26,506,447

* Includes consultancy fees for natural gas conversion incurred in financial year 03/04.

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CITY GAS PTE LTD

BALANCE SHEET
As at 31 March 2004

	Notes	**2004** **$**	2003 $
Current assets			
Cash and cash equivalents	10	**46,409,416**	52,621,737
Customer debts	11	**27,917,292**	27,899,559
Due from related companies – non-trade	12	**93,921**	647,983
Inventories	13	**8,468,849**	9,024,213
Other current assets	14	**2,505,254**	2,238,811
		85,394,732	92,432,303
Non-current assets			
Property, plant and equipment	15	**133,876,155**	141,955,711
Staff loans		**47,509**	70,016
		133,923,664	142,025,727
Total assets		**219,318,396**	234,458,030
Current liabilities			
Trade payables	16	**5,801,267**	4,868,616
Due to related company – trade		**25,455**	42,980
Accruals and other creditors	17	**13,228,061**	14,522,915
Deposits received		**17,992,291**	19,107,420
		37,047,074	38,541,931
Non-current liability			
Deferred taxation	9	**13,785,204**	10,278,138
Total liabilities		**50,832,278**	48,820,069
Net assets		**168,486,118**	185,637,961
Shareholder's Equity			
Share capital	18	**140,000,000**	140,000,000
Share premium		**9,751,931**	9,751,931
Capital reserve	19	**1,119,958**	1,119,958
Retained profits		**17,614,229**	34,766,072
		168,486,118	185,637,961

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the financial year ended 31 March 2004

	Note	Share capital $	Share premium $	Capital reserve $	Retained profits $	Total $
Balance at 1 April 2003		140,000,000	9,751,931	1,119,958	34,766,072	185,637,961
Net profit for the financial year					17,848,157	17,848,157
Total recognised gains for the financial year					17,848,157	17,848,157
Dividends	21	-	-	-	(35,000,000)	(35,000,000)
Balance at 31 March 2004		**140,000,000**	**9,751,931**	**1,119,958**	**17,614,229**	**168,486,118**
Balance at 1 April 2002		140,000,000	9,751,931	1,119,958	8,259,625	159,131,514
Net profit for the financial year		-	-	-	26,506,447	26,506,447
Total recognised gains for the financial year		-	-	-	26,506,447	26,506,447
Balance at 31 March 2003		140,000,000	9,751,931	1,119,958	34,766,072	185,637,961

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CITY GAS PTE LTD

CASH FLOW STATEMENT
For the financial year ended 31 March 2004

	2004 $	2003 $
Operating activities		
Profit from ordinary activities before taxation	**21,355,223**	33,570,324
Adjustments for:		
Interest expense	**-**	50,757
Depreciation of property, plant and equipment	**9,885,968**	9,827,889
Provisions (net)		
Provision for obsolescence stocks	**-**	(649,141)
Provision for doubtful debts	**4,940,907**	429,809
Provision for unutilised leave	**26,853**	55,749
Others		
Interest income	**(360,723)**	(232,076)
Profit on sales of fixed assets	**(8,176)**	(3,888)
Bad debts written off	**(685,907)**	(141,972)
Stock written back	**(102,101)**	-
Write off of assets	**-**	-
Operating profit before working capital changes	**35,052,044**	42,907,451
Changes in working capital:		
Inventories	**657,465**	(1,246,673)
Trade and other receivables	**(3,980,082)**	4,052,556
Trade and other payables	**(1,521,710)**	1,335,696
Cash generated from operations	**30,207,717**	47,049,030
Income taxes paid	**-**	-
Cash flows from operating activities	**30,207,717**	47,049,030
Investing activities		
Interest received	**378,198**	194,218
Purchase of property, plant and equipment	**(1,806,412)**	(667,373)
Proceeds from sale of property, plant and equipment	**8,176**	3,888
Cash flows from investing activities	**(1,420,038)**	(469,267)
Financing activities		
Interest paid	**-**	
Dividend paid	**(35,000,000)**	(50,757)
Repayment of borrowings from related company	**-**	(10,000,000)
Cash flows from financing activities	**(35,000,000)**	(10,050,757)
Net increase in cash and cash equivalents	**(6,212,321)**	36,529,006
Cash and cash equivalents at beginning of year	**52,621,737**	16,092,731
Cash and cash equivalents at end of year	**46,409,416**	52,621,737

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is domiciled and incorporated in Singapore. The address of the Company's registered office is 111 Somerset Road, Singapore Power Building, Singapore 238164.

The principal activities of the Company consist of the production and retailing of town gas.

2. Significant accounting policies

(a) Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company prepared its statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory accounts for the financial year ended 31 March 2003.

(b) Basis of preparation

The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The financial statements are expressed in Singapore Dollars.

2. Significant accounting policies (continued)

(c) Foreign currency translation

(1) Measurement currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company ("the measurement currency"). The financial statements are presented in Singapore Dollars, which is the measurement currency of the Company.

(2) *Transactions and balances*

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income statement.

(d) Revenue recognition

Revenue comprises revenue from sale of gas and other related charges and is recognised upon billing of services rendered.

Rental income is recognised on an accrual basis.

Interest income is accrued on a day to day basis.

(e) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

2. Significant accounting policies (continued)

(g) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the financial year in which they are identified.

(h) Inventories

Inventories are stated at cost determined on the weighted average method. Provision for obsolete, deteriorated or damaged stocks is made when considered appropriate.

(i) Depreciation of property, plant and equipment

Assets-under-construction are stated at cost. Expenditure relating to the assets-under-construction are capitalised when incurred. Depreciation will commence when the construction is completed and when the assets are operational.

All other property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold land	30 years
Buildings	30 years
Computers	5 years
Plant and machinery	3 - 30 years
Vehicles	5 years

(j) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Significant accounting policies (continued)

(k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events that it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(l) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

3. Revenue

	2004	2003
	$	$
Sale of gas	**202,010,343**	206,700,729

4. Transportation tariff

In consideration of PowerGas providing transportation of town gas to the retail customers, and transportation of natural gas for direct reticulation, a transportation tariff is levied by PowerGas on the Company based on the quantity of town gas and natural gas transported through its pipeline.

5. Staff costs

	2004	2003
	$	$
Wages and salaries	**14,525,211**	14,318,168
Employer's contribution to Central Provident Fund	**1,767,204**	1,987,859
Other benefits	**586,094**	647,327
	16,878,509	16,593,354
Termination benefit	**2,247,810**	-
	19,126,319	16,953,354

5. Staff costs (continued)

Number of persons employed at the end of the financial year:

	2004	2003
Full time	**261**	286

6. Operating profit

	2004 **$**	2003 $
Operating profit is arrived at after:		
Charging:		
Bad trade debts written off	**685,907**	141,972
Depreciation of property, plant and equipment		
- Leasehold land	**197,023**	196,253
- Buildings	**778,259**	778,259
- Computers	**167,219**	156,216
- Plant and equipment	**8,639,453**	8,610,472
- Vehicles	**104,014**	86,688
Directors' remuneration	**179,833**	160,998
Provision for doubtful trade debts	**4,940,907**	429,809
Rental expense – Operating leases	**1,339,571**	1,241,449
Foreign exchange loss – net	**141,602**	-
And crediting:		
Gain on disposal of property, plant and equipment	**8,176**	3,888
Rental income	**64,990**	74,560
Provision for stock obsolescence written back	**102,101**	649,141

7. Finance income

	2004 **$**	2003 $
Interest income		
- Fixed deposits	**345,810**	194,186
- Others	**14,913**	37,890
	360,723	232,076

8. Finance costs

	2004	2003
	$	$
Interest expense		
- Loan from related company	**-**	50,757

9. Tax

(a) Tax expense

	2004	2003
	$	$
Tax expense attributable to profit is made up of:		
Deferred tax	**3,507,066**	7,063,877

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2004	2003
	$	$
Profit before tax	**21,355,223**	33,570,324
Tax calculated at a tax rate of 20%(2003: 22%)	**4,271,045**	7,385,471
Effect of changes in tax rate	**(934,376)**	(327,986)
Income not subject to tax	**(31,281)**	(16,971)
Expenses not deductible for tax purposes	**201,678**	164,873
Utilisation of previously unrecognised tax benefits	**-**	(141,510)
	3,507,066	7,063,877

(b) Deferred taxes

	2004	2003
	$	$
At beginning of financial year	**10,278,138**	3,214,261
Effect of changes in tax rates	**(934,376)**	(327,986)
Tax charge/(credit) to income statement	**4,441,442**	7,391,863
At end of year	**13,785,204**	10,278,138

9. Tax (continued)

Deferred tax liabilities

	Accelerated tax depreciation $	Total $
At 31 March 2003	16,994,429	16,994,429
Effect of changes in tax rates	(1,544,948)	(1,544,948)
Charged to Income Statement	6,526,268	6,526,268
At 31 March 2004	**21,975,749**	**21,975,749**

Deferred tax assets

	Provisions $	Unutilised capital allowances $	Total $
At 31 March 2003	(343,347)	(6,372,944)	(6,716,291)
Effects of changes in tax rates	31,213	579,359	610,572
Credited to Income Statement	(507,682)	(1,577,144)	(2,084,826)
At 31 March 2004	**(819,816)**	**(7,370,729)**	**(8,190,545)**

	2004 **$**	2003 $
Deferred tax assets	**(8,190,545)**	(6,716,291)
Deferred tax liabilities	**21,975,749**	16,994,429
	13,785,204	10,278,138

The amounts shown in the balance sheet include the following:

	2004 **$**	2003 $
Deferred tax assets to be recovered after more than 12 months	**(8,190,545)**	(7,581,169)
Deferred tax liabilities to be settled after more than 12 months	**21,975,749**	17,859,307

10. Cash and cash equivalents

	2004	2003
	$	$
Cash at bank and on hand	**591,948**	606,061
Fixed deposits	**45,817,468**	52,015,676
	46,409,416	52,621,737

The fixed deposits comprise fixed deposits in Singapore dollars and ACU in US dollars with financial institutions mature on varying dates within 1 - 3 months (2003: 1 - 3 months) from the financial year end. The weighted average effective interest rate of these deposits as at 31 March 2004 were 0.61% (2003: 0.68%) per annum and 0.90% (2003: NIL) per annum for Singapore dollars fixed deposits and US dollars ACU respectively.

11. Customer debts

	2004	2003
	$	$
Customer debts	**32,917,292**	28,644,559
Less: Provision for doubtful debts	**(5,000,000)**	(745,000)
Balance at the end of the financial year	**27,917,292**	27,899,559

SP Services Ltd ("SP Services"), a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company. The Company pays a management fee to SP Services in consideration for the provision of such services.

Customer debts comprise billings to consumers for sale of gas and other fees and charges less remittance from SP Services.

12. Balances with related companies

The balances with related companies are unsecured, interest-free and are repayable on demand.

13. Inventories

	2004	2003
	$	$
At cost		
Pipes and fittings	**83,703**	103,864
Spare parts and accessories	**5,131,430**	5,387,521
Fuel	**3,253,716**	3,532,828
	8,468,849	9,024,213

14. Other current assets

	2004	2003
	$	$
Advances and staff loans	**1,533,375**	1,370,136
Other debtors	**954,886**	845,630
Deposits	**4,802**	4,350
Prepayments	**12,191**	18,695
	2,505,254	2,238,811

15. Property, plant and equipment

	Leasehold land	Buildings	Computers	Plant and equipment	Vehicles	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
At 1 April 2003	4,677,761	19,201,565	836,094	128,986,865	437,418	83,300	154,223,003
Additions	-	-	-	-	-	1,806,412	1,806,412
Transfers	-	-	-	27,998	109,554	(137,552)	-
Disposals	-	-	-	-	(3)	-	(3)
At 31 March 2004	**4,677,761**	**19,201,565**	**836,094**	**129,014,863**	**546,969**	**1,752,160**	**156,029,412**
Accumulated depreciation							
At 1 April 2003	244,739	972,824	187,018	10,757,750	104,961	-	12,267,292
Depreciation charge	197,023	778,259	167,219	8,639,453	104,014	-	9,885,968
Disposal	-	-	-	-	(3)	-	(3)
At 31 March 2004	**441,762**	**1,751,083**	**354,237**	**19,397,203**	**208,972**	**-**	**22,153,257**
Net book value							
At 31 March 2004	**4,235,999**	**17,450,482**	**481,857**	**109,617,660**	**337,997**	**1,752,160**	**133,876,155**
Net book value							
At 31 March 2003	4,433,022	18,228,741	649,076	118,229,115	332,457	83,300	141,955,711

15. Property, plant and equipment (continued)

The Company, together with the Energy Market Authority of Singapore and PowerGas are presently exploring the conversion from the supply of the existing town gas to natural gas for the retail market. As the discussions are at a preliminary stage, the costs relating to the conversion and the impact of the conversion on the existing property, plant and equipment are not determinable at the date of the financial statements. Notwithstanding, the directors are of the opinion that the carrying value of the property, plant and equipment as at 31 March 2004 is appropriate.

16. Trade payables

	2004	2003
	$	$
Trade payables	**5,190,894**	4,161,372
GST payable	**610,373**	707,244
	5,801,267	4,868,616

17. Accruals and other creditors

	2004	2003
	$	$
Accruals	**12,923,568**	14,462,916
Other creditors	**304,493**	59,999
	13,228,061	14,522,915

18. Share capital

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 180 million shares (2003: 180 million shares) with a par value of $1 per share (2003: $1 per share).

18. Share capital (continued)

(b) Issued ordinary share capital

	2004 Number of shares '000	2003 Number of shares '000	2004 $'000	2003 $'000
Balance at the beginning of the financial year	**140,000**	140,000	**140,000**	140,000
Issued during the financial year	**-**	-	**-**	-
Balance at the end of the financial year	**140,000**	140,000	**140,000**	140,000

19. Capital reserve

Pursuant to a Scheme of Arrangement and Amalgamation, PowerGas had transferred all business activities concerning the production and retail of town gas and all related assets, property, contracts and liabilities based on the net tangible assets value as at 2 January 2002 to the Company. In consideration for the above, the Company issued 139,999,998 shares at $1 each at a premium of $9,751,931 to PowerGas in 2002.

Subsequent to the transfer, an amount of $1,119,958 resulting from a surplus in billings for sale of gas for the year prior to the transfer on 2 January 2002 was recognised . Consequently, this amount has been set aside as capital reserve.

20. Holding and ultimate holding corporation

The holding corporation, which is also the ultimate holding corporation, is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

21. Dividends

During the year, the Company paid a final exempt one-tier dividend of 10 cents per share for the financial year ended 31 March 2003 and an interim exempt one-tier dividend of 15 cents per share for the financial year ended 31 March 2004 for the amount of $14,000,000 and $21,000,000 respectively.

22. Commitments

(a) Capital commitments

Commitments for the acquisition of plant and equipment not provided for in the financial statements:

	2004 **$**	2003 $
Contracts placed for capital expenditure	**-**	35,700

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	2004 **$**	2003 $
Not later than 1 financial year	**1,101,170**	1,338,025
Later than 1 financial year but not later than 5 financial years	**462,311**	1,563,481
Later than 5 financial years	**-**	-
	1,563,481	2,901,506

23. Related party transactions

Under Financial Reporting Standards No. 24 on Related Party Disclosures, no disclosure of related party transactions are required in the financial statements of a wholly-owned subsidiary if its holding company is incorporated in the same country and prepares consolidated financial statements. The holding company, Temasek Holdings (Private) Limited prepares consolidated financial statements and consequently related party transactions have not been disclosed in these financial statements.

24. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, commodity price, credit and interest rate. Risk management is integral to the whole business of the Company, with the Company's overall risk management programme focusing on the unpredictability of financial markets and seeking to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out under policies approved by the Board of Directors.

(i) *Foreign exchange risk*

The Company's business is exposed to foreign exchange risk arising from currency exposures primarily with respect to United States dollars. The Company does not have any financial derivatives to hedge these exposures. The Company manages its foreign exchange risk by primarily purchasing and accumulating US dollar, when the rate of US dollar against S$ is low, by temporarily placing the excess US dollar in short term US dollar ACU deposit accounts with reputable banks until the need to utilise such funds for payment.

(ii) *Interest rate risk*

The Company has cash balances placed with reputable banks and financial institutions which generate interest income for the Company. The Company manages its interest rate risks by placing such balances on varying maturities and interest rate terms. However, it does not use derivative financial instruments to hedge against such risk exposure. The risk exposure is not significant as interest income is not a significant source of the Company's income.

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle its financial and contractual obligations to the company as and when they fall due.

24. Financial risk management (continued)

(iii) Credit risk (continued)

Due to the nature of its customer base, the Company has no significant concentration of credit risk of trade debt. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of gas sale accounts. SP Services Ltd, a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Regular cash management and monitoring activities ensure that the Company is not faced with significant liquidity risk.

25. Fair value

The carrying amounts of the following financial assets and liabilities approximate to their fair value: cash and cash equivalents, customer debts, amounts due from related companies, trade payables, amount due to related company, accruals and other creditors and deposits received.

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on 31 May 2004.

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THE FINANCIAL STATEMENTS OF CITY GAS FOR THE YEAR ENDED 31 MARCH 2005

CITY GAS PTE LTD

(Incorporated in Singapore. Registration Number: 200106090N)

FINANCIAL STATEMENTS

For the financial year ended 31 March 2005

CITY GAS PTE LTD
(Incorporated in Singapore)

FINANCIAL STATEMENTS
For the financial year ended 31 March 2005

Contents

CITY GAS PTE LTD

DIRECTORS' REPORT
For the financial year ended 31 March 2005

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2005.

Directors

The directors of the Company in office at the date of this report are:

Lee Yong Siang
Lai Hock Meng
Lim Kian Seng
Ong Kian Ngee
Richard Fam
Sundaresh Menon
Peter Sung
Philip Eng Heng Nee (appointed on 16 May 2005)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital of the Company.

(b) None of the directors holding office at 31 March 2005 had any interest in the shares in, or debentures of, any related corporation, except as follows:

		Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
Names of directors and corporations in which interest are held	Description of interest	**At 31.3.05**	At 1.4.04	**At 31.3.05**	At 1.4.04
CapitaLand Limited					
Lim Kian Seng	Ordinary shares of $1 each	**20,000**	20,000		-
Peter Sung	Ordinary shares of $1 each	**5,000**	5,000		

Directors' interests in shares or debentures (continued)

		Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
Names of directors and corporations in which interest are held	Description of interest	**At 31.3.05**	At 1.4.04	**At 31.3.05**	At 1.4.04
Sembcorp Industries Ltd					
Sundaresh Menon	Ordinary shares of $0.25 each	**10,086**	10,086	**258**	258
Singapore Airlines Ltd					
Richard Fam	Ordinary shares of $1 each	**6,000**	6,000	**4,000**	4,000
Lai Hock Meng	Ordinary shares of $0.50 each	**-**	-	**600**	600
SIA Engineering					
Ong Kian Ngee	Ordinary shares of $0.10 each	**1,000**	1,000	**-**	-
SMRT					
Ong Kian Ngee	Ordinary shares of $0.10 each	**2,000**	2,000	**-**	-
Singapore Telecommunications Limited					
Lee Yong Siang	Ordinary shares of $0.15 each	**1,430**	1,740	**1,430**	1,540
Lai Hock Meng	Ordinary shares of $0.15 each	**1,616**	1,616	**1,616**	1,616
Richard Fam	Ordinary shares of $0.15 each	**1,820**	1,820	**1,540**	1,540
Lim Kian Seng	Ordinary shares of $0.15 each	**20,190**	21,740	**1,430**	1,740
Sundaresh Menon	Ordinary shares of $0.15 each	**1,560**	1,680	**1,430**	1,540
Ong Kian Ngee	Ordinary shares of $0.15 each	**1,620**	1,740	**650**	700
Peter Sung	Ordinary shares of $0.15 each	**1,430**	1,540	**1,430**	1,540
Singapore Technologies Engineering Ltd					
Lai Hock Meng	Ordinary shares of $0.10 each	**10,000**	30,000	**-**	-

Directors' interests in shares or debentures (continued)

Names of directors and corporations in which interest are held	Description of interest	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
		At 31.3.05	At 1.4.04	**At 31.3.05**	At 1.4.04
Singapore Post Limited					
Lai Hock Meng	Ordinary shares of $0.05 each	**-**	5,000	**5,000**	5,000

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

LAI HOCK MENG
Director

SUNDARESH MENON
Director

Singapore, 26 May 2005

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company as set out on pages 6 to 24 are drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2005 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

LAI HOCK MENG	SUNDARESH MENON
Director	Director

Singapore, 26 May 2005

AUDITORS' REPORT TO THE SHAREHOLDER OF CITY GAS PTE LTD

We have audited the financial statements of City Gas Pte Ltd set out on pages 6 to 24 for the financial year ended 31 March 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements of the Company are properly drawn up in accordance with the accompanying provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2005 and the results, changes in equity and cash flows of the Company for the financial year ended on that date, and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 26 May 2005

CITY GAS PTE LTD

INCOME STATEMENT
For the financial year ended 31 March 2005

	Notes	**2005** **$**	2004 $
Sales	3	**201,708,132**	202,010,343
Other operating income	3	**2,768,006**	2,925,112
Fuel and Electricity costs		**(61,201,723)**	(57,090,060)
Transportation tariff	4	**(68,202,813)**	(69,228,850)
Staff costs	5	**(17,126,542)**	(19,126,319)
Depreciation		**(10,218,516)**	(9,885,968)
Bad debts written off		**(972,604)**	(685,907)
Provision for doubtful trade receivables		**(1,179,010)**	(4,940,907)
Other operating expenses		**(23,255,847)**	(22,622,221)
Operating profit before tax	6	**22,319,083**	21,355,223
Tax	7	**(4,640,412)**	(3,507,066)
Net profit		**17,678,671**	17,848,157

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

BALANCE SHEET
As at 31 March 2005

	Notes	**2005**	2004
		$	$
Current assets			
Cash and cash equivalents	8	**19,880,937**	46,409,416
Customer debts	9	**23,286,445**	27,917,292
Due from related companies – non-trade	10	**403,977**	93,921
Inventories	11	**8,709,605**	8,468,849
Other current assets	12	**1,447,531**	2,505,254
		53,728,495	85,394,732
Non-current assets			
Property, plant and equipment	13	**126,471,956**	133,876,155
Staff loans		**22,552**	47,509
Loan to holding company	14	**60,000,000**	-
		186,494,508	133,923,664
Total assets		**240,223,003**	219,318,396
Current liabilities			
Trade payables	15	**4,055,796**	5,801,267
Due to related company – trade		**2,123,925**	25,455
Accruals and other creditors	16	**11,178,602**	13,228,061
Deposits received		**18,274,275**	17,992,291
		35,632,598	37,047,074
Non-current liability			
Deferred taxation	7	**18,425,616**	13,785,204
Total liabilities		**54,058,214**	50,832,278
Net assets		**186,164,789**	168,486,118
Shareholder's Equity			
Share capital	17	**140,000,000**	140,000,000
Share premium		**9,751,931**	9,751,931
Capital reserve	18	**1,119,958**	1,119,958
Retained profits		**35,292,900**	17,614,229
		186,164,789	168,486,118

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CITY GAS PTE LTD

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the financial year ended 31 March 2005

	Note	Share capital $	Share premium $	Capital reserve $	Retained profits $	Total $
Balance at 1 April 2004		140,000,000	9,751,931	1,119,958	17,614,229	168,486,118
Net profit for the financial year		-	-	-	17,678,671	17,678,671
Total recognised gains for the financial year		**-**	**-**	**-**	17,678,671	17,678,671
Balance at 31 March 2005		**140,000,000**	**9,751,931**	**1,119,958**	**35,292,900**	**186,164,789**
Balance at 1 April 2003		140,000,000	9,751,931	1,119,958	34,766,072	185,637,961
Net profit for the financial year		-	-	-	17,848,157	17,848,157
Total recognised gains for the financial year		**-**	**-**	**-**	17,848,157	17,848,157
Dividends		**-**	**-**	**-**	(35,000,000)	(35,000,000)
Balance at 31 March 2004		**140,000,000**	**9,751,931**	**1,119,958**	**17,614,229**	**168,486,118**

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CASH FLOW STATEMENT
For the financial year ended 31 March 2005

	2005 $	2004 $
Operating activities		
Profit from ordinary activities before taxation	**22,319,083**	21,355,223
Adjustments for:		
Depreciation of property, plant and equipment	**10,218,516**	9,885,968
Provisions (net)		
Provision for inventory obsolescence	**188,997**	-
Provision for doubtful trade receivables	**1,179,010**	4,940,907
Provision for unutilised leave	**251,425**	26,853
Others		
Interest income	**(683,254)**	(360,723)
Profit on sales of fixed assets	**(17,888)**	(8,176)
Bad debts written off	**972,603**	685,907
Stock written back	**-**	(102,101)
Operating profit before working capital changes	**34,428,492**	36,423,858
Changes in working capital:		
Inventories	**(429,753)**	657,465
Trade and other receivables	**3,243,275**	(5,351,896)
Trade and other payables	**(1,665,901)**	(1,521,710)
Cash flows from operating activities	**35,576,113**	30,207,717
Investing activities		
Interest received	**691,837**	378,198
Purchase of property, plant and equipment	**(2,814,317)**	(1,806,412)
Proceeds from sale of property, plant and equipment	**17,888**	8,176
Loan to holding company	**(60,000,000)**	-
Cash flows used in investing activities	**(62,104,592)**	(1,420,038)
Financing activities		
Dividend paid	**-**	(35,000,000)
Cash flows used in financing activities	**-**	(35,000,000)
Net decrease in cash and cash equivalents	**(26,528,479)**	(6,212,321)
Cash and cash equivalents at beginning of year	**46,409,416**	52,621,737
Cash and cash equivalents at end of year	**19,880,937**	46,409,416

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is domiciled and incorporated in Singapore. The address of its registered office is 111 Somerset Road, Singapore Power Building, Singapore 238164.

The principal activities of the Company consist of the production and retailing of town gas.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Revenue recognition

Revenue comprises revenue from sale of gas and other related charges and is recognised upon services rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

2. Significant accounting policies (continued)

(c) Property, plant and equipment

Assets-under-construction are stated at cost. Expenditure relating to the assets-under-construction are capitalised when incurred. Depreciation will commence when the construction is completed and when the assets are operational.

All other property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated using a straight line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	30 years
Buildings	30 years
Computers	5 years
Plant and machinery	3 - 30 years
Vehicles	5 years

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement; any amount in revaluation reserve relating to that asset is transferred to retained earnings.

(d) Impairment of assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use.

2. Significant accounting policies (continued)

(e) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the financial year in which they are identified.

(f) Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Provision for obsolete, deteriorated or damaged stocks is made when considered appropriate.

(h) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) Provisions for other liabilities or charges

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2. Significant accounting policies (continued)

(j) Employee benefits

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Company's contribution to defined contribution plans are recognised in the financial year to which they relate.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(k) Foreign currency translation

(1) Measurement currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company ("the measurement currency"). The financial statements are presented in Singapore Dollars, which is the measurement currency of the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

2. Significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

(m) Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

3. Revenue

	2005	2004
	$	$
Sale of gas	**201,708,132**	202,010,343
Other operating income:		
- Fees and services	**765,311**	917,441
- Management fees	**-**	221,880
- Rental income	**62,400**	64,990
- Income from installation work	**1,083,912**	1,262,809
- Interest income	**683,254**	360,723
- Sundry income	**173,129**	97,269
Total other operating income	**2,768,006**	2,925,112
	204,476,138	204,935,455

4. Transportation tariff

In consideration of PowerGas providing transportation of town gas to the retail customers, and transportation of natural gas for direct reticulation, a transportation tariff is levied by PowerGas on the Company based on the quantity of town gas and natural gas transported through its pipeline.

5. Staff costs

	2005 $	2004 $
Wages and salaries	**13,019,197**	14,525,211
Employer's contribution to Central Provident Fund	**1,462,995**	1,767,204
Other benefits	**541,558**	586,094
	15,023,750	16,878,509
Termination benefit	**2,102,792**	2,247,810
	17,126,542	19,126,319

Number of persons employed at the end of the financial year:

	2005	2004
Full time	**225**	261

6. Operating profit

	2005 $	2004 $
<u>Operating profit is arrived at after</u>:		
Charging:		
Bad trade debts written off	**972,604**	685,907
Depreciation of property, plant and equipment		
- Leasehold land	**197,023**	197,023
- Buildings	**778,259**	778,259
- Computers	**450,187**	167,219
- Plant and equipment	**8,644,935**	8,639,453
- Vehicles	**148,112**	104,014
Directors' remuneration	**196,696**	179,833
Provision for doubtful trade receivables	**1,179,010**	4,940,907
Provision for inventory obsolescence	**188,997**	-
Rental expense – Operating leases	**1,210,210**	1,339,571
Foreign exchange loss – net	**-**	141,602
And crediting:		
Gain on disposal of property, plant and equipment	**17,888**	8,176
Foreign exchange gain – net	**65,981**	-
Provision for inventory obsolescence written back	**-**	102,101

7. Tax

(a) Tax expense

	2005	2004
	$	$
Tax expense attributable to profit is made up of:		
Deferred tax	**4,640,412**	3,507,066

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2005	2004
	$	$
Profit before tax	**22,319,083**	21,355,223
Tax calculated at a tax rate of 20%(2004: 20%)	**4,463,817**	4,271,045
Effect of changes in tax rate	**-**	(934,376)
Income not subject to tax	**(3,578)**	(31,281)
Expenses not deductible for tax purposes	**180,173**	201,678
	4,640,412	3,507,066

(b) Deferred taxes

	2005	2004
	$	$
At beginning of financial year	**13,785,204**	10,278,138
Effect of changes in tax rates	**-**	(934,376)
Tax charge to income statement	**4,640,412**	4,441,442
At end of year	**18,425,616**	13,785,204

Deferred tax liabilities

	Accelerated tax depreciation
	$
At 31 March 2004	21,975,749
Charged to Income Statement	(952,668)
At 31 March 2005	21,023,081

7. **Tax** (continued)

Deferred tax assets

	Provisions $	Unutilised capital allowances $	Total $
At 31 March 2004	(819,816)	(7,370,729)	(8,190,545)
Credited to Income Statement	(220,979)	5,814,059	5,593,080
At 31 March 2005	(1,040,795)	(1,556,670)	(2,597,465)

	2005 **$**	2004 $
Deferred tax assets	**(2,597,465)**	(8,190,545)
Deferred tax liabilities	**21,023,081**	21,975,749
	18,425,616	13,785,204

The amounts shown in the balance sheet include the following:

	2005 **$**	2004 $
Deferred tax assets to be recovered after more than 12 months	**(2,597,465)**	(8,190,545)
Deferred tax liabilities to be settled after more than 12 months	**21,023,081**	21,975,749

8. **Cash and cash equivalents**

	2005 **$**	2004 $
Cash at bank and on hand	**664,597**	591,948
Fixed deposits	**19,216,340**	45,817,468
	19,880,937	46,409,416

8. Cash and cash equivalents (continued)

The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies:

	2005	2004
	$	$
Singapore Dollar	**15,664,597**	42,191,948
United States Dollar	**4,216,340**	4,217,468
	19,880,937	46,409,416

Short-term bank deposits mature on varying dates within 1-3 months (2004: 1-3 months) from the end of the financial year with the following weighted average effective interest rate:

	2005	2004
Singapore Dollar	**1.78%**	0.61%
United States Dollar	**2.53%**	0.90%

9. Customer debts

	2005	2004
	$	$
Customer debts	**29,465,455**	32,917,292
Less: Provision for doubtful debts	**(6,179,010)**	(5,000,000)
Balance at the end of the financial year	**23,286,445**	27,917,292

SP Services Ltd ("SP Services"), a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company. The Company pays a management fee to SP Services in consideration for the provision of such services.

Customer debts comprise billings to consumers for sale of gas and other fees and charges less remittance from SP Services.

10. Balances with related companies

The balances with related companies are unsecured, interest-free and are repayable on demand.

11. Inventories

	2005 $	2004 $
At cost		
Pipes and fittings	**76,025**	83,703
Spare parts and accessories	**3,315,362**	5,131,430
Fuel	**3,557,215**	3,253,716
	6,948,602	8,468,849
At net realizable value		
Spare parts and accessories	**1,761,003**	-
	8,709,605	8,468,849

12. Other current assets

	2005 $	2004 $
Advances and staff loans	**604,684**	1,533,375
Other debtors	**827,007**	954,886
Deposits	**8,122**	4,802
Prepayments	**7,718**	12,191
	1,447,531	2,505,254

The carrying amounts of current deposits approximate their fair value.

13. Property, plant and equipment

	Leasehold land $	Buildings $	Computers $	Plant and equipment $	Vehicles $	Assets under construction $	Total $
Cost							
At 1 April 2004	4,677,761	19,201,565	836,094	129,014,863	546,969	1,752,160	156,029,412
Additions	-	-	-	-	221,481	2,592,836	2,814,317
Transfers	-	-	4,248,024	37,007	-	(4,285,031)	-
Disposals	-	-	-	-	(6)	-	(6)
At 31 March 2005	4,677,761	19,201,565	5,084,118	129,051,870	768,444	59,965	158,843,723
Accumulated depreciation							
At 1 April 2004	441,762	1,751,083	354,237	19,397,203	208,972	-	22,153,257
Depreciation charge	197,023	778,259	450,187	8,644,935	148,112	-	10,218,516
Disposal	-	-	-	-	(6)	-	(6)
At 31 March 2005	638,785	2,529,342	804,424	28,042,138	357,078	-	32,371,767
Net book value							
At 31 March 2005	**4,038,976**	**16,672,223**	**4,279,694**	**101,009,732**	**411,366**	**59,965**	**126,471,956**
Net book value							
At 31 March 2004	4,235,999	17,450,482	481,857	109,617,660	337,997	1,752,160	133,876,155

13. Property, plant and equipment (continued)

The Company and PowerGas Ltd have jointly appointed a consultant to carry out a master plan study on the conversion of the existing town gas system from the supply of town gas to natural gas for the retail market. The final report on the study and recommendations was submitted to the Energy Market Authority of Singapore (EMA) in August 2004. EMA is reviewing the report and is expected to make a decision on the conversion exercise.

As EMA has not completed its review of the report, the impact of the conversion exercise on the existing property, plant and equipment is not determinable at the date of the financial statements. Notwithstanding, the directors are of the opinion that the carrying value of the property, plant and equipment as at 31 March 2005 is appropriate.

14. Loan to holding company

A short term loan of $60,000,000 was granted to the holding company. This is a 3-year interest-free loan commencing 31 March 2005 to 31 March 2008 for general corporate purposes.

15. Trade payables

	2005	2004
	$	$
Trade payables	**3,308,662**	5,190,894
GST payable	**747,134**	610,373
	4,055,796	5,801,267

The carrying amounts of current trade payables approximate their fair value. Trade payables are denominated in the following currencies:

	2005	2004
	$	$
Singapore Dollar	**2,316,982**	3,413,870
United States Dollar	**1,738,814**	2,387,397
	4,055,796	5,801,267

16. Accruals and other creditors

	2005 $	2004 $
Accruals	**10,469,316**	12,923,568
Other creditors	**709,286**	304,493
	11,178,602	13,228,061

17. Share capital

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 180 million shares (2004: 180 million shares) with a par value of $1 per share (2004: $1 per share).

(b) Issued ordinary share capital

	2005 Number of shares '000	2004 Number of shares '000	2005 $'000	2004 $'000
Balance at the beginning of the financial year	**140,000**	140,000	**140,000**	140,000
Issued during the financial year	**-**	-	**-**	-
Balance at the end of the financial year	**140,000**	140,000	**140,000**	140,000

18. Capital reserve

Pursuant to a Scheme of Arrangement and Amalgamation, PowerGas had transferred all business activities concerning the production and retail of town gas and all related assets, property, contracts and liabilities based on the net tangible assets value as at 2 January 2002 to the Company. In consideration for the above, the Company issued 139,999,998 shares at $1 each at a premium of $9,751,931 to PowerGas in 2002.

Subsequent to the transfer, an amount of $1,119,958 resulting from a surplus in billings for sale of gas for the year prior to the transfer on 2 January 2002 was recognised. Consequently, this amount has been set aside as capital reserve.

19. Holding and ultimate holding company

The holding company, which is also the ultimate holding company, is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

20. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	2005	2004
	$	$
Not later than 1 financial year	**853,390**	1,101,170
Later than 1 financial year but not later than 5 financial years	**859,614**	462,311
	1,713,004	1,563,481

21. Related party transactions

Under Financial Reporting Standards No. 24 on Related Party Disclosures, no disclosure of related party transactions are required in the financial statements of a wholly-owned subsidiary if its holding company is incorporated in the same country and prepares consolidated financial statements. The holding company, Temasek Holdings (Private) Limited prepares consolidated financial statements and consequently related party transactions have not been disclosed in these financial statements.

22. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, commodity price, credit and interest rate. Risk management is integral to the whole business of the Company, with the Company's overall risk management programme focusing on the unpredictability of financial markets and seeking to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out under policies approved by the Board of Directors.

22. Financial risk management (continued)

(i) Foreign exchange risk

The Company's business is exposed to foreign exchange risk arising from currency exposures primarily with respect to United States dollars. The Company does not have any financial derivatives to hedge these exposures. The Company manages its foreign exchange risk by primarily purchasing and accumulating US dollar, when the rate of US dollar against S$ is low, by temporarily placing the excess US dollar in short term US dollar ACU deposit accounts with reputable banks until the need to utilise such funds for payment.

(ii) Interest rate risk

The Company has cash balances placed with reputable banks and financial institutions which generate interest income for the Company. The Company manages its interest rate risks by placing such balances on varying maturities and interest rate terms. However, it does not use derivative financial instruments to hedge against such risk exposure. The risk exposure is not significant as interest income is not a significant source of the Company's income.

(iii) Credit risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle its financial and contractual obligations to the company as and when they fall due.

Due to the nature of its customer base, the Company has no significant concentration of credit risk of trade debt. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of gas sale accounts. SP Services Ltd, a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

22. Financial risk management (continued)

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Regular cash management and monitoring activities ensure that the Company is not faced with significant liquidity risk.

23. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on 26 May 2005.

APPENDIX E

THE FINANCIAL STATEMENTS OF CITY GAS AND ITS SUBSIDIARY FOR THE YEAR ENDED 31 MARCH 2006

CITY GAS PTE LTD

(Incorporated in Singapore. Registration Number: 200106090N)

AND ITS SUBSIDIARY

FINANCIAL STATEMENTS

For the financial year ended 31 March 2006

CITY GAS PTE LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARY

FINANCIAL STATEMENTS
For the financial year ended 31 March 2006

Contents

DIRECTORS' REPORT

For the financial year ended 31 March 2006

The directors present their report to the shareholder together with the audited financial statements of the Group for the financial year and the balance sheet of the Company and the Group as at 31 March 2006.

Directors

The directors of the Company in office at the date of this report are as follow:

Philip Eng Heng Nee (appointed 16 May 2005)
Lim Kian Seng
Richard Fam
Peter Sung

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company.

(b) None of the directors holding office at 31 March 2006 had any interest in the shares in, or debentures of, any related corporation, except as follows:

		Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
Names of directors and corporations in which interest are held	Description of interest	**At 31.3.06**	At 1.4.05 or date of appointment, if later	**At 31.3.06**	At 1.4.05 or date of appointment, if later
CapitaLand Limited					
Lim Kian Seng	Ordinary shares of $1 each	**10,000**	20,000	**-**	-
Peter Sung	Ordinary shares of $1 each	**-**	5,000	**-**	-

Directors' interests in shares or debentures (continued)

Names of directors and corporations in which interest are held	Description of interest	Holdings registered in the name of director: At 31.3.06	Holdings registered in the name of director: At 1.4.05 or date of appointment, if later	Holdings in which a director is deemed to have an interest: At 31.3.06	Holdings in which a director is deemed to have an interest: At 1.4.05 or date of appointment, if later
Singapore Airlines Ltd					
Richard Fam	Ordinary shares of $1 each	**6,000**	6,000	**4,000**	4,000
Lai Hock Meng (resigned on 15 July 2006)	Ordinary shares of $0.50 each	**-**	-	**-**	600
Singapore Telecommunications Limited					
Philip Eng Heng Nee	Ordinary shares of $0.15 each	**17,560**	-		
Lai Hock Meng (resigned on 15 July 2006)	Ordinary shares of $0.15 each	**1,616**	1,616	**1,616**	1,616
Richard Fam	Ordinary shares of $0.15 each	**1,690**	1,820	**1,430**	1,540
Lim Kian Seng	Ordinary shares of $0.15 each	**21,430**	20,190	**1,620**	1,430
Peter Sung	Ordinary shares of $0.15 each	**1,430**	1,430	**1,430**	1,430
Singapore Technologies Engineering Ltd					
Lai Hock Meng (resigned on 15 July 2006)	Ordinary shares of $0.10 each	**10,000**	10,000	**-**	-
Singapore Post Limited					
Lai Hock Meng (resigned on 15 July 2006)	Ordinary shares of $0.05 each	**-**	-	**5,000**	5,000

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

LIM KIAN SENG Director	PHILIP ENG HENG NEE Director

Singapore, 7 August 2006

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company and the consolidated financial statements of the Group as set out on pages 6 to 31 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2006 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

LIM KIAN SENG	PHILIP ENG HENG NEE
Director	Director

Singapore, 7 August 2006

AUDITORS' REPORT TO THE SHAREHOLDER OF CITY GAS PTE LTD

We have audited the financial statements of City Gas Pte Ltd set out on pages 6 to 31 for the financial year ended 31 March 2006 comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the accompanying provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 7 August 2006

CITY GAS PTE LTD AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 March 2006

	Notes	The Group 2006 $	2005 $
Sales	3	**214,841,570**	201,708,132
Other income	3	**6,581,550**	2,768,006
Fuel and Electricity costs		**(77,694,561)**	(61,201,723)
Transportation tariff	4	**(67,972,839)**	(68,202,813)
Employee benefits	5	**(15,183,570)**	(17,126,542)
Depreciation		**(10,876,188)**	(10,218,516)
Bad debts written off		**(856,029)**	(972,604)
Provision for doubtful trade receivables		**(571,802)**	(1,179,010)
Other operating expenses		**(25,797,501)**	(23,255,847)
Total expenses		**(198,952,490)**	(182,157,055)
Profit before income tax		**22,470,630**	22,319,083
Income tax expense	6	**(4,546,558)**	(4,640,412)
Total profit		**17,924,072**	17,678,671

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CITY GAS PTE LTD AND ITS SUBSIDIARY

BALANCE SHEETS

As at 31 March 2006

	Notes	The Group 2006 $	The Group 2005 $	The Company 2006 $	The Company 2005 $
Current assets					
Cash and cash equivalents	7	**54,855,795**	19,880,937	**54,808,475**	19,880,937
Trade and other receivables	8	**23,179,264**	24,718,136	**23,166,041**	24,718,136
Due from related companies - non-trade	9	**386,067**	403,977	**386,067**	403,977
Due from subsidiary - non-trade	9	**-**	-	**150,746**	-
Inventories	10	**11,045,416**	8,709,605	**11,045,416**	8,709,605
Other current assets	11	**13,930**	15,840	**12,276**	15,840
		89,480,472	53,728,495	**89,569,021**	53,728,495
Non-current assets					
Property, plant and equipment	12	**117,138,029**	126,471,956	**117,138,029**	126,471,956
Investment in subsidiary	13	**-**	-	**2**	-
Club membership, at cost		**108,250**	-	**108,250**	-
Staff loans		**23,191**	22,552	**23,191**	22,552
Loan to holding company	14	**25,000,000**	60,000,000	**25,000,000**	60,000,000
		142,269,470	186,494,508	**142,269,472**	186,494,508
Total assets		**231,749,942**	240,223,003	**231,838,493**	240,223,003
Current liabilities					
Trade and other payables	15	**6,668,379**	6,179,721	**6,668,379**	6,179,721
Current tax liabilities	6	**4,546,558**	-	**4,546,558**	-
Accruals and other creditors	16	**14,212,614**	11,178,602	**14,172,483**	11,178,602
Deposits received		**18,807,914**	18,274,275	**18,807,914**	18,274,275
		44,235,465	35,632,598	**44,195,334**	35,632,598
Non-current liability					
Deferred taxation	17	**18,425,616**	18,425,616	**18,425,616**	18,425,616
Total liabilities		**62,661,081**	54,058,214	**62,620,950**	54,058,214
Net assets		**169,088,861**	186,164,789	**169,217,543**	186,164,789
Equity					
Share capital and share premium	18	**149,751,931**	149,751,931	**149,751,931**	149,751,931
Capital reserve	19	**1,119,958**	1,119,958	**1,119,958**	1,119,958
Retained earnings		**18,216,972**	35,292,900	**18,345,654**	35,292,900
		169,088,861	186,164,789	**169,217,543**	186,164,789

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CITY GAS PTE LTD AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the financial year ended 31 March 2006

	Note	Share capital and share premium $	Capital reserve $	Retained earnings $	Total $
Balance at 1 April 2005		**149,751,931**	**1,119,958**	**35,292,900**	**186,164,789**
Total recognised gains for the financial year - Total profit		-	-	17,924,072	17,924,072
Dividend paid	20	-	-	(35,000,000)	(35,000,000)
Balance at 31 March 2006		**149,751,931**	**1,119,958**	**18,216,972**	**169,088,861**
Balance at 1 April 2004		149,751,931	1,119,958	17,614,229	168,486,118
Total recognised gains for the financial year - Total profit		-	-	17,678,671	17,678,671
Balance at 31 March 2005		**149,751,931**	**1,119,958**	**35,292,900**	**186,164,789**

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

CITY GAS PTE LTD AND ITS SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT
For the financial year ended 31 March 2006

	2006 $	2005 $
Cash flow from operating activities		
Total profit	**17,924,072**	17,678,671
Adjustments for:		
Tax	**4,546,558**	4,640,412
Depreciation of property, plant and equipment	**10,876,188**	10,218,516
Provisions (net)		
Provision for inventory obsolescence	**152,630**	188,997
Allowance for impairment in trade receivables	**571,802**	1,179,010
Provision for unutilised leave	**-**	251,425
Others		
Interest income	**(884,440)**	(683,254)
Profit on sales of property, plant and equipment	**(30,156)**	(17,888)
Bad debts written off	**856,029**	972,603
Operating cash flow before working capital changes	**34,012,683**	34,428,492
Changes in operating assets and liabilities		
Inventories	**(2,488,441)**	(429,753)
Trade and other receivables	**154,330**	3,243,275
Trade and other payables	**4,056,309**	(1,665,901)
Net cash inflow from operating activities	**35,734,881**	35,576,113
Cash flow from investing activities		
Interest received	**860,331**	691,837
Purchase of property, plant and equipment	**(1,542,260)**	(2,814,317)
Proceeds from sale of property, plant and equipment	**30,156**	17,888
Loan to holding company	**-**	(60,000,000)
Purchase of club membership	**(108,250)**	-
Net cash outflow from investing activities	**(760,023)**	(62,104,592)
Net increase/(decrease) in cash and cash equivalents	**34,974,858**	(26,528,479)
Cash and cash equivalents at beginning of year	**19,880,937**	46,409,416
Cash and cash equivalents at end of year	**54,855,795**	19,880,937

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 5.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

City Gas Pte Ltd (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 111 Somerset Road, Singapore Power Building, Singapore 238164.

The principal activities of the Company are the production and retailing of town gas. The principal activities of its subsidiary are set out in Note 13 to the financial statements.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

In 2006, the Group and the Company adopted the new or revised FRS that are applicable in the current financial year. The 2005 financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRS. The following are the FRS that are relevant to the Group:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

FRS 10 (revised 2004)	Events after the Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004)	Related Party Disclosures
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 36 (revised 2004)	Impairment of Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies.

(b) Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of gas and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sale of gas and rendering of services

Revenue from sale of goods comprises of sale of gas and other related charges and is recognised upon services rendered.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Group accounting

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

2. Significant accounting policies (continued)

(c) Group accounting (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Investment in subsidiaries are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

(d) Property, plant and equipment

(i) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

(ii) Depreciation

Depreciation is calculated using a straight line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	30 years
Buildings	30 years
Computers	5 years
Plant and machinery	3 - 30 years
Vehicles	5 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Construction work-in-progress

Construction work-in-progress are stated at cost and depreciation commences upon work completion or usage, whichever is earlier. Expenditure relating to capital work-in-progress (including interest expenses) is capitalised when incurred.

(iv) Subsequent expenditure

Subsequent expenditure as major renovations and restorations relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(v) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(e) Impairment of assets

Assets including property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

2. Significant accounting policies (continued)

(e) Impairment of assets

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

(f) Investments in financial assets

(i) Classification

The Group classifies all its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables consist of trade and other receivables. They are included in current assets, except those maturing more than 12 months after the balance sheet date, which are classified as non-current assets.

(ii) Recognition and derecognition

Purchases and sales of loans and receivables are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method less impairment.

2. Significant accounting policies (continued)

(f) Investments in financial assets (continued)

(iv) Impairment

An allowance for impairment of loans and receivables including trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(h) Trade payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

(i) Fair value estimation

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(j) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Significant accounting policies (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Provision for obsolete, deteriorated or damaged stocks is made when considered appropriate.

(l) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(m) Provisions for other liabilities or charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, that it is probable an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(n) Employee benefits

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

2. Significant accounting policies (continued)

(o) Currency translation

(i) Functional or presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Translation of Group entities' financial statements

The results and financial position of all the group entities that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:

(aa) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(bb) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(cc) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

2. Significant accounting policies (continued)

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

(q) Dividend

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the consolidated financial statements in the period in which they are approved by the Group's shareholders.

3. Sales and other income

	2006 $	2005 $
Sale of gas	**214,841,570**	201,708,132
Other gains:		
- Fees and services	**706,798**	765,311
- Rental income	**56,280**	62,400
- Income from installation work	**512,128**	1,083,912
- Interest income	**884,440**	683,254
- Gain on hedging using swaps	**2,134,183**	-
- Sundry income	**2,287,721**	173,129
Total other gains	**6,581,550**	2,768,006
	221,423,120	204,476,138

4. Transportation tariff

In consideration of PowerGas Pte Ltd providing transportation of town gas to the retail customers, and transportation of natural gas for direct reticulation, a transportation tariff is levied by PowerGas on the Company based on the quantity of town gas and natural gas transported through its pipeline.

5. Employee benefits

	The Group	
	2006	2005
	$	$
Wages and salaries	**13,189,556**	13,019,197
Employer's contribution to defined contribution plans including Central Provident Fund	**1,392,768**	1,462,995
Termination benefit	**39,521**	2,102,792
Other benefits	**561,725**	541,558
	15,183,570	17,126,542

6. Income taxes

(a) Income tax

	The Group	
	2006	2005
	$	$
Tax expense attributable to profit is made up of:		
Deferred tax	**-**	4,640,412
Current income tax	**4,546,558**	-
	4,546,558	4,640,412

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2006	2005
	$	$
Profit before tax	**22,470,630**	22,319,083
Tax calculated at a tax rate of 20%(2005: 20%)	**4,494,126**	4,463,817
Income not subject to tax	**(28,570)**	(3,578)
Expenses not deductible for tax purposes	**81,002**	180,173
	4,546,558	4,640,412

6. Income taxes (continued)

(b) Movements in current income tax liabilities

	The Group and The Company	
	2006	2005
	$	$
Balance at beginning of financial year	**-**	-
Tax expense on profit for the financial year	**4,546,558**	-
Balance at end of financial year	**4,546,558**	-

7. Cash and cash equivalents

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Cash at bank and on hand	**321,855**	664,597	**274,535**	664,597
Fixed deposits	**54,533,940**	19,216,340	**54,533,940**	19,216,340
	54,855,795	19,880,937	**54,808,475**	19,880,937

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Singapore Dollar	**54,306,514**	15,664,597	**54,274,535**	15,664,597
Chinese Yuan	**15,341**	-	**-**	-
United States Dollar	**533,940**	4,216,340	**533,940**	4,216,340
	54,855,795	19,880,937	**54,808,475**	19,880,937

Short-term bank deposits at the balance sheet date are in varying maturity dates between 1-3 months (2005: 1-3 months) from the end of the financial year with the following weighted average effective interest rate:

	The Group and The Company	
	2006	2005
Singapore Dollar	**3.16%**	1.78%
United States Dollar	**4.50%**	2.53%

8. Trade and other receivables

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Trade receivables	**26,850,601**	29,465,455	**26,850,601**	29,465,455
Less: Allowance for impairment of receivables	**(5,571,802)**	(6,179,010)	**(5,571,802)**	(6,179,010)
Trade receivables – net	**21,278,799**	23,286,445	**21,278,799**	23,286,445
Staff loans	**13,490**	11,491	**13,490**	11,491
Advances	**513,927**	593,193	**500,704**	593,193
Other receivables	**1,373,048**	827,007	**1,373,048**	827,007
	23,179,264	24,718,136	**23,166,041**	24,718,136

SP Services Ltd ("SP Services"), a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company. The Company pays a management fee to SP Services in consideration for the provision of such services.

Trade receivables comprise outstanding billings to consumers for sale of gas and other fees and charges.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Singapore Dollar	**22,478,559**	24,677,026	**22,478,525**	24,677,026
Chinese Yuan	**13,189**	-	**-**	-
United States Dollar	**687,516**	41,110	**687,516**	41,110
	23,179,264	24,718,136	**23,166,041**	24,718,136

9. Balances with related companies and subsidiary

The balances with related companies and subsidiary are unsecured, interest-free and are repayable on demand.

10. Inventories

	The Group and The Company	
	2006	2005
	$	$
Pipes and fittings	**74,077**	76,025
Spare parts and accessories	**5,889,666**	5,076,365
Fuel	**5,081,673**	3,557,215
	11,045,416	8,709,605

11. Other current assets

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Deposits	**7,976**	8,122	**6,322**	8,122
Prepayments	**5,954**	7,718	**5,954**	7,718
	13,930	15,840	**12,276**	15,840

The carrying amounts of current deposits approximate their fair values.

12. Property, plant and equipment

The Group and The Company	Leasehold land	Buildings	Computers	Plant and equipment	Vehicles	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
At 1 April 2005	4,677,761	19,201,565	5,084,118	129,051,870	768,444	59,965	158,843,723
Additions	-	-	-	-	173,206	1,369,055	1,542,261
Transfers	-	-	635,674	760,201	-	(1,395,875)	-
Disposals	-	-	-	-	(10)	-	(10)
At 31 March 2006	4,677,761	19,201,565	5,719,792	129,812,071	941,640	33,145	160,385,974
Accumulated depreciation							
At 1 April 2005	638,785	2,529,342	804,424	28,042,138	357,078	-	32,371,767
Depreciation charge	197,023	778,259	1,063,862	8,667,784	169,260	-	10,876,188
Disposal	-	-	-	-	(10)	-	(10)
At 31 March 2006	835,808	3,307,601	1,868,286	36,709,922	526,328	-	43,247,945
Net book value							
At 31 March 2006	**3,841,953**	**15,893,964**	**3,851,506**	**93,102,149**	**415,312**	**33,145**	**117,138,029**
Cost							
At 1 April 2004	4,677,761	19,201,565	836,094	129,014,863	546,969	1,752,160	156,029,412
Additions	-	-	-	-	221,481	2,592,836	2,814,317
Transfers	-	-	4,248,024	37,007	0	(4,285,031)	-
Disposals	-	-	-	-	(6)	-	(6)
At 31 March 2005	4,677,761	19,201,565	5,084,118	129,051,870	768,444	59,965	158,843,723
Accumulated depreciation							
At 1 April 2004	441,762	1,751,083	354,237	19,397,203	208,972	-	22,153,257
Depreciation charge	197,023	778,259	450,187	8,644,935	148,112	-	10,218,516
Disposal	-	-	-	-	(6)	-	(6)
At 31 March 2005	638,785	2,529,342	804,424	28,042,138	357,078	-	32,371,767
Net book value							
At 31 March 2005	**4,038,976**	**16,672,223**	**4,279,694**	**101,009,732**	**411,366**	**59,965**	**126,471,956**

As at 31 March 2006, EMA has completed its review on the report on the conversion of the existing town gas system to natural gas for the retail market which was submitted in August 2004 but no decision has been made with respect to the implementation of the conversion exercise. As such, the impact of the conversion exercise on the existing property, plant and equipment is not determinable at the date of the financial statements. Notwithstanding, the directors are of the opinion that the carrying value of the property, plant and equipment as at 31 March 2006 is appropriate.

13. Investment in subsidiary

Citygas China Pte Ltd was incorporated on 26th October 2005. The Company's equity investment at cost is S$2.

Name of company	Principal activities	Country of business/ incorporation	Equity holding 2006 %	2005 %
Citygas China Pte Ltd	Operation and investment of gas related activities	Singapore	100	-

14. Loan to holding company

A short term loan of $60,000,000 was granted to the holding company in prior year. The loan is unsecured, interest-free and is repayable on demand. $35,000,000 was repaid during the year.

15. Trade and other payables

	The Group and The Company	
	2006	2005
	$	$
Trade payables:		
- Third parties	**3,037,547**	3,308,662
- Related party	**3,091,604**	2,123,925
GST payable	**539,228**	747,134
	6,668,379	6,179,721

The carrying amounts of trade and other payables approximate their fair value and are denominated in the following currencies:

	The Group and The Company	
	2006	2005
	$	$
Singapore Dollar	**6,022,922**	4,440,907
United States Dollar	**645,457**	1,738,814
	6,668,379	6,179,721

16. Accruals and other creditors

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Accruals	**12,510,920**	10,469,316	**12,470,789**	10,469,316
Other creditors	**1,701,694**	709,286	**1,701,694**	709,286
	14,212,614	11,178,602	**14,172,483**	11,178,602

Accruals and other creditors are denominated in the following currencies:

	The Group		The Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Singapore Dollar	**7,053,352**	6,537,008	**7,046,973**	6,537,008
Chinese Yuan	**33,752**	-	**-**	-
United States Dollar	**7,125,510**	4,641,594	**7,125,510**	4,641,594
	14,212,614	11,178,602	**14,172,483**	11,178,602

17. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group and The Company	
	2006	2005
	$	$
Deferred tax assets	**(1,160,259)**	(2,597,465)
Deferred tax liabilities	**19,585,875**	21,023,081
	18,425,616	18,425,616

17. Deferred income taxes (continued)

The amounts shown in the balance sheet include the following:

	2006	2005
	$	$
Deferred tax assets to be recovered after more than 12 months	**(1,160,259)**	(2,597,465)
Deferred tax liabilities to be settled after more than 12 months	**19,585,875**	21,023,081

The movement in the deferred income tax is as follows:

	The Group and The Company	
	2006	2005
	$	$
At beginning of financial year	**18,425,616**	13,785,204
Tax charge to income statement	**-**	4,640,412
At end of year	**18,425,616**	18,425,616

The movement in the deferred income tax assets and liabilities is as follows:

Deferred tax liabilities

	Accelerated tax depreciation
	$
The Group and the Company	
2006	
At 1 April 2005	21,023,081
Charged to income statement	(1,437,206)
At 31 March 2006	19,585,875
2005	
At 1 April 2004	21,975,749
Credited to income statement	(952,668)
At 31 March 2005	21,023,081

17. Deferred income taxes (continued)

Deferred tax assets

	Provisions	Unutilised capital allowances	Total
	$	$	$
The Group and the Company			
2006			
At 1 April 2005	(1,040,795)	(1,556,670)	(2,597,465)
Credited to income statement	(119,464)	1,556,670	1,437,206
At 31 March 2006	(1,160,259)	-	(1,160,259)
2005			
At 1 April 2004	(819,816)	(7,370,729)	(8,190,545)
Credited to income statement	(220,979)	5,814,059	5,593,080
At 31 March 2005	(1,040,795)	(1,556,670)	(2,597,465)

18. Share capital and share premium

	No. of shares		Amount			
	Authorised share capital	Issued share capital	Authorised share capital	Issued share capital	Share premium	Total share capital and share premium
			$	$	$	$
Balance at beginning of financial year	180,000,000	140,000,000	180,000,000	140,000,000	9,751,931	149,751,931
Effect of Companies (Amendment) Act 2005 (see note below)	(180,000,000)	-	(180,000,000)	9,751,931	(9,751,931)	-
Balance at end of financial year	-	140,000,000	-	149,751,931	-	149,751,931

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished.

19. Capital reserve

Pursuant to a Scheme of Arrangement and Amalgamation, PowerGas had transferred all business activities concerning the production and retail of town gas and all related assets, property, contracts and liabilities based on the net tangible assets value as at 2 January 2002 to the Company. In consideration for the above, the Company issued 139,999,998 shares at $1 each at a premium of $9,751,931 to PowerGas in 2002.

Subsequent to the transfer, an amount of $1,119,958 resulting from a surplus in billings for sale of gas for the year prior to the transfer on 2 January 2002 was recognised. Consequently, this amount has been set aside as capital reserve.

20. Dividends

	The Group and The Company	
	2006	2005
	$	$
Ordinary dividends paid		
Final exempt (one-tier) dividend paid in respect of the financial year	**35,000,000**	-

At the coming Annual General Meeting, a final exempt (one-tier) dividend of $17,000,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2007.

21. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	The Group and The Company	
	2006	2005
	$	$
Not later than 1 financial year	**878,580**	853,390
Later than 1 financial year but not later than 5 financial years	**1,330,063**	859,614
	2,208,643	1,713,004

21. Commitments (continued)

Other commitments

The Company entered into a long-term Gas Purchase Agreement with Gas Supply Pte Ltd to purchase a total of 112 trillion British thermal unit ("Btu") of natural gas over a period of 20 years, starting from September 2003.

22. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, commodity price, credit and interest rate. Risk management is integral to the whole business of the Company, with the Company's overall risk management programme focusing on the unpredictability of financial markets and seeking to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out under policies approved by the Board of Directors.

(i) Foreign exchange risk

The Group's business is exposed to foreign exchange risk arising from currency exposures primarily with respect to United States dollars. The Group manages its foreign exchange risk by primarily purchasing and accumulating US dollar as well as entering into forward contracts, when the rate of US dollar against S$ is low.

(ii) Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Company. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms. However, it does not use derivative financial instruments to hedge against such risk exposure. The risk exposure is not significant as interest income is not a significant source of the Group's income.

22. Financial risk management (continued)

(iii) Credit risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle its financial and contractual obligations to the company as and when they fall due.

Due to the nature of its customer base, the Group has no significant concentration of credit risk of trade debt. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of gas sale accounts. SP Services Ltd, a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Regular cash management and monitoring activities ensure that the Group is not faced with significant liquidity risk.

23. Holding and ultimate holding company

The holding company, which is also the ultimate holding company, is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

24. Related party transactions

The following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	2006	2005
	$	$
Purchases of goods/services from related companies	**159,604,694**	113,148,102

(b) Key management personnel compensation is as follows:

	The Group	
	2006	2005
	$	$
Salaries and other short-term employee benefits	**1,506,019**	1,290,498
Post-employment benefit – contribution to CPF	**54,485**	71,162
Termination benefits	**-**	5,000

Including in above, total compensation to directors of the Company amounted to $193,165 (2005: $196,000).

25. New accounting standards and FRS interpretations

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Group does not expect that adoption of these accounting standards or interpretations will have a material impact on the Group's financial statements.

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on 7 August 2006.

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APPENDIX F

THE INTERIM FINANCIAL STATEMENTS OF CITY GAS AND ITS SUBSIDIARY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

CITY GAS PTE LTD
(Incorporated in Singapore. Registration Number: 200106090N)
AND ITS SUBSIDIARY

FINANCIAL STATEMENTS
For the financial period ended 30 September 2006

CITY GAS PTE LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARY

FINANCIAL STATEMENTS
For the financial period ended 30 September 2006

Contents

STATEMENT BY DIRECTORS

In the opinion of the directors,

the financial statements of the Company and the consolidated financial statements of the Group as set out on pages 3 to 28 are drawn up so as to present fairly, in all material respect, the state of affairs of the Company and of the Group at 30 September 2006 and of the results of the business, changes in equity and cash flows of the Group for the financial period then ended.

On behalf of the directors

TONG YEW HENG	NG YONG HWEE
Director	Director

Singapore, 4 January 2007

AUDITORS' REPORT TO THE DIRECTORS OF CITY GAS PTE LTD

We have reviewed the financial statements of City Gas Pte Ltd set out on pages 3 to 28 for the financial period ended 30 September 2006 comprising the balance sheet of the Company and the consolidated financial statements of the Group. The Company's directors are responsible for the preparation and fair presentation of this interim financial information in accordance with Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements does not present fairly, in all material respects, the financial position of the Company and of the Group as at 30 September 2006, and the results, changes in equity and cash flows for the financial period ended 30 September 2006 in accordance with Singapore Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants
Partner-in-charge: Lee Kok Hooi

Singapore, 4 January 2007

CONSOLIDATED INCOME STATEMENT

For the financial period ended 30 September 2006

	Notes	The Group **Period ended 30 September 2006** **$**	 Period ended 30 September 2005 $
Sales	3	**116,064,831**	103,780,403
Other income	3	**1,753,284**	1,869,397
Fuel and Electricity costs		**(44,344,754)**	(36,368,015)
Transportation tariff	4	**(34,067,385)**	(33,955,180)
Employee benefits	5	**(10,215,125)**	(7,637,981)
Depreciation		**(5,335,747)**	(5,410,344)
Provision for doubtful trade receivables		**(335,004)**	-
Other operating expenses		**(11,459,771)**	(12,379,108)
Total expenses		**(105,757,786)**	(95,750,628)
Profit before income tax		**12,060,329**	9,899,172
Income tax expense	6	**(3,299,065)**	(2,053,841)
Total profit		**8,761,264**	7,845,331

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 2.

BALANCE SHEETS

As at 30 September 2006

		The Group		The Company	
	Notes	**30 September 2006**	31 March 2006	**30 September 2006**	31 March 2006
Current assets					
Cash and cash equivalents	7	**25,649,244**	54,855,795	**25,649,244**	54,808,475
Trade and other receivables	8	**25,974,007**	23,179,264	**25,974,007**	23,166,041
Due from related companies - non-trade	9	**378,192**	386,067	**378,192**	386,067
Due from subsidiary - non-trade	9	**-**	-	**-**	150,746
Inventories	10	**14,201,601**	11,045,416	**14,201,601**	11,045,416
Other current assets	11	**18,026**	13,930	**18,026**	12,276
		66,221,070	89,480,472	**66,221,070**	89,569,021
Non-current assets					
Property, plant and equipment	12	**111,811,982**	117,138,029	**111,811,982**	117,138,029
Investment in subsidiary	13	**-**	-	**2**	2
Club membership, at cost		**108,250**	108,250	**108,250**	108,250
Staff loans		**16,658**	23,191	**16,658**	23,191
Loan to holding company	14	**44,000,000**	25,000,000	**44,000,000**	25,000,000
		155,936,890	142,269,470	**155,936,892**	142,269,472
Total assets		**222,157,960**	231,749,942	**222,157,962**	231,838,493
Current liabilities					
Trade and other payables	15	**4,545,183**	6,668,379	**4,545,185**	6,668,379
Current tax liabilities	6	**6,459,149**	4,546,558	**6,459,149**	4,546,558
Accruals and other creditors	16	**14,936,198**	14,212,614	**14,936,198**	14,172,483
Deposits received		**17,823,273**	18,807,914	**17,823,273**	18,807,914
		43,763,803	44,235,465	**43,763,805**	44,195,334
Non-current liability					
Deferred taxation	17	**17,544,032**	18,425,616	**17,544,032**	18,425,616
Total liabilities		**61,307,835**	62,661,081	**61,307,837**	62,620,950
Net assets		**160,850,125**	169,088,861	**160,850,125**	169,217,543
Equity					
Share capital and share premium	18	**149,751,931**	149,751,931	**149,751,931**	149,751,931
Capital reserve	19	**1,119,958**	1,119,958	**1,119,958**	1,119,958
Retained earnings		**9,978,236**	18,216,972	**9,978,236**	18,345,654
		160,850,125	169,088,861	**160,850,125**	169,217,543

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 2.

CITY GAS PTE LTD AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the financial period ended 30 September 2006

	Note	Share capital and share premium $	Capital reserve $	Retained earnings $	Total $
Balance at 1 April 2006		**149,751,931**	**1,119,958**	**18,216,972**	**169,088,861**
Total recognised gains for the financial period – Total profit		-	-	8,761,264	8,761,264
Dividend paid	20	**-**	**-**	(17,000,000)	(17,000,000)
Balance at 30 September 2006		**149,751,931**	**1,119,958**	**9,978,236**	**160,850,125**
Balance at 1 April 2005		**149,751,931**	**1,119,958**	**35,292,900**	**186,164,789**
Total recognised gains for the financial year - Total profit		-	-	17,924,072	17,924,072
Dividend paid	20	**-**	**-**	(35,000,000)	(35,000,000)
Balance at 31 March 2006		**149,751,931**	**1,119,958**	**18,216,972**	**169,088,861**

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 2.

CITY GAS PTE LTD AND ITS SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT
For the financial period ended 30 September 2006

	Period ended 30 September 2006 $	Period ended 30 September 2005 $
Cash flow from operating activities		
Total profit	**8,761,264**	7,845,331
Adjustments for:		
Tax	**3,299,065**	2,053,841
Depreciation of property, plant and equipment	**5,335,747**	5,410,344
Provision for inventory obsolescence	**76,320**	-
Allowance for impairment in trade receivables	**335,004**	-
Provision for unutilised leave	**431,132**	-
Interest income	**(414,863)**	(286,464)
Operating cash flow before working capital changes	**17,823,669**	15,023,052
Changes in operating assets and liabilities		
Inventories	**(3,232,505)**	(942,412)
Trade and other receivables	**(3,088,009)**	241,527
Trade and other payables	**(2,814,781)**	353,658
Cash generated from operations	**8,688,374**	14,675,825
Income tax paid	**(2,268,058)**	-
Net cash provided by operating activities	**6,420,316**	14,675,825
Cash flow from investing activities		
Interest received	**382,833**	269,555
Purchase of property, plant and equipment	**(9,700)**	(1,294,056)
Loan to holding company	**(36,000,000)**	-
Net cash used in investing activities	**(35,626,867)**	(1,024,501)
Net (decrease)/increase in cash and cash equivalents	**(29,206,551)**	13,651,324
Cash and cash equivalents at beginning of period	**54,855,795**	19,880,937
Cash and cash equivalents at end of period	**25,649,244**	33,532,261

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 2.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

City Gas Pte Ltd (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 111 Somerset Road, Singapore Power Building, Singapore 238164.

The principal activities of the Company are the production and retailing of town gas. The principal activities of its subsidiary are set out in Note 13 to the financial statements.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

Interpretations and amendments to published standards effective in 2006

On 1 April 2006, the Group adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the FRS and INT FRS that are relevant to the Group:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosures and Presentation
FRS 39 (Amendment)	Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a Lease

The adoption of the above FRS or INT FRS did not result in any substantial changes to the Group's accounting policies.

2. Significant accounting policies (continued)

(b) Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of gas and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sale of gas and rendering of services

Revenue from sale of goods comprises of sale of gas and other related charges and is recognised when services are rendered.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Group accounting

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Investment in subsidiaries are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

(ii) Depreciation

Depreciation is calculated using a straight line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	30 years
Buildings	30 years
Computers	5 years
Plant and machinery	3 - 30 years
Vehicles	5 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

(iii) Construction work-in-progress

Construction work-in-progress are stated at cost and depreciation commences upon work completion or usage, whichever is earlier. Expenditure relating to capital work-in-progress (including interest expenses) is capitalised when incurred.

(iv) Subsequent expenditure

Subsequent expenditure as major renovations and restorations relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(v) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2. Significant accounting policies (continued)

(e) Impairment of assets

Assets including property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

(f) Investments in financial assets

(i) Classification

The Group classifies all its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables consist of trade and other receivables. They are included in current assets, except those maturing more than 12 months after the balance sheet date, which are classified as non-current assets.

2. Significant accounting policies (continued)

(f) Investments in financial assets (continued)

(ii) Recognition and derecognition

Purchases and sales of loans and receivables are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method less impairment.

(iv) Impairment

An allowance for impairment of loans and receivables including trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(h) Trade payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2. Significant accounting policies (continued)

(i) Fair value estimation

The carrying amount of current receivables and payables, carried at amortised cost, are assumed to approximate their fair values. The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(j) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Provision for obsolete, deteriorated or damaged stocks is made when considered appropriate.

(l) Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Significant accounting policies (continued)

(l) Income taxes (continued)

Deferred income tax assets and liabilities are measured at:

(i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and

(ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

(m) Provisions for other liabilities or charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, that it is probable an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating leases.

(n) Employee compensation

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

2. Significant accounting policies (continued)

(n) Employee compensation (continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(o) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollars, which is the Company's functional currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date, are recognised in the income statement.

(iii) Translation of Group entities' financial statements

The results and financial position of all the group entities that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:

(aa) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

2. Significant accounting policies (continued)

(o) Currency translation (continued)

(iii) Translation of Group entities' financial statements (continued)

(bb) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(cc) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

(q) Dividend

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the consolidated financial statements in the period in which they are approved by the Group's shareholders.

3. Sales and other income

	Period ended 30 September 2006 $	Period ended 30 September 2005 $
Sale of gas	**116,064,831**	103,780,403
Other gains:		
- Fees and services	**331,134**	354,404
- Rental income	**29,790**	28,140
- Income from installation work	**455,771**	233,480
- Interest income	**414,863**	286,464
- Gain on hedging using swaps	**-**	489,007
- Sundry income	**521,726**	477,902
Total other gains	**1,753,284**	1,869,397
	117,818,115	105,649,800

4. Transportation tariff

In consideration of PowerGas Pte Ltd providing transportation of town gas to the retail customers, and transportation of natural gas for direct reticulation, a transportation tariff is levied by PowerGas on the Company based on the quantity of town gas and natural gas transported through its pipeline.

5. Employee compensation

	The Group	
	Period ended 30 September 2006	Period ended 30 September 2005
	$	$
Wages and salaries	**8,273,374**	6,626,370
Employer's contribution to defined contribution plans including Central Provident Fund	**715,245**	718,620
Termination benefit	**1,077,899**	31,352
Other benefits	**148,607**	261,639
	10,215,125	7,637,981

6. Income taxes

(a) Income tax

	The Group	
	Period ended 30 September 2006	Period ended 30 September 2005
	$	$
Tax expense attributable to profit is made up of:		
Deferred tax	**(881,584)**	-
Income tax		
- current year	**3,436,972**	2,053,841
- prior year	**743,677**	-
	4,180,649	2,053,841
	3,299,065	2,053,841

6. Income taxes (continued)

(a) Income tax (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	Period ended 30 September 2006 $	Period ended 30 September 2005 $
Profit before tax	**12,060,329**	9,899,172
Tax calculated at a tax rate of 20% (2006: 20%)	**2,412,066**	1,979,834
Effect of income not subject to tax	**(10,500)**	(10,500)
Effect of expenses not deductible for tax purposes	**153,822**	84,507
Effect of under provision of tax in prior year	**743,677**	-
	3,299,065	2,053,841

(b) Movements in current income tax liabilities

	The Group and The Company	
	Period ended 30 September 2006 $	Year ended 31 March 2006 $
Balance at beginning of financial period/year	**4,546,558**	-
Tax expense on profit for the financial period/year	**3,436,972**	4,546,558
Under provision in prior financial year	**743,677**	-
Income tax paid	**(2,268,058)**	-
Balance at end of financial period/year	**6,459,149**	4,546,558

7. Cash and cash equivalents

	The Group		The Company	
	30 September 2006 $	31 March 2006 $	**30 September 2006 $**	31 March 2006 $
Cash at bank and on hand	**649,244**	321,855	**649,244**	274,535
Fixed deposits	**25,000,000**	54,533,940	**25,000,000**	54,533,940
	25,649,244	54,855,795	**25,649,244**	54,808,475

The carrying amounts of cash and cash equivalents approximate their fair values.

7. Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Singapore Dollar	**25,426,492**	54,306,514	**25,426,492**	54,274,535
Chinese Yuan	**-**	15,341	**-**	-
United States Dollar	**222,752**	533,940	**222,752**	533,940
	25,649,244	54,855,795	**25,649,244**	54,808,475

Short-term bank deposits at the balance sheet date are in varying maturity dates between 1-3 months (2006: 1-3 months) from the end of the financial year with the following weighted average effective interest rate:

	The Group and The Company	
	30 September 2006	31 March 2006
	$	$
Singapore Dollar	**3.27%**	3.16%
United States Dollar	**-**	4.50%

8. Trade and other receivables

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Trade receivables	**28,398,323**	26,850,601	**28,398,323**	26,850,601
Less: Allowance for impairment of receivables	**(4,446,937)**	(5,571,802)	**(4,446,937)**	(5,571,802)
Trade receivables – net	**23,951,386**	21,278,799	**23,951,386**	21,278,799
Staff loans	**14,585**	13,490	**14,585**	13,490
Advances	**946,565**	513,927	**946,565**	500,704
Other receivables	**1,061,471**	1,373,048	**1,061,471**	1,373,048
	25,974,007	23,179,264	**25,974,007**	23,166,041

8. Trade and other receivables (continued)

SP Services Ltd ("SP Services"), a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company. The Company pays a management fee to SP Services in consideration for the provision of such services.

Trade receivables comprise outstanding billings to consumers for sale of gas and other fees and charges.

Trade and other receivables are denominated in the following currencies:

	The Group		**The Company**	
	30 September 2006 $	31 March 2006 $	**30 September 2006 $**	31 March 2006 $
Singapore Dollar	**25,289,942**	22,478,559	**25,289,942**	22,478,525
Chinese Yuan	**-**	13,189	**-**	-
United States Dollar	**684,065**	687,516	**684,065**	687,516
	25,974,007	23,179,264	**25,974,007**	23,166,041

The carrying amounts of trade and other receivables approximate their fair values.

9. Amounts due from related companies and subsidiary

The amounts due from related companies and subsidiary are unsecured, interest-free, and are repayable on demand. The carrying amounts of these balances approximate their fair values.

10. Inventories

	The Group and The Company	
	30 September 2006 $	31 March 2006 $
Pipes and fittings	**72,921**	74,077
Spare parts and accessories	**5,561,679**	5,889,666
Fuel	**8,567,001**	5,081,673
	14,201,601	11,045,416

11. Other current assets

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Deposits	**8,922**	7,976	**8,922**	6,322
Prepayments	**9,104**	5,954	**9,104**	5,954
	18,026	13,930	**18,026**	12,276

The carrying amounts of current deposits approximate their fair values.

12. Property, plant and equipment

The Group and The Company	Leasehold land	Buildings	Computers	Plant and equipment	Vehicles	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
At 1 April 2006	4,677,761	19,201,565	5,719,792	129,812,071	941,640	33,145	160,385,974
Additions	-	-	-	9,700	-	-	9,700
Transfers	-	-	-	33,145	-	(33,145)	-
At 30 September 2006	4,677,761	19,201,565	5,719,792	129,854,916	941,640	-	160,395,674
Accumulated depreciation							
At 1 April 2006	835,808	3,307,601	1,868,286	36,709,922	526,328	-	43,247,945
Depreciation charge	98,511	389,130	571,979	4,204,164	71,963		5,335,747
At 30 September 2006	934,319	3,696,731	2,440,265	40,914,086	598,291	-	48,583,692
Net book value							
At 30 September 2006	**3,743,442**	**15,504,834**	**3,279,527**	**88,940,830**	**343,349**	**-**	**111,811,982**

The Group and The Company	Leasehold land	Buildings	Computers	Plant and equipment	Vehicles	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
At 1 April 2005	4,677,761	19,201,565	5,084,118	129,051,870	768,444	59,965	158,843,723
Additions	-	-	-	-	173,206	1,369,055	1,542,261
Transfers	-	-	635,674	760,201	-	(1,395,875)	-
Disposals	-	-	-	-	(10)	-	(10)
At 31 March 2006	4,677,761	19,201,565	5,719,792	129,812,071	941,640	33,145	160,385,974
Accumulated depreciation							
At 1 April 2005	638,785	2,529,342	804,424	28,042,138	357,078	-	32,371,767
Depreciation charge	197,023	778,259	1,063,862	8,667,784	169,260	-	10,876,188
Disposal	-	-	-	-	(10)	-	(10)
At 31 March 2006	835,808	3,307,601	1,868,286	36,709,922	526,328	-	43,247,945
Net book value							
At 31 March 2006	**3,841,953**	**15,893,964**	**3,851,506**	**93,102,149**	**415,312**	**33,145**	**117,138,029**

12. Property, plant and equipment (continued)

As at 30 September 2006, EMA has completed its review on the report on the conversion of the existing town gas system to natural gas for the retail market which was submitted in August 2004 but no decision has been made with respect to the implementation of the conversion exercise. As such, the impact of the conversion exercise on the existing property, plant and equipment is not determinable at the date of the financial statements. Notwithstanding, the directors are of the opinion that the carrying value of the property, plant and equipment as at 30 September 2006 is appropriate.

13. Investment in subsidiary

Citygas China Pte Ltd was incorporated on 26th October 2005. The Company's equity investment at cost is S$2.

Name of company	Principal activities	Country of business/ incorporation
Citygas China Pte Ltd	Operation and investment of gas related activities (note 26)	Singapore

14. Loan to holding company

The loan is unsecured, interest-free and is repayable on demand. The carrying amount of the loan to holding company approximates its fair value.

15. Trade and other payables

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Trade payables:				
- Third parties	**859,597**	3,037,547	**859,597**	3,037,547
- Related party	**3,112,227**	3,091,604	**3,112,229**	3,091,604
GST payable	**573,359**	539,228	**573,359**	539,228
	4,545,183	6,668,379	**4,545,185**	6,668,379

15. Trade and other payables (continued)

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Singapore Dollar	**4,487,417**	6,020,528	**4,487,419**	6,020,528
United States Dollar	**57,766**	647,851	**57,766**	647,851
	4,545,183	6,668,379	**4,545,185**	6,668,379

The carrying amounts of trade and other payables approximate their fair value

16. Accruals and other creditors

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Accruals	**13,214,145**	12,510,920	**13,214,145**	12,470,789
Other creditors	**1,722,053**	1,701,694	**1,722,053**	1,701,694
	14,936,198	14,212,614	**14,936,198**	14,172,483

Accruals and other creditors are denominated in the following currencies:

	The Group		The Company	
	30 September 2006	31 March 2006	**30 September 2006**	31 March 2006
	$	$	**$**	$
Singapore Dollar	**8,446,883**	7,053,352	**8,446,883**	7,046,973
Chinese Yuan	**-**	33,752	**-**	-
United States Dollar	**6,489,315**	7,125,510	**6,489,315**	7,125,510
	14,936,198	14,212,614	**14,936,198**	14,172,483

The carrying amounts of accruals and other creditors approximate their fair values.

17. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group and The Company	
	30 September 2006	31 March 2006
	$	$
Deferred tax assets	**(1,063,355)**	(1,160,259)
Deferred tax liabilities	**18,607,387**	19,585,875
	17,544,032	18,425,616

The amounts shown in the balance sheet include the following:

	30 September 2006	31 March 2006
	$	$
Deferred tax assets to be recovered after more than 12 months	**(1,063,355)**	(1,160,259)
Deferred tax liabilities to be settled after more than 12 months	**18,607,387**	19,585,875

The movement in the deferred income tax is as follows:

	The Group and The Company	
	30 September 2006	31 March 2006
	$	$
At beginning of financial period/year	**18,425,616**	18,425,616
Tax credit to income statement	**(881,584)**	-
At end of year	**17,544,032**	18,425,616

17. Deferred income taxes (continued)

The movement in the deferred income tax assets and liabilities is as follows:

Deferred tax liabilities

	Accelerated tax depreciation
	$
The Group and the Company	
2007	
At 1 April 2006	19,585,875
Credited to income statement	(978,488)
At 30 September 2006	18,607,387
2006	
At 1 April 2005	21,023,081
Credited to income statement	(1,437,206)
At 31 March 2006	19,585,875

Deferred tax assets

	Provisions	Unutilised capital allowances	Total
	$	$	$
The Group and the Company			
2007			
At 1 April 2006	(1,160,259)	-	(1,160,259)
Credited to income statement	96,904	-	96,904
At 30 September 2006	(1,063,355)	-	(1,063,355)
2006			
At 1 April 2005	(1,040,795)	(1,556,670)	(2,597,465)
Credited to income statement	(119,464)	1,556,670	1,437,206
At 31 March 2006	(1,160,259)	-	(1,160,259)

18. Share capital and share premium

	No. of shares	Amount
	Issued share capital	Total share capital and share premium $
Balance at beginning/end of financial period	140,000,000	149,751,931

19. Capital reserve

Pursuant to a Scheme of Arrangement and Amalgamation, PowerGas had transferred all business activities concerning the production and retail of town gas and all related assets, property, contracts and liabilities based on the net tangible assets value as at 2 January 2002 to the Company. In consideration for the above, the Company issued 139,999,998 shares at $1 each at a premium of $9,751,931 to PowerGas in 2002.

Subsequent to the transfer, an amount of $1,119,958 resulting from a surplus in billings for sale of gas for the year prior to the transfer on 2 January 2002 was recognised. Consequently, this amount has been set aside as capital reserve.

20. Dividends

	The Group and The Company	
	30 September 2006 **$**	31 March 2006 $
Ordinary dividends paid		
Final exempt (one-tier) dividend paid in respect of the financial period/year	**17,000,000**	35,000,000

21. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	The Group and The Company	
	30 September 2006	31 March 2006
Not later than 1 financial year	**887,724**	878,580
Later than 1 financial year but not later than 5 financial years	**898,270**	1,330,063
	1,785,994	2,208,643

21. Commitments (continued)

Other commitments

The Company entered into a long-term Gas Purchase Agreement with Gas Supply Pte Ltd to purchase a total of 112 trillion British thermal unit ("Btu") of natural gas over a period of 20 years, starting from September 2003.

22. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, commodity price, credit and interest rate. Risk management is integral to the whole business of the Company, with the Company's overall risk management programme focusing on the unpredictability of financial markets and seeking to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out under policies approved by the Board of Directors.

(i) Foreign exchange risk

The Group's business is exposed to foreign exchange risk arising from currency exposures primarily with respect to United States dollars. The Group manages its foreign exchange risk by primarily purchasing and accumulating US dollar as well as entering forward contracts, when the rate of US dollar against S$ is low.

(ii) Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Company. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms. However, it does not use derivative financial instruments to hedge against such risk exposure. The risk exposure is not significant as interest income is not a significant source of the Group's income.

22. Financial risk management (continued)

(iii) Credit risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle its financial and contractual obligations to the company as and when they fall due.

Due to the nature of its customer base, the Group has no significant concentration of credit risk of trade debt. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of gas sale accounts. SP Services Ltd, a related company, is the licensed utility support service provider in Singapore and acts as a billing and collecting agent for the Company.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Regular cash management and monitoring activities ensure that the Group is not faced with significant liquidity risk.

23. Holding and ultimate holding company

The holding company, which is also the ultimate holding company, is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

24. Related party transactions

The following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	Period ended 30 September 2006	Period ended 30 September 2005
	$	$
Sales of goods/services to related companies	**4,050,295**	3,568,672
Purchases of goods/services from related companies	**92,664,324**	71,476,695

(b) Key management personnel compensation is as follows:

	The Group	
	Period ended 30 September 2006	Period ended 30 September 2005
	$	$
Salaries and other short-term employee benefits	**1,103,137**	864,916
Post-employment benefit – contribution to CPF	**49,140**	38,137
Termination benefits	**423,521**	38,688

Including in above, total compensation to directors of the Company amounted to $102,000 (2005: $102,000).

25. New accounting standards and FRS interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 October 2006. The Group does not expect that adoption of these accounting standards or interpretations will have a material impact on the Group's financial statements.

26. Subsequent event

On 12 October 2006, the Group commenced voluntary liquidation of a subsidiary, Citygas China Pte Ltd.

APPENDIX G

THE FINANCIAL STATEMENTS OF SINGSPRING FOR THE YEAR ENDED 31 DECEMBER 2005

Company Registration No. 200202652K

Annual Financial Statements

SINGSPRING PTE LTD

31 December 2005

SingSpring Pte Ltd

General Information

Directors

Lim Kim Seng	
Foo Hee Kiang	(appointed on 13 October 2005)
Margaret Lui Chan Ann Soo	(appointed on 13 October 2005)
Derek Lau Tiong Seng	(appointed on 13 October 2005)
Lionel Soh Wee Chua	(alternate director to Margaret Lui Chan Ann Soo and Derek Lau Tiong Seng, appointed on 13 October 2005)
Christopher Murugasu	(resigned on 13 October 2005)
Deirdre Murugasu	(resigned on 13 October 2005)

Company secretary

Goh Bee Kheng

Registered office

Hyflux Building
202 Kallang Bahru
Singapore 339339

Principal bankers

DBS Bank Limited
ING Bank N.V., Singapore Branch
KBC Bank N.V., Singapore Branch
Standard Chartered Bank
Norddeutsche Landesbank Girozentrale, Singapore Branch

Auditors

Ernst & Young

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The directors are pleased to present their report to the members together with the audited financial statements of SingSpring Pte Ltd (the "Company") for the financial year ended 31 December 2005.

Directors

The directors of the Company in office at the date of this report are:

Lim Kim Seng
Foo Hee Kiang
Margaret Lui Chan Ann Soo
Derek Lau Tiong Seng
Lionel Soh Wee Chua (alternate director to Margaret Lui Chan Ann Soo and Derek Lau Tiong Seng)

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate other than the share options granted by a shareholder, Hyflux Ltd, under the Hyflux Employees' Share Option Scheme, to certain directors of the Company.

Directors' interests in shares or debentures

No director who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, interests in shares of the Company and related corporations.

Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Margaret Lui Chan Ann Soo
Director

Lim Kim Seng
Director

Singapore
31 March 2006

Statement by Directors Pursuant to Section 201(15) of the Companies Act, Cap. 50

We, Margaret Lui Chan Ann Soo and Lim Kim Seng, being two of the directors of SingSpring Pte Ltd, (the "Company") do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2005, and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Margaret Lui Chan Ann Soo
Director

Lim Kim Seng
Director

Singapore
31 March 2006

We have audited the accompanying financial statements of SingSpring Pte Ltd (the "Company"), set out on pages 5 to 26, for the financial year ended 31 December 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(b) the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2005, and of the results, changes in equity and cash flows of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
31 March 2006

SingSpring Pte Ltd

Profit and Loss Account for the year ended 31 December 2005

	Note	2005 S$	2004 S$
Revenue			
Sale of desalinated water		1,404,467	–
Operating and maintenance expenses		(286,972)	–
Utilities charges		(433,416)	–
Depreciation of property, plant and equipment		(309,381)	–
Interest expense		(432,899)	–
Bank charges		(10,416)	–
Interest income		154,283	–
Fair value changes of derivative financial instruments		11,852,267	–
Gain on commodity swaps' monthly settlements		171,085	–
		10,704,551	–
Profit before taxation		12,109,018	–
Tax expense	3	(2,410,000)	–
Net profit for the financial year		9,699,018	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SingSpring Pte Ltd

Balance Sheet as at 31 December 2005

	Notes	2005 S$	2004 S$
Non-current assets			
Property, plant and equipment	4	201,097,766	–
Asset under construction	5	–	172,464,188
Current assets			
Cash and bank balances	6	1,260,234	1,286,646
Trade receivables		2,157,089	30,561
Amount due from a shareholder (non-trade)	7	107,575	–
Other receivables, deposits and prepayments	8	639,358	2,257,713
Derivative financial instruments	15(d)	12,801,237	–
		16,965,493	3,574,920
Current liabilities			
Trade payables		1,133,329	395,701
Other payables and accruals	9	1,990,358	467,552
Interest - bearing loans and borrowings	10	2,512,334	–
Derivative financial instruments	15(d)	10,784,034	–
Amounts due to related companies (trade)	7	8,203,356	–
Amount due to a shareholder (non-trade)	7	–	117,260
Amounts due to related companies (non-trade)	7	1,295,808	410,685
		25,919,219	1,391,198
Net current (liabilities)/assets		(8,953,726)	2,183,722
Non-current liabilities			
Interest - bearing loans and borrowings	10	(149,069,986)	(139,006,320)
Shareholders' loans	11	(40,800,000)	(35,641,580)
Deferred tax liabilities	3	(400,000)	–
		(190,269,986)	(174,647,900)
Net assets		1,874,054	10
Equity			
Issued share capital	12	100	10
Hedging reserve		(8,584,034)	–
Revenue reserve		10,457,988	–
Total equity		1,874,054	10

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity for the year ended 31 December 2005

	Issued share capital (Note 12) S$	Hedging reserve[1] S$	Revenue reserve S$	Total equity S$
2005				
At 31 December 2004 as previously reported	10	–	–	10
Net effects of adopting FRS 39 (Note 2.2)	–	(13,356,365)	758,970	(12,597,395)
At 1 January 2005 as restated	10	(13,356,365)	758,970	(12,597,385)
Issuance of new ordinary shares	90	–	–	90
Net gain on fair value changes	–	4,772,331	–	4,772,331
Net profit for the financial year	–	–	9,699,018	9,699,018
At 31 December 2005	100	(8,584,034)	10,457,988	1,874,054
Total income and expenses recognised directly in equity:				
Net gain on fair value changes	–	4,772,331	–	4,772,331
Net Profit for the financial year	–	–	9,699,018	9,699,018
Total income and expenses recognised	–	4,772,331	9,699,018	14,471,349
2004				
At 1 January 2004 and 31 December 2004	10	–	–	10

[1] Hedging reserve records the portion of the fair value changes or derivative financial instruments designed as hedging instruments in cash flow hedges that is determined to be an effective hedge.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SingSpring Pte Ltd

Cash Flow Statement for the year ended 31 December 2005

	2005 S$	2004 S$
Cash flows from operating activities		
Profit before taxation	12,109,018	–
Adjustments:		
Fair value changes of derivative financial instruments	(11,852,267)	–
Depreciation of property, plant and equipment	309,381	–
Operating cash flows before working capital changes	566,132	–
Trade receivables and other receivables	(508,173)	(2,183,985)
Trade payables and other payables and accruals	2,260,434	234,962
Due from/to related companies and a shareholder	8,863,644	(2,033,907)
Total working capital changes	10,615,905	(3,982,930)
Net cash flows from operating activities	11,182,037	(3,982,930)
Cash flows from investing activities		
Addition to property, plant and equipment/construction in progress	(28,942,959)	(169,413,335)
Net cash flows used in investing activities	(28,942,959)	(169,413,335)
Cash flows from financing activities		
Proceeds from issue of new shares	90	–
(Payment)/proceeds of short-term loans	2,512,334	–
Proceeds from long-term loans	10,063,666	139,006,320
Proceeds from shareholders' loans	5,158,420	35,641,580
Net cash flows generated from financing activities	17,734,510	174,647,900
Net (decrease)/ increase in cash and cash equivalents	(26,412)	1,251,635
Cash and cash equivalents at beginning of year	1,286,646	35,011
Cash and cash equivalents at end of year (Note 6)	1,260,234	1,286,646

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

SingSpring Pte Ltd (the "Company") is a private limited liability company which is incorporated in Singapore. The registered office of the Company is located at Hyflux Building, 202 Kallang Bahru, Singapore 339339.

The Company was a wholly-owned subsidiary of Hyflux Ltd, a company incorporated in Singapore, which was also the ultimate holding Company. During the financial year, Hyflux, Ltd sold 50% of its interest in the Company to Seletar Investment Pte Ltd, a company incorporated in Singapore. Seletar Investment Pte Ltd is a wholly-owned subsidiary of Temasek Holdings (Private) Limited, which is also incorporated in Singapore.

Related companies in these financial statements refer to members of Hyflux Ltd and Temasek Holdings (Private) Limited, respectively.

The principal activities of the Company are the development and operation of seawater desalination plants and sale of desalinated water. The Company has signed a Water Purchase Agreement ("WPA") with the Public Utilities Board ("PUB") to supply desalinated water to PUB for a period of 20 years from December 2005. Under the terms of the WPA, PUB is the only customer of the Company during this period.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ("S$").

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) *Adoption of new FRS*

On 1 January 2005, the Company adopted the following accounting standards mandatory for annual financial periods beginning on or after 1 January 2005.

- FRS 39 – Financial Instruments: Recognition and Measurement

  The Company has adopted FRS 39 prospectively on 1 January 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. At 1 January 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in accumulated profits while the differences between carrying values and fair values of available-for-sale financial assets were recognised in the fair value adjustment reserve.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

At 1 January 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 January 2005 were recognised in accumulated profits.

According to FRS 39, all derivative financial instruments held by the Company were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in accumulated profits at 1 January 2005.

At 1 January 2005, the Company held interest rate swap and commodity swaps. The interest rate swap was designated as a hedging instrument in cash flow hedge of the interest rate risks of firm commitments. The portion of the gain or loss on these hedging instruments that is determined to be an effective hedge was recognised directly in the hedging reserve at that date. Fair value adjustments for the commodity swaps, however, were recognised in accumulated profits as they were only designated as cashflow hedging instruments as at 16 December 2005.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 January 2005 resulted in the following adjustments at that date:

- An increase in the revenue reserve of S$758,970;
- A net debit to the hedging reserve of S$13,356,365; and
- An increase in deferred tax asset of S$3,110,000.

(b) *Adoption of revised FRS*

In addition, the Company adopted the following revised accounting standards which did not result in any significant change in accounting policies:

FRS 1 (revised)	–	Presentation of financial statements
FRS 8 (revised)	–	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	–	Events after the Balance Sheet Date
FRS 16 (revised)	–	Property, Plant and Equipment
FRS 17 (revised)	–	Leases
FRS 24 (revised)	–	Related Party Disclosures
FRS 32 (revised)	–	Financial Instruments: Disclosure and Presentation
FRS 36 (revised)	–	Impairment of Assets

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

(c) *FRS and INT FRS not yet effective*

The Group has not applied the following INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006:

- INT FRS 104 – Determining Whether an Arrangement Contains a Lease

  This interpretation is effective for annual periods commencing on or after 1 January 2006 and will be adopted by the Company in the financial year ending 31 December 2006. It provides guidelines in the determination of whether an arrangement is a lease. This depends on the use of a specific asset and whether it conveys a right to use the asset by the counterparty and, if so, FRS17, Leases, will apply.

  The Company has signed a Water Purchase Agreement ("WPA") with Singapore's Public Utilities Board ("PUB") to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by the Company. The supply arrangement is for 20 years from December 2005. The plant is located on a piece of leasehold land which is under the name of the Company and the lease period is 30 years from January 2004. The management is still in discussion with its auditors on the appropriate accounting treatment of the arrangement. If it is a finance lease, the change in accounting treatment to a finance lease for the Company's plant will have the following financial effect on the financial statements in 2006:

  - Property, plant and equipment of the Company will be reduced by about S$201,097,766 with a corresponding recognition of a lease receivable of the same amount. Accordingly, there will be no change in the amount of total assets.

  - Recognition of finance income, as opposed to revenue from sale of water, in the consolidated profit and loss account based on a pattern reflecting a constant periodic rate of return of the Company's net investment in the finance lease. The impact of this change on the results for the financial year ending 31 December 2006 is not reasonably estimable.

2.3 *Significant accounting estimates and judgements*

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. Summary of significant accounting policies (cont'd)

2.3 *Significant accounting estimates and judgements (cont'd)*

- *Depreciation of property, plant and equipment*

  The cost of plant and equipment is depreciated on a straight-line basis over the asset's useful life of 28 years. The carrying amount of the Company's property, plant and equipment at 31 December 2005 was S$201,097,766 (2004: S$172,464,188). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) *Critical judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

- Impairment of investments and financial assets

  The Company follows the guidance of FRS 39 on determining when an investment or financial asset is other-than-temporarily impaired. This determination requires significant judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

- Fair value of financial instruments

  Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period. The majority of the Company's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

  Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value estimates.

- Hedge effectiveness

  Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flow of the hedging instrument based on the Company's risk management strategy.

2. Summary of significant accounting policies (cont'd)

2.3 *Significant accounting estimates and judgements (cont'd)*

Management exercises judgement in assessing the hedge effectiveness by making comparison of past changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk with past changes in the fair value or cash flows of the hedging instrument, or by demonstrating a high statistical correlation between the fair value or cash flows of the hedged item and those of the hedging instrument.

2.4 *Functional and foreign currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollars ("S$"). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in S$.

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

2.5 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land	–	over the remaining lease period of 28 years
Plant and equipment	–	28 years

Construction-in-progress included in plant and equipment is not depreciated, as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.6 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.7 *Financial assets*

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.8 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and bank deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.7.

2.9 *Trade and other receivables*

Trade and other receivables, including amounts due from related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.7.

An allowance is made for uncollectible amounts when there is objective evidence that the group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.10 below.

2.10 *Impairment of financial assets*

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.11 *Trade and other payables*

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.12 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

All loans and borrowings are recognised at cost as they are paying the current market rates. No adjustments are required to measure amortised cost of loan using effective interest rates.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.13 *Borrowing costs*

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.14 *Derecognition of financial assets and liabilities*

(a) *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when it is sold or settled.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.15 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2. Summary of significant accounting policies (cont'd)

2.16 *Employee benefits*

(a) *Defined contribution plans*

The Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to CPF are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.17 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of desalinated water

Revenue is recognised upon delivery of desalinated water to the customer.

Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

2.18 *Income taxes*

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

2. Summary of significant accounting policies (cont'd)

2.18 *Income taxes (cont'd)*

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

2.19 *Derivative financial instruments and hedging activities*

The Company uses derivative financial instruments such as interest rate and commodity swaps to hedge its risks associated with fuel price and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on the commodity swaps are taken to the profit and loss account for the year as they do not qualify for hedge accounting.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, the interest rate hedges are classified as:

- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to interest rate risk associated with a recognised loan or a highly probable forecast transaction that could affect profit or loss; or

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Summary of significant accounting policies (cont'd)

2.19 *Derivative financial instruments and hedging activities (cont'd)*

The Company's interest rate hedge, which meet the criteria for hedge accounting, is accounted for as follows:

- *Cash flow hedges*

  For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account.

  Amounts taken to hedging reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

  If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

3. Taxation

(a) Income tax expense

	2005 S$	**2004** S$
Deferred income tax		
Movements in temporary differences	2,410,000	–

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and profit before taxation multiplied by the Singapore corporate tax rate for the years ended 31 December 2005 and 2004 is as follows:

	2005	2004
Accounting profit before income tax	12,109,018	–
Tax at 20% (2004: 20%).	2,421,804	–
Adjustments		
Others	(11,804)	–
Income tax expense recognised in the profit and loss account	2,410,000	–

3. Taxation/deferred tax liabilities (cont'd)

(c) Deferred income tax

Deferred tax liabilities as at 31 December relates to the following:

	2005 S$	2004 S$
Deferred tax liabilities		
Revaluation of commodity swap to fair value	(2,600,000)	–
Deferred tax assets		
Revaluation of interest rate swap to fair value	2,200,000	–
Net deferred tax liabilities	(400,000)	–

4. Property, plant and equipment

	Leasehold land S$	Plant and equipment S$	Total S$
Cost			
At 1 January 2005	–	–	–
Reclassified from asset under construction (Note 5)	8,029,592	193,377,555	201,407,147
At 31 December 2005	8,029,592	193,377,555	201,407,147
Accumulated depreciation			
At 1 January 2005	–	–	–
Charge for the year	12,334	297,047	309,381
At 31 December 2005	12,334	297,048	309,381
Net book value			
31 December 2004	–	–	–
31 December 2005	8,017,258	193,080,508	201,097,766

5. Asset under construction

	2005 S$	2004 S$
Leasehold land	–	8,029,592
Development expenditure	–	164,434,596
	–	172,464,188

The asset under construction has been reclassified to property, plant and equipment (Note 4) upon the completion during the financial year.

6. Cash and bank balances

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 1.75% to 3.5% (2004: 1.5% to 3%) p.a.

7. Amount due from a shareholder (non-trade)
Amount due to a shareholder (non-trade)
Amounts due to related companies (non-trade)
Amounts due to related companies (trade)

These amounts are unsecured, interest-free and expected to be repaid within the next 12 months.

8. Other receivables, deposits and prepayments

	2005 S$	2004 S$
Prepayments	91,667	–
Interest receivable	195,425	87,513
Deposits	20,790	–
Down payment	–	2,170,200
Receivables on settlement of commodity swap	331,476	–
	639,358	2,257,713

9. Other payables and accruals

	2005 S$	2004 S$
Interest payable	549,170	427,649
Payable to a related company	1,378,845	–
Other accrued liabilities	62,343	39,903
	1,990,358	467,552

10. Interest bearing loans and borrowings

	Effective interest rate %	Maturity	2005 S$	2004 S$
Current				
S$ bank loan	4.6	2006	2,512,334	–
Non-current				
S$ bank loan	4.6	2021	149,069,986	139,006,320

The S$ bank loan is syndicated and bears floating interest at rates ranging form 2.77% to 4.23% per annum. The Company has swapped the floating rates with a fixed rate of 4.6% using an interest rate swap.

11. Shareholders' loans

These loans are quasi-equity in nature and non-interest bearing. As these loans have no repayment terms and are repayable only when cash flows of the Company's permit, their fair value are not determinable as the timing of future cash flows cannot be estimated reliably.

12. Issued share capital

	2005 S$	2004 S$
Authorised:		
- 100,000 ordinary shares of S$ 1 each	100,000	100,000
Issued and fully paid:		
At beginning of year		
- 10 (2004: 10) ordinary shares of S$ 1 each	10	10
Issued during the year		
- 90 (2004: Nil) ordinary shares of S$ 1 each at par for cash	90	-
At end of year:		
- 100 (2004: 10) ordinary shares of S$ 1 each	100	10

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

13. Related party disclosures

An entity or individual is considered a related party of the Company for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place during the year at terms agreed between the parties:

	2005 S$	2004 S$
Construction costs paid or payable to subsidiary of a shareholder	11,328,000	154,475,000
Gain on settlement of commodity swap payable to a subsidiary of a shareholder under terms of the construction contract	1,378,875	–
Operation and maintenance costs paid or payable to subsidiary of a shareholder	289,972	–

14. Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are interest rate, liquidity and commodity price risks. The management reviews, manages and monitors each of these risks and will recommend necessary actions to the board of directors as appropriate.

(a) *Interest rate risk*

The Company obtains additional financing through bank borrowings and from its shareholders. The Company's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Company enters into interest rate swaps. The interest rate swaps allow the Company to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to lower the interest costs on the borrowings.

Surplus funds are placed with reputable banks. Information relating to the Company's interest rate exposure is also disclosed in the notes on the Company's borrowings.

(b) *Liquidity risk*

The Company's main exposure to liquidity risk is in respect of funding the construction costs of its plants and other operating expenses.

The Company monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Company's operations. Short-term credit facilities from financial institutions and funding from shareholders are available for working capital purposes.

The Company relies on loans from its shareholders and bank borrowings for its working capital requirements and the construction of the seawater desalination plant.

(c) *Commodity price risk*

The Company's policy is to manage its fuel cost using a mix of fixed and floating fuel prices. The Company's main exposure to commodity price risk is due to the pegging of electricity rates to prevailing oil prices. Electricity is critical to the operation of the seawater desalination plant. Hence, volatility in fuel prices may potentially increase cost. To manage this risk, the Company has entered into commodity swaps. These commodity swaps allow the Company to fix its electricity cost, ensuring forecasted profit margins are maintained.

(d) *Foreign currency risk*

The Company's exposure to foreign currency risk is minimal as the revenue and major costs of providing goods and services including major operating expenses are denominated in S$.

15. Financial instruments

(a) *Credit risk*

The carrying amount of cash and cash equivalents and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Company's significant concentration of credit risk to PUB. As disclosed in Note 1 to the financial statements, PUB is the only customer of the Company for a period of 20 years from December 2005.

(b) *Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Company has carried all investment securities that are classified as held for trading or available-for-sale financial assets, and all derivative financial instruments, at their fair value as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, reasonably approximate their fair values because these are mostly short - term in nature or are repriced frequently.

During the financial year, S$11,852,267 (2004: Nil) has been recognised in the profit and loss account in relation to the change in fair value of derivative financial instruments estimated using a valuation technique.

15. Financial instruments (cont'd)

(c) The following tables sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

2005	Within 1 year S$	1 – 2 years S$	2 – 3 years S$	3 – 4 years S$	4 – 5 years S$	More than 5 years S$	Total S$
Fixed rate							
Bank loans	(1,908,620)	(3,012,414)	(3,064,685)	(3,880,254)	(6,599,076)	(95,221,691)	(113,686,740)
Floating rate							
Bank loans	(603,714)	(953,376)	(967,265)	(1,209,939)	(2,258,744)	(31,902,542)	(37,895,580)
2004							
Fixed rate							
Bank loans	-	(1,908,620)	(3,012,414)	(3,064,685)	(3,880,254)	(108,134,027)	(120,000,000)
Floating rate							
Bank loans	-	(603,714)	(953,376)	(967,265)	(1,209,939)	(15,272,026)	(19,006,320)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments are swapped to fix rate until year 2014. The other financial instruments of the Company that are not included in the above tables are not subject to interest rate risks.

15. Financial instruments (cont'd)

(d) *Derivative financial instruments and hedging activities*

Derivative financial instruments included in the balance sheet at 31 December are as follows:

	2005 S$	2004 S$
Derivative financial instruments– current assets	12,801,237	–
Derivative financial instruments– current liabilities	10,784,034	–

Cash flow hedges

As at 31 December 2005, the Company held four financial derivatives, namely one interest rate swap and three commodity swaps. These swaps are designated as hedges of expected future interest and utilities expenses that the Company have firm commitments. The interest rate swap is being used to hedge the interest rate risks of the Company's existing bank loans. The commodity swaps are used to hedge the fuel price risk that directly impacts the Company's existing commitments under an energy supply contract.

The terms of the swaps have been negotiated to match the terms of the commitments.

The cash flow hedge of the expected future interest expense is assessed to be highly effective and a fair value gain of S$5,872,331, with a related deferred tax charge of S$1,100,000 is included in the hedging reserve.

The commodity swaps were only designated as a cash flow hedge in December 2005. Hence, fair value gain of S$11,852,267 is included in the profit and loss account. The cash flow hedge of the expected utilities expense is assessed to be highly effective and subsequent fair value adjustments will be included into the hedging reserve.

16. Authorisation of financial statements

The financial statements for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 31 March 2006.

APPENDIX H

THE INTERIM FINANCIAL STATEMENTS OF SINGSPRING FOR THE THREE MONTHS ENDED 31 MARCH 2006

Company Registration No. 200202652K

Financial Statements

SINGSPRING PTE LTD

31 March 2005 and 31 March 2006

SingSpring Pte Ltd

General Information

Directors

Lim Kim Seng
Foo Hee Kiang
Margaret Lui Chan Ann Soo
Derek Lau Tiong Seng
Lionel Soh Wee Chua (alternate director to Margaret Lui Chan Ann Soo and Derek Lau Tiong Seng)

Company Secretary

Goh Bee Kheng

Registered office

Hyflux Building
202 Kallang Bahru
Singapore 339339

Principal Bankers

DBS Bank Limited
ING Bank N.V., Singapore Branch
KBC Bank N.V., Singapore Branch
Standard Chartered Bank
Norddeutsche Landesbank Girozentrale, Singapore Branch

Auditors

Ernst & Young

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SingSpring Pte Ltd

Statement by Directors

We, Margaret Lui Chan Ann Soo and Foo Hee Kiang, being two of the directors of SingSpring Pte Ltd (the "Company"), do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and cash flow statements together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2005 and 31 March 2006, and of the results of the business, changes in equity and cash flows of the Company for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Margaret Lui Chan Ann Soo
Director

Foo Hee Kiang
Director

Singapore
29 September 2006

Auditors' Report to the Members of
SingSpring Pte Ltd

We have audited the accompanying financial statements of SingSpring Pte Ltd (the "Company"), set out on pages 3 to 30, for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

The comparative figures for the profit and loss account, statement of changes in equity and cash flow statements of the Company for the financial period from 1 January 2004 to 31 March 2004, and notes thereto, were not audited.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the interim financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2005 and 31 March 2006, and of the results, changes in equity and cash flows of the Company for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006.

ERNST & YOUNG
Certified Public Accountants

Singapore
29 September 2006

Steven Phan
Partner

SingSpring Pte Ltd

Profit and Loss Accounts for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006

	Note	For the 3 months ended 31 March 2006 S$	2005 S$	2004 S$ (unaudited)
Revenue				
Finance lease income		5,515,139	–	–
Maintenance income		2,041,472	–	–
		7,556,611	–	–
Operating and maintenance expenses		(1,212,817)	–	–
Utilities charges		(2,428,305)	–	–
Interest expense		(1,763,175)	–	–
Bank charges		(43,925)	–	–
Fair value gain on derivative financial instruments		–	4,827,390	–
Gain on settlement of commodity swaps		1,245,192	–	–
Loss on settlement of interest rate swaps		(13,131)	–	–
Foreign exchange gain, net		2,869	–	–
Other operating expenses		(195,656)	–	–
		(4,408,948)	4,827,390	–
Profit before taxation		3,147,663	4,827,390	–
Tax expenses	3	(605,146)	(965,500)	–
Net profit for the financial period		2,542,517	3,861,890	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SingSpring Pte Ltd

Balance Sheets as at 31 March 2005 and 31 March 2006

	Notes	31.3.2006 S$	31.12.2005 S$ (Restated)	31.3.2005 S$	31.12.2004 S$
Non-current asset					
Asset under construction	4	–	–	178,767,337	172,464,188
Lease receivable (non-current)	5	199,648,138	200,055,245	–	–
Deferred tax assets	3	–	–	1,244,500	–
		199,648,138	200,055,245	180,011,837	172,464,188
Current assets					
Trade receivables		5,704,084	2,157,089	–	30,561
Lease receivable (current)	5	1,369,930	1,277,929	–	–
Amount due from shareholder (non-trade)	6	19,988	107,575	30,558	–
Amount due from related companies (non-trade)	6	207,532	–	50,875	–
Other receivables, deposits and prepayment	7	980,282	639,358	2,053,193	2,257,713
Derivative financial instruments	17(d)	14,906,687	12,801,237	5,776,360	–
Cash and bank balances	8	1,927,134	1,260,234	25,988	1,286,646
		25,115,637	18,243,422	7,936,974	3,574,920
Current liabilities					
Trade creditors		1,371,458	1,133,329	176,187	395,701
Other payables and accruals	9	683,883	1,990,358	534,867	467,552
Interest - bearing loans and borrowings	10	3,503,781	2,512,334	–	–
Derivative financial instruments	17(d)	7,278,714	10,784,034	12,232,066	–
Amounts due to related companies – (trade)	6	783,181	8,203,356	–	–
Amounts due to related companies – (non-trade)	6	471,406	1,295,808	1,046,691	410,685
Amounts due to shareholders (non-trade)	6	693	–	349,146	117,260
		14,093,116	25,919,219	14,338,957	1,391,198
Net current assets/(liabilities)		10,930,520	(7,675,797)	(6,401,983)	2,183,722
Non-current liabilities					
Interest - bearing loans and borrowings	10	155,153,219	149,069,986	142,566,320	139,006,320
Shareholders' loan	11	44,249,547	40,800,000	36,254,730	35,641,580
Deferred tax liabilities	3	2,182,089	400,000	–	–
		201,584,855	190,269,986	178,821,050	174,647,900
Net assets/(liabilities)		9,085,804	2,109,462	(5,211,196)	10

	Notes	31.3.2006 S$	31.12.2005 S$ (Restated)	31.3.2005 S$	31.12.2004 S$
Equity					
Issued share capital	12	100	100	10	10
Hedging reserve	13	(4,150,209)	(8,584,034)	(9,832,066)	–
Revenue reserve		13,235,913	10,693,396	4,620,860	–
Total equity		9,085,804	2,109,462	(5,211,196)	10

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SingSpring Pte Ltd

Statements of Changes in Equity for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006

2006	Issued share capital (Note 12) S$	Hedging reserve (Note 13) S$	Revenue reserve S$	Total equity S$
At 31 December 2005 as previously reported	100	(8,584,034)	10,457,988	1,874,054
Net effects of adopting INT FRS 104 (Note 2.2)	–	–	235,408	235,408
At 1 January 2006 as restated	100	(8,584,034)	10,693,396	2,109,462
Net change in the reserve	–	4,433,825	–	4,433,825
Net profit for the financial period	–	–	2,542,517	2,542,517
At 31 March 2006	100	(4,150,209)	13,235,913	9,085,804
Total income and expenses recognised directly in equity:				
– Net change in the reserve	–	4,433,825	–	4,433,825
Net profit for the financial period	–	–	2,542,517	2,542,517
Total income and expenses recognised	–	4,433,825	2,542,517	6,976,342

SingSpring Pte Ltd

Statements of Changes in Equity for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006 (cont'd)

2005	**Issued share capital (Note 12)** S$	**Hedging reserve (Note 13)** S$	**Revenue reserve** S$	**Total equity** S$
At 1 January 2005	10	(13,356,365)	758,970	(12,597,385)
Net change in the reserve	–	3,524,299	–	3,524,299
Net profit for the financial period	–	–	3,861,890	3,861,890
At 31 March 2005	10	(9,832,066)	4,620,860	(5,211,196)
Total income and expenses recognised directly in equity:				
– Net change in the reserve	–	3,524,299	–	3,524,299
Net Profit for the financial period	–	–	3,861,890	3,861,890
Total income and expenses recognised	–	3,524,299	3,861,890	7,386,189

2004 (Unaudited)	Issued share capital (Note 12) S$	Hedging reserve (Note 13) S$	Revenue reserve S$	Total equity S$
At 1 January 2004 and 31 March 2004	10	–	–	10

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SingSpring Pte Ltd

Cash Flow Statements for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006

	For the 3 months ended 31 March		
	2006	2005	2004
	S$	S$	S$ (unaudited)
Cash flows from operating activities :			
Profit before taxation	3,147,663	4,827,390	–
Adjustments:			
Fair value changes of derivative financial instruments	–	(4,827,390)	–
Operating cash flows before working capital changes	3,147,663	–	–
Changes in :			
Trade receivables and other receivables	(3,887,919)	235,081	(1,926,247)
Trade payables and other payables and accruals	(1,068,348)	(152,199)	590,142
Due from/to related companies and a shareholder	(8,363,829)	786,459	(1,578,053)
Proceeds from repayment of finance lease receivable	315,106	–	–
Total working capital changes	(13,004,990)	869,341	(2,914,158)
Net cash flows (used in)/from operating activities	(9,857,327)	869,341	(2,914,158)
Cash flows from investing activities :			
Addition to asset under construction	–	(6,303,149)	(37,754,852)
Net cash flows used in investing activities	–	(6,303,149)	(37,754,852)
Cash flows from financing activities :			
Proceeds of short-term loans	991,447	–	–
Proceeds from long-term loans	6,083,233	3,560,000	32,676,000
Proceeds from shareholders' loans	3,449,547	613,150	8,169,000
Net cash flows from financing activities	10,524,227	4,173,150	40,845,000
Net increase/(decrease) in cash and bank balances	666,900	(1,260,658)	175,990
Cash and bank balances at beginning of period	1,260,234	1,286,646	35,011
Cash and bank balances at end of period	1,927,134	25,988	211,001

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

SingSpring Pte Ltd (the "Company") is a private limited liability company which is incorporated in Singapore. The registered office and principal place of business of the Company is located at Hyflux Building, 202 Kallang Bahru, Singapore 339339.

The Company is jointly-owned by Hyflux Ltd and Seletar Investment Pte Ltd, both shareholders are incorporated in Singapore. Seletar Investment Pte Ltd is a wholly-owned subsidiary of Temasek Holdings (Private) Limited, which is also incorporated in Singapore.

Related companies in these financial statements refer to Hyflux Ltd and Temasek Holdings (Private) Limited and their subsidiaries.

The principal activities of the Company are the development and operation of seawater desalination plants and sale of desalinated water. The Company has signed a Water Purchase Agreement ("WPA") with the Public Utilities Board ("PUB") to supply desalinated water to PUB for a period of 20 years from December 2005. Under the terms of the WPA, PUB is the only customer of the Company.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ("S$").

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below:

(a) *Adoption of new Interpretation of Financial Reporting Standard 104 ("INT FRS 104")*

On 1 January 2006, the Company adopted INT FRS 104 - Determining Whether an Arrangement Contains a Lease, which is mandatory for annual financial periods beginning on or after 1 January 2006.

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company has signed a Water Purchase Agreement ("WPA") with Singapore's Public Utilities Board ("PUB") to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by the Company. The supply arrangement is for 20 years from 16 December 2005. The plant is located on a piece of leasehold land which is under the name of the Company and the lease period is 30 years from January 2004.

2.2 ***Changes in accounting policies (cont'd)***

In accordance with INT FRS 104, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) - Leases.

The costs of developing and building the seawater desalination plant were capitalised and classified as property, plant and equipment as at 31 December 2004 and 2005.

The adoption of INT FRS 104 has been applied retrospectively and resulted in the following adjustments:

- A decrease of depreciation charge by S$309,381 for the financial year ended 31 December 2005.
- An increase in finance lease income and operating and maintenance income by S$962,515 and S$367,979 respectively for the financial year ended 31 December 2005.
- A decrease in sale of desalinated water by S$1,404,467 for the financial year ended 31 December 2005.
- A decrease in property, plant and equipment as at 31 December 2005 by S$201,097,766 and an increase in financial lease receivable by S$201,333,174 as at that date.

The adoption of INT FSR 104 has no impact on the financial statements for the financial periods from 1 January 2004 to 31 March 2004 and 1 January 2005 to 31 March 2005, as the desalination plant was only commissioned on 16 December 2005 and the Company started earning its income from this date.

(b) *Adoption of revised FRS*

In addition, the Company adopted the following revised accounting standards which did not result in any significant change in accounting policies:

FRS 19 (revised) – Employee Benefits

(c) *FRS and INT FRS not yet effective*

The Company has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2007:

FRS 107 – Financial Instruments: Disclosures

2.3 *Significant accounting estimates and judgements*

Estimates, assumptions concerning the future and judgements are made in the preparation of the interim financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Key sources of estimation uncertainty*

The key assumption concerning the future and other key source of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Income taxes

  Significant judgement is involved in determining the Company's provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) *Critical judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the interim financial statements.

- Impairment of investments and financial assets

  The Company follows the guidance of FRS 39 on determining when a financial asset is other-than-temporarily impaired. This determination requires significant judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost; and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

- Fair value of financial instruments

  Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period. The majority of the Company's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

  Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value estimates.

2.3 *Significant accounting estimates and judgements (cont'd)*

- Hedge effectiveness

  Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flow of the hedging instrument based on the Company's risk management strategy.

  Management exercises judgement in assessing the hedge effectiveness by making comparison of past changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk with past changes in the fair value or cash flows of the hedging instrument, or by demonstrating a high statistical correlation between the fair value or cash flows of the hedged item and those of the hedging instrument.

2.4 *Functional and foreign currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollars ("S$"). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in S$.

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

2.5 *Financial assets*

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.6 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and bank deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.5.

2.7 ***Trade and other receivables***

Trade and other receivables, including amounts due from related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.5.

An allowance is made for uncollectible amounts when there is objective evidence that the group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.8 below.

2.8 ***Impairment of financial assets***

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.9 ***Trade and other payables***

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.10 ***Interest bearing loans and borrowings***

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

All loans and borrowings are recognised at cost as they are paying the current market rates. No adjustments are required to measure amortised cost of loan using effective interest rates.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.11 ***Borrowing costs***

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.12 ***Derecognition of financial assets and liabilities***

(a) *Financial assets*

A loan or receivable is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

On derecognition, the differences between the carrying amount and the sum of the consideration received is recognised in the profit and loss account.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.13 ***Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.14 ***Finance lease receivable***

Leases where the Company transfer substantially all the risks and rewards of ownership of the asset are classified as finance leases.

The Company has signed a Water Purchase Agreement ("WPA") with Singapore's Public Utilities Board ("PUB") to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by the Company. The supply arrangement is for 20 years from 16 December 2005, the day when the desalination plant was commissioned. The desalination plant is located on a piece of leasehold land and the lease period is 30 years from January 2004.

In accordance with INT FRS 104, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) - Leases.

Lease receivables are apportioned between the finance lease income and reduction of the lease receivable so as to archive a constant rate of interest on the remaining balance of the asset. Finance lease income is recognised in the profit and loss account.

2.15 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Operating and maintenance income are recognised upon billing and provision of services.

(b) Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(c) Accounting policy for recognising finance lease income is stated in Note 2.14.

2.16 ***Income taxes***

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

2.17 ***Derivative financial instruments and hedging activities***

The Company uses derivative financial instruments such as interest rate and commodity swaps to hedge its risks associated with fuel price and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

The fair values of interest rate swap and commodity swap contracts are determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss; or

- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

(a) *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the profit and loss account.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit and loss account over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account.

Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

2.17 ***Derivative financial instruments and hedging activities (cont'd)***

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss account. The changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(b) *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to hedging reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

3. Taxation

(a) *Income tax expense*

	3 months ended 31 March		
	2006	2005	2004
	S$	S$	S$ (unaudited)
(i) Profit and loss account			
Deferred income tax			
– Movements in temporary differences	605,146	965,500	–
(ii) Statement of changes in equity			
Deferred income tax related to items charged or credited directly to equity			
Net change in hedging reserve for derivative financial instruments designated as hedging instruments in cash flow hedges			
– Commodity swaps	432,688	–	–
– Interest rate swaps	(744,257)	(2,400,000)	–
	(311,569)	(2,400,000)	–

(b) ***Relationship between tax expense and accounting profit***

A reconciliation between tax expense and profit before taxation multiplied by the Singapore corporate tax rate for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006 is as follows:

	2006	2005	2004
Profit before taxation	3,147,664	4,827,390	–
Tax at 20%	629,533	965,478	–
Others	(24,387)	22	–
	605,146	965,500	–

3. Taxation (cont'd)

(c) *Deferred income tax*

Deferred tax assets and liabilities as at 31 March relates to the following:

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Deferred tax liabilities				
Revaluation of commodity swap to fair value	(3,032,687)	(2,600,000)	(1,155,500)	–
Others	(605,146)	–	–	–
Deferred tax assets				
Revaluation of interest rate swap to fair value	1,455,744	2,200,000	2,400,000	–
Net deferred tax assets/(liabilities)	(2,182,089)	(400,000)	1,244,500	–

4. Asset under construction

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Land at cost	–	–	8,029,592	8,029,592
Development expenditure	–	–	170,737,745	164,434,596
	–	–	178,767,337	172,464,188

The asset under construction has been reclassified to finance lease receivable (Note 5) upon the commissioning of the assets on 16 December 2005 (Note 2.14).

5. Finance lease receivable

Future minimum lease receivable under finance leases together with the present value of the net minimum lease receivable are as follows:

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Minimum lease receivable :				
Not later than one year	23,644,883	23,644,883	–	–
Later than one year but not later than five years	94,644,310	94,644,311	–	–
Later than five years	348,065,627	353,895,871	–	–
Total minimum lease receivable	466,354,820	472,185,065	–	–
Less: Future finance income	(322,881,651)	(328,396,790)	–	–
Present value of minimum lease receivable	143,473,169	143,788,275	–	–
Unguaranteed residual value	57,544,899	57,544,899	–	–
Net investment in finance lease	201,018,068	201,333,174	–	–

Present value of the finance lease receivable is analysed as follows:

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Not later than one year	1,369,930	1,277,929	–	–
Later than one year but not later than five years	7,999,872	7,520,120	–	–
Later than five years	134,103,367	134,990,226	–	–
Present value of minimum lease receivable	143,473,169	143,788,275	–	–

The finance lease receivable relates to the lease arrangement under a Water Purchase Agreement as disclosed in Note 2.14.

6. Amount due from/to a shareholder (non-trade)
Amount due from/to related companies (non-trade)
Amounts due to related companies (trade)

These amounts are unsecured, interest-free and expected to be repaid within the next 12 months.

7. Other receivables, deposits and prepayments

	31.3.2006 S$	31.12.2006 S$	31.3.2005 S$	31.12.2004 S$
Prepayments	258,902	91,667	–	–
Interest receivable	246,730	195,425	131,559	87,513
Deposits	20,790	20,790	1,736,160	–
Receivables on settlement of commodity swaps	450,602	331,476	–	–
Down payments	–	–	–	2,170,200
Other debtors	3,258	–	185,474	–
	980,282	639,358	2,053,193	2,257,713

8. Cash and bank balances

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 1.75% to 3.5% per annum in 2005.

9. Other payables and accruals

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Interest payable	667,885	549,170	495,544	427,649
Payable to a related company	–	1,378,845	–	–
Other accrued liabilities	15,998	62,343	39,323	39,903
	683,883	1,990,358	534,867	467,552

10. Interest bearing loans and borrowings

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Current				
S$ bank loan	3,503,781	2,512,334	–	–
Non-current				
S$ bank loan	155,153,219	149,069,986	142,566,320	139,006,320

The S$ bank loan bears floating interest at rates ranging from 4.18% to 4.62% (2005: 2.77% to 3.03%) per annum including margin. The Company has swapped the floating rates with a fixed rate of 4.6% including margin using an interest rate swap. The loan is repayable by monthly instalment from June 2006 and matures in December 2021.

The loan is secured by a charge on all present and future assets and intellectual property of the Company and a mortgage on the land where the desalination plant of the Company is located. In addition, the shareholders of the Company have also pledged all the issued ordinary shares in the Company to the principal banks as security for the loan.

One of the Company's shareholders and three of its subsidiaries have guaranteed the Company's obligations to ensure that the Debt Service Reserve Account on and after 16 December 2006 is at all times funded to an amount equal to the principal and interest that will be payable on the next following 6 repayments dates.

One of the Company's shareholders and three of its wholly-owned subsidiaries have also undertaken to provide an energy cost loan to the Company in accordance with the requirement of the project facilitate agreement signed between the Company and its principal bankers.

11. Shareholders' loans

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Interest bearing	1,500,000	–	–	–
Non interest bearing	42,749,547	40,800,000	36,254,730	35,641,580
	44,249,547	40,800,000	36,254,730	35,641,580

The interest bearing loan was extended to the Company by one of its shareholders during the period. This loan is unsecured, subordinated to the bank loan (Note 10), bears interest ranging from 4.51% to 4.62% per annum and is repayable by June 2006.

The non-interest bearing loans are quasi-equity in nature. As these loans have no repayment terms and are repayable only when cash flows of the Company's permit, their fair value are not determinable as the timing of future cash flows cannot be estimated reliably.

12. Issued share capital

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Authorised:				
- 100,000 ordinary shares	100,000	100,000	100,000	100,000
Issued and fully paid:				
At beginning of period				
- 100 (2005: 10) ordinary shares	100	10	10	10
Issued during the period				
- Nil (2005: 90) ordinary shares for cash	–	90	–	–
At end of period:				
- 100 (2005: 100) ordinary shares	100	100	10	10

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

13. Hedging reserve

Hedging reserve records the portion of the fair value changes or derivative financial instruments designed as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	For the 3 months ended 31 March 2006 S$	2005 S$	2004 S$
Opening balance at 1 January	(8,584,034)	(13,356,365)	–
Net change in the reserve	4,433,825	3,524,299	–
Closing balance at 31 December	(4,150,209)	(9,832,066)	–
Net change in hedging reserve arises from:			
- Net gain on fair value changes during the period	5,665,886	3,989,032	–
- Recognised in the profit and loss account on occurrence of hedge transactions	(1,232,061)	–	–
- Recognised in asset under construction on occurrence of hedge transactions	–	(464,733)	–
	4,433,825	3,524,299	–

14. Commitments and contingencies

Guarantee

The Company has guaranteed a sum of S$12,830,950 to the Singapore's Public Utilities Board ("PUB") in relating to certain of its obligations under the Water Purchase Agreement which was signed between the Company and PUB. The guarantee expires on 30 November 2006 and no liability is expected to arise.

15. Related party disclosures

An entity or individual is considered a related party of the Company for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place for the financial periods at terms agreed between the parties:

	For the 3 months ended 31 March		
	2006 S$	2005 S$	2004 S$ (unaudited)
Construction costs paid to subsidiary of a shareholder	7,812,720	4,340,400	40,799,766
Operation and maintenance costs paid or payable to subsidiary of a shareholder	1,212,817	–	–
Loan interest payable to shareholder	9,447	–	–

16. Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are interest rate, liquidity and commodity price risks. The management reviews, manages and monitors each of these risks and will recommend necessary actions to the board of directors as appropriate.

(a) *Interest rate risk*

The Company obtains additional financing through bank borrowings and from its shareholders. Therefore, it is exposed to market risk for changes in interest rates. The Company's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Company enters into interest rate swap. The interest rate swap allows the Company to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to reduce variability in cash flows arising from interest rate fluctuations.

Surplus funds are place with reputable banks with sound credit ratings. Information relating to the Company's interest rate exposure is also disclosed in the notes on the Company's borrowings.

16. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk*

The Company's main exposure to liquidity risk is in respect of funding its operating expenses.

The Company monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Company's operations. Short-term credit facilities from financial institutions and funding from shareholders are available for working capital purposes.

The Company relies on loans from its shareholders and bank borrowings for its working capital requirements and the construction of the seawater desalination plant.

(c) *Commodity price risk*

Electricity is a major component in the total operating costs of the seawater desalination plant. The cost of electricity is affected by the volatility in fuel prices and consequently, the Company is exposed to commodity price risk on purchase of electricity.

The Company manages its commodity price risk by using commodity swaps and hedge up to three years forward based on anticipated capacity demand of the plant so as to provide the Company with protection against sudden and significant increases in fuel prices.

(d) *Foreign currency risk*

The Company is exposed to an embedded foreign currency risk as the fuel prices on purchase of electricity that is denominated in United States dollars ("US$").

The Company aims to reduce its exposure to fluctuations between US$ and S$ to a minimal level. It has arranged for the settlements of its electricity charges and commodity swaps in S$, which are computed using the same average exchange rate for month of consumption.

Except in situations when the plant runs at an operating capacity that exceeds the anticipated capacity used by the Company in entering into hedging transactions to mitigate its risk, the Company's exposure to foreign currency risk is minimal as its revenue and other major operating expenses are denominated in S$.

17. Financial instruments

(a) *Credit risk*

The carrying amount of cash and cash equivalents and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Company's has a significant concentration of credit risk to PUB. As disclosed in Note 1 to the financial statements, PUB is the only customer of the Company for a period of 20 years from December 2005.

(b) *Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair values

The Company has carried all derivative financial instruments at their fair values as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, bank loan, amounts due from shareholder and related companies, amounts due to shareholders and related company and interest-bearing shareholders' loan reasonably approximate their fair values because these are mostly short - term in nature or are repriced frequently.

Financial instruments carried at other than fair value

Set out below is a comparison of the carrying amount and fair value of the Company's finance lease receivable that is carried in the financial statements at other than fair value as at the balance sheet date :

	Carrying amount		**Fair value**	
	31.3.2006	**31.12.2005**	**31.3.2006**	**31.12.2005**
	S$	S$	S$	S$
Financial asset :				
Finance lease receivable	143,473,169	143,788,275	239,600,000	241,000,000

The fair value of finance lease receivable has been determined using discounted estimated cash flows. The discount rate used is the current risk-free rate adjusted by market risk premium for similar type of arrangement.

17. Financial instruments (cont'd)

(c) The following tables sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year S$	1 – 2 Years S$	2 – 3 years S$	3 – 4 years S$	4 – 5 years S$	More than 5 years S$	Total S$
31 March 2006							
Fixed rate							
Finance lease receivable	1,369,930	1,591,589	1,863,598	2,108,579	2,436,579	134,103,367	143,473,169
Bank loan	(2,627,836)	(2,974,343)	(3,172,823)	(4,561,230)	(6,941,085)	(98,715,434)	(118,992,751)
Floating rate							
Bank loan	(875,945)	(991,447)	(1,057,607)	(1,520,410)	(2,313,695)	(32,905,145)	(39,664,249)
Shareholders' loan	(1,500,000)	–	–	–	–	–	(1,500,000)
31 December 2005							
Fixed rate							
Finance lease receivable	1,277,929	1,476,717	1,771,208	1,981,847	2,290,248	134,990,226	143,788,275
Bank loan	(1,908,620)	(3,012,414)	(3,064,685)	(3,880,254)	(6,599,076)	(95,221,691)	(113,686,740)
Floating rate							
Bank loan	(603,714)	(953,376)	(967,265)	(1,209,939)	(2,258,744)	(31,902,542)	(37,895,580)

17. Financial instruments (cont'd)

	Within 1 year S$	1 – 2 Years S$	2 – 3 years S$	3 – 4 years S$	4 – 5 years S$	More than 5 years S$	Total S$
31 March 2005							
Fixed rate							
Bank loan	–	1,225,357	2,695,038	2,672,691	3,163,154	97,168,499	106,924,739
Floating rate							
Bank loan	–	408,453	898,346	890,897	1,054,385	32,389,500	35,641,581
31 December 2004							
Fixed rate							
Bank loan	–	(1,908,620)	(3,012,414)	(3,064,685)	(3,880,254)	(108,134,027)	(120,000,000)
Floating rate							
Bank loan	–	(603,714)	(953,376)	(967,265)	(1,209,939)	(15,272,026)	(19,006,320)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on certain portion of the bank loan is swapped to fix rate until year 2014. The other financial instruments of the Company that are not included in the above tables are not subject to interest rate risks.

17. Financial instruments (cont'd)

(d) *Derivative financial instruments and hedging activities*

Derivative financial instruments included in the balance sheet are as follows:

	31.3.2006 S$	31.12.2005 S$	31.3.2005 S$	31.12.2004 S$
Derivative financial instruments – current assets	14,906,687	12,801,237	5,776,360	–
Derivative financial instruments – current liabilities	7,278,714	10,784,034	12,232,066	–

Cash flow hedges

As at 31 March 2006, the Company held four financial derivatives, namely one interest rate swap and three commodity swaps. These swaps are designated as hedges of expected future interest and utilities expenses that the Company have firm commitments. The interest rate swap is being used to hedge the interest rate risks of the Company's existing bank loans. The commodity swaps are used to hedge the fuel price risk that directly impacts the Company's existing commitments under an energy supply contract.

The terms of the swaps have been negotiated to match the terms of the commitments.

The cash flow hedge of the expected future interest expense is assessed to be highly effective and a fair value loss of S$7,278,714 (2005: S$10,784,034) as at 31 March 2006, with a related deferred tax asset of S$1,455,743 (2005: S$2,200,000) is included in the hedging reserve.

The commodity swaps were only designated as a cash flow hedge in December 2005. Hence, the fair value gain for the financial period from 1 January 2005 to 31 March 2005 of S$4,827,390 is recognised in the profit and loss account. The fair value gain of S$2,105,450 as at 31 March 2006, with a related deferred tax charge of S$432,688, is included in the hedging reserve.

18. Authorisation of financial statements

The financial statements for the financial periods from 1 January 2005 to 31 March 2005 and 1 January 2006 to 31 March 2006 were authorised for issue in accordance with a resolution of the directors on 29 September 2006.

APPENDIX I

THE INTERIM FINANCIAL STATEMENTS OF SINGSPRING FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

Company Registration No. 200202652K

Unaudited Interim Financial Statements

SINGSPRING PTE LTD

30 September 2005 and 30 September 2006

General Information

Directors

Foo Hee Kiang	
Goh Bee Kheng	(appointed on 9.11.2006)
Tong Yew Heng	(appointed on 9.11.2006)
Au Yeung Fai	(appointed on 9.11.2006)
Lim Kim Seng	(resigned on 9.11.2006)
Margaret Lui Chan Ann Soo	(resigned on 9.11.2006)
Derek Lau Tiong Seng	(resigned on 9.11.2006)
Lionel Soh Wee Chua	(alternate director to Margaret Lui Chan Ann Soo and Derek Lau Tiong Seng, resigned on 9.11.2006)

Company Secretary

Diane Chee Sui-Yen	(appointed on 16.11.2006)
Goh Bee Kheng	(resigned on 16.11.2006)

Registered office

Hyflux Building
202 Kallang Bahru
Singapore 339339

Principal Bankers

DBS Bank Ltd
ING Bank N.V., Singapore Branch
KBC Bank N.V., Singapore Branch
Standard Chartered Bank
Norddeutsche Landesbank Girozentrale, Singapore Branch

Auditors

Ernst & Young

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Statement by Directors

We, Tong Yew Heng and Goh Bee Kheng, being two of the directors of SingSpring Pte Ltd (the "Company"), do hereby state that, in the opinion of the directors:

(a) nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial positions of the Company as at 30 September 2005 and 2006, and of its financial performance for the six-month and nine-month periods ended 30 September 2005 and 2006, changes in equity and cash flows for the nine-month periods ended 30 September 2005 and 2006 in accordance with Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Tong Yew Heng
Director

Goh Bee Kheng
Director

Singapore
17 November 2006

Report on Review of Interim Financial Statements to the board of directors of SingSpring Pte Ltd

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We have reviewed the accompanying financial statements of SingSpring Pte Ltd (the "Company"), set out on pages 3 to 31, which comprise the balance sheets as at 30 September 2005 and 2006, the related profit and loss accounts for the six-month and nine-month periods ended 30 September 2005 and 2006, the statements of changes in equity and cash flow statements for nine-month periods ended 30 September 2005 and 2006, and a summary of significant accounting policies and other explanatory notes.

The Directors are responsible for the preparation and fair presentation of this interim financial information in accordance with Singapore Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial positions of the Company as at 30 September 2005 and 2006, and of its financial performance for the six-month and nine-month periods ended 30 September 2005 and 2006, changes in equity and cash flows for the nine-month periods ended 30 September 2005 and 2006 in accordance with Singapore Financial Reporting Standards.

ERNST & YOUNG
Certified Public Accountants

Singapore
17 November 2006

Steven Phan
Partner

SingSpring Pte Ltd

Profit and Loss Accounts for the financial periods for 6 months and 9 months ended 30 September 2005 and 30 September 2006

	Note	For the 6 months ended 30 September 2006 S$	2005 S$	2004 S$	For the 9 months ended 30 September 2006 S$	2005 S$	2004 S$
Revenue							
Finance lease income		11,188,474	–	–	16,703,613	–	–
Maintenance income		4,190,027	–	–	6,231,499	–	–
		15,378,501	–	–	22,935,112	–	–
Operating and maintenance expenses		(2,588,035)	–	–	(3,800,852)	–	–
Utilities charges		(4,991,751)	–	–	(7,420,055)	–	–
Interest expense		(3,672,385)	–	–	(5,435,560)	–	–
Bank charges		(98,997)	–	–	(142,922)	–	–
Fair value gain on derivative financial instruments		–	11,283,765	–	–	16,111,155	–
Gain on settlement of commodity swaps		2,592,232	–	–	3,837,424	–	–
Gain on settlement of interest rate swap		43,488	–	–	30,356	–	–
Foreign exchange gain, net		(626)	–	–	2,243	–	–
Other operating expenses		(318,669)	–	–	(514,323)	–	–
		(9,034,743)	11,283,765	–	(13,443,689)	16,111,155	–
Profit before taxation		6,343,758	11,283,765	–	9,491,423	16,111,155	–
Tax expenses	3	(1,285,314)	(2,256,731)	–	(1,890,460)	(3,222,231)	–
Net profit for the financial period		5,058,444	9,027,034	–	7,600,963	12,888,924	–

The accompanying accounting policies and explanatory notes form an integral part of the interim financial statements.

SingSpring Pte Ltd

Balance Sheets as at 30 September 2005 to 30 September 2006

	Notes	30.9.2006 S$	31.12.2005 S$ (Restated)	30.9.2005 S$	31.12.2004 S$
Non-current asset					
Asset under construction	4	–	–	190,660,991	172,464,188
Lease receivable (non-current)	5	198,889,115	200,055,245	–	–
		198,889,115	200,055,245	190,660,991	172,464,188
Current assets					
Trade receivables		5,527,185	2,157,089	–	30,561
Lease receivable (current)	5	1,462,595	1,277,929	–	–
Amount due from a shareholder (non-trade)	6	19,988	107,575	414,097	–
Amount due from related companies (non-trade)	6	252,029	–	174,735	–
Other receivables, deposits and prepayments	7	711,169	639,358	1,099,075	2,257,713
Derivative financial instruments	17(d)	10,618,609	12,801,237	17,060,125	–
Cash and bank balances	8	5,847,395	1,260,234	1,090,834	1,286,646
		24,438,970	18,243,422	19,838,866	3,574,920
Current liabilities					
Trade creditors		1,651,336	1,133,329	90,811	395,701
Other payables and accruals	9	611,517	1,990,358	466,112	467,552
Interest - bearing loans and borrowings	10	4,032,109	2,512,334	–	–
Derivative financial instruments	17(d)	9,412,504	10,784,034	14,385,809	–
Amounts due to related companies – (trade)	6	–	8,203,356	–	–
Amounts due to related companies – (non-trade)	6	510,268	1,295,808	1,061,349	410,685
Amounts due to a shareholder (non-trade)	6	693	–	239,040	117,260
		16,218,427	25,919,219	16,243,121	1,391,198
Net current assets/(liabilities)		8,220,543	(7,675,797)	3,595,745	2,183,722
Non-current liabilities					
Interest - bearing loans and borrowings	10	153,170,324	149,069,986	151,582,320	139,006,320
Shareholders' loan	11	42,749,547	40,800,000	40,000,000	35,641,580
Deferred tax liabilities	3	2,131,681	400,000	535,231	–
		198,051,552	190,269,986	192,117,551	174,647,900
Net assets		9,058,106	2,109,462	2,139,185	10

SingSpring Pte Ltd

Balance Sheets as at 30 September 2005 to 30 September 2006 (cont'd)

	Notes	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Equity					
Issued share capital	12	100	100	100	10
Hedging reserve	13	(9,236,353)	(8,584,034)	(11,508,809)	–
Revenue reserve		18,294,359	10,693,396	13,647,894	–
Total equity		9,058,106	2,109,462	2,139,185	10

The accompanying accounting policies and explanatory notes form an integral part of the interim financial statements.

SingSpring Pte Ltd

Statements of Changes in Equity for the financial periods from 1 January 2005 to 30 September 2005 and 1 January 2006 to 30 September 2006

2006	Issued share capital (Note 12) S$	Hedging reserve (Note 13) S$	Revenue reserve S$	Total equity S$
At 1 January 2006 previously reported	100	(8,584,034)	10,457,988	1,874,054
Net effects of adopting INT FRS 104 (Note 2.2)	–	–	235,408	235,408
At 1 January 2006 as restated	100	(8,584,034)	10,693,396	2,109,462
Net change in the reserve	–	(652,319)	–	(652,319)
Net profit for the financial period	–	–	7,600,963	7,600,963
At 30 September 2006	100	(9,236,353)	18,294,359	9,058,106
Total income and expenses recognised directly in equity:				
– Net change in the reserve	–	(652,319)	–	(652,319)
Net profit for the financial period	–	–	7,600,963	7,600,963
Total income and expenses recognised	–	(652,319)	7,600,963	6,948,644

SingSpring Pte Ltd

Statements of Changes in Equity for the financial periods from 1 January 2005 to 30 September 2005 and 1 January 2006 to 30 September 2006 (cont'd)

2005	**Issued share capital (Note 12)** S$	**Hedging reserve (Note 13)** S$	**Revenue reserve** S$	**Total equity** S$
At 1 January 2005	10	(13,356,365)	758,970	(12,597,385)
Net change in the reserve	90	1,847,556	–	1,847,646
Net profit for the financial period	–	–	12,888,924	12,888,924
At 30 September 2005	100	(11,508,809)	13,647,894	2,139,185
Total income and expenses recognised directly in equity:				
– Net change in the reserve	90	1,847,556	–	1,847,646
Net profit for the financial period	–	–	12,888,924	12,888,924
Total income and expenses recognised	90	1,847,556	12,888,924	14,736,570

Statements of Changes in Equity for the financial periods from 1 January 2005 to 30 September 2005 and 1 January 2006 to 30 September 2006 (cont'd)

2004	Issued share capital (Note 12) S$	Hedging reserve (Note 13) S$	Revenue reserve S$	Total equity S$
At 1 January 2004 and 30 September 2004	10	–	–	10

The accompanying accounting policies and explanatory notes form an integral part of the interim financial statements.

SingSpring Pte Ltd

Cash Flow Statements for the financial periods from 1 January 2005 to 30 September 2005 and 1 January 2006 to 30 September 2006

	2006 S$	2005 S$	2004 S$
Cash flows from operating activities :			
Profit before taxation	9,491,423	16,111,155	–
Adjustments:			
Fair value changes of derivative financial instruments	–	(16,111,155)	–
Operating cash flows before working capital changes	9,491,423	–	–
Changes in :			
Trade receivables and other receivables	(3,441,908)	1,189,199	(10,929,037)
Trade payables and other payables and accruals	(860,831)	(306,330)	(169,242)
Due from/to related companies and a shareholder	(9,152,646)	183,612	4,106,294
Proceeds from finance lease receivable	981,464	–	–
Total working capital changes	(12,473,921)	1,066,481	(6,991,985)
Net cash flows (used in)/from operating activities	(2,982,498)	1,066,481	(6,991,985)
Cash flows from investing activities :			
Addition to asset under construction	–	(18,196,803)	(89,089,689)
Net cash flows used in investing activities	–	(18,196,803)	(89,089,689)
Cash flows from financing activities :			
Proceeds from short-term loans	1,519,775	–	–
Proceeds from long-term loans	4,100,338	12,576,000	77,731,920
Proceeds from shareholders' loans	1,949,546	4,358,420	19,432,980
Proceeds from issuance of shares	–	90	–
Net cash flows from financing activities	7,569,659	16,934,510	97,164,900
Net increase/(decrease) in cash and bank balances	4,587,161	(195,812)	1,083,226
Cash and bank balances at beginning of period	1,260,234	1,286,646	35,011
Cash and bank balances at end of period	5,847,395	1,090,834	1,118,237

The accompanying accounting policies and explanatory notes form an integral part of the interim financial statements.

1. Corporate information

SingSpring Pte Ltd (the "Company") is a private limited liability company which is incorporated in Singapore. The registered office and principal place of business of the Company is located at Hyflux Building, 202 Kallang Bahru, Singapore 339339.

The Company is jointly-owned by Hyflux Ltd and Seletar Investment Pte Ltd, both shareholders are incorporated in Singapore. Seletar Investment Pte Ltd is a wholly-owned subsidiary of Temasek Holdings (Private) Limited, which is also incorporated in Singapore.

Related companies in these interim financial statements refer to Hyflux Ltd and Temasek Holdings (Private) Limited and their subsidiaries.

The principal activities of the Company are the development and operation of seawater desalination plants and sale of desalinated water. The Company has signed a Water Purchase Agreement ("WPA") with the Public Utilities Board ("PUB") to supply desalinated water to PUB for a period of 20 years from December 2005. Under the terms of the WPA, PUB is the only customer of the Company.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The interim financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The interim financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The interim financial statements are presented in Singapore Dollars ("S$").

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below:

(a) *Adoption of new Interpretation of Financial Reporting Standard 104 ("INT FRS 104")*

On 1 January 2006, the Company adopted INT FRS 104 - Determining Whether an Arrangement Contains a Lease, which is mandatory for annual financial periods beginning on or after 1 January 2006.

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company has signed a Water Purchase Agreement ("WPA") with Singapore's Public Utilities Board ("PUB") to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by the Company. The supply arrangement is for 20 years from 16 December 2005. The plant is located on a piece of leasehold land which is under the name of the Company and the lease period is 30 years from January 2004.

2.2 ***Changes in accounting policies (cont'd)***

In accordance with INT FRS 104, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) - Leases.

The costs of developing and building the seawater desalination plant were capitalised and classified as property, plant and equipment as at 31 December 2004 and 2005.

The adoption of INT FRS 104 has been applied retrospectively and resulted in the following adjustments:

- A decrease of depreciation charge by S$309,381 for the financial year ended 31 December 2005.
- An increase in finance lease income and operating and maintenance income by S$962,515 and S$367,979 respectively for the financial year ended 31 December 2005.
- A decrease in sale of desalinated water by S$1,404,467 for the financial year ended 31 December 2005.
- A decrease in property, plant and equipment as at 31 December 2005 by S$201,097,766 and an increase in financial lease receivable by S$201,333,174 as at that date.

The adoption of INT FRS 104 has no impact on the interim financial statements for the financial periods from 1 January 2004 to 30 September 2004 and 1 January 2005 to 30 September 2005, as the desalination plant was only commissioned on 16 December 2005 and the Company started earning its income from this date.

(b) *FRS and INT FRS not yet effective*

The Company has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2007:

FRS 107 – Financial Instruments: Disclosures

2.3 ***Significant accounting estimates and judgements***

Estimates, assumptions concerning the future and judgements are made in the preparation of the interim financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Key sources of estimation uncertainty*

The key assumption concerning the future and other key source of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Income taxes

  Significant judgement is involved in determining the Company's provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) *Critical judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the interim financial statements.

- Impairment of investments and financial assets

  The Company follows the guidance of FRS 39 on determining when a financial asset is other-than-temporarily impaired. This determination requires significant judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost; and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

- Fair value of financial instruments

  Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period. The majority of the Company's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

  Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value estimates.

2.3 ***Significant accounting estimates and judgements (cont'd)***

- Hedge effectiveness

  Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flow of the hedging instrument based on the Company's risk management strategy.

  Management exercises judgement in assessing the hedge effectiveness by making comparison of past changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk with past changes in the fair value or cash flows of the hedging instrument, or by demonstrating a high statistical correlation between the fair value or cash flows of the hedged item and those of the hedging instrument.

  In particular, management has assumed that the daily volume of water supplied by the Company's plant will average 50% of its operating capacity during the period from 1 October 2006 to 31 December 2008 and therefore, in respect of three commodity swaps entered into by the Company as of 30 September 2006, they are 100% effective for hedging purposes.

2.4 ***Functional and foreign currency***

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollars ("S$"). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in S$.

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

2.5 ***Financial assets***

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.6 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and bank deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.5.

2.7 ***Trade and other receivables***

Trade and other receivables, including amounts due from related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.5.

An allowance is made for uncollectible amounts when there is objective evidence that the group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.8 below.

2.8 ***Impairment of financial assets***

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.9 ***Trade and other payables***

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.10 ***Interest bearing loans and borrowings***

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

All loans and borrowings are recognised at cost as they are paying the current market rates. No adjustments are required to measure amortised cost of loan using effective interest rates.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.11 ***Borrowing costs***

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.12 ***Derecognition of financial assets and liabilities***

(a) *Financial assets*

A loan or receivable is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

On derecognition, the differences between the carrying amount and the sum of the consideration received is recognised in the profit and loss account.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.13 ***Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.14 ***Finance lease receivable***

Leases where the Company transfer substantially all the risks and rewards of ownership of the asset are classified as finance leases.

The Company has signed a Water Purchase Agreement ("WPA") with Singapore's Public Utilities Board ("PUB") to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by the Company. The supply arrangement is for 20 years from 16 December 2005, the day when the desalination plant commenced commercial operations. The desalination plant is located on a piece of leasehold land and the lease period is 30 years from January 2004.

In accordance with INT FRS 104, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) - Leases.

Lease receivables are apportioned between the finance lease income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the asset. Finance lease income is recognised in the profit and loss account.

2.15 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Operating and maintenance income are recognised upon billing and provision of services.

(b) Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(c) Accounting policy for recognising finance lease income is stated in Note 2.14.

2.16 ***Income taxes***

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

2.17 ***Derivative financial instruments and hedging activities***

The Company uses derivative financial instruments such as interest rate and commodity swaps to hedge its risks associated with fuel price and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

The fair values of interest rate swap and commodity swap contracts are determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss; or

- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

(a) *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the profit and loss account.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit and loss account over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account.

Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

2.17 ***Derivative financial instruments and hedging activities (cont'd)***

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss account. The changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(b) *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to hedging reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

3. Taxation

(a) ***Income tax expense***

	6 months ended 30 September 2006 S$	2005 S$	2004 S$ (unaudited)
(i) Profit and loss account			
Deferred income tax			
– Movements in temporary differences	1,285,314	2,256,731	–
(ii) Statement of changes in equity			
Deferred income tax related to items charged or credited directly to equity			
Net change in hedging reserve for derivative financial instruments designated as hedging instruments in cash flow hedges			
– Commodity swaps	(908,966)	–	–
– Interest rate swaps	(426,758)	(477,000)	–
	(1,335,724)	(477,000)	–

(b) ***Relationship between tax expense and accounting profit***

A reconciliation between tax expense and profit before taxation multiplied by the Singapore corporate tax rate for the financial periods from 1 April 2005 to 30 September 2005 and 1 April 2006 to 30 September 2006 is as follows:

Profit before taxation	6,343,758	11,283,765	–
Tax at 20%	1,268,752	2,256,753	–
Others	16,562	(22)	–
	1,285,314	2,256,731	–

3. Taxation (cont'd)

(c) ***Deferred income tax***

Deferred tax asset and liabilities as at 30 September relates to the following:

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Deferred tax liabilities				
Revaluation of commodity swap to fair value	(2,123,722)	(2,600,000)	(3,412,231)	–
Others	(1,890,460)	–	–	–
Deferred tax assets				
Revaluation of interest rate swap to fair value	1,882,501	2,200,000	2,877, 000	–
Net deferred tax asset/(liabilities)	(2,131,681)	(400,000)	(535,231)	–

4. Asset under construction

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Land at cost	–	–	8,029,592	8,029,592
Development expenditure	–	–	182,631,399	164,434,596
	–	–	190,660,991	172,464,188

The asset under construction has been reclassified to finance lease receivable (Note 5) upon the commissioning of the assets on 16 December 2005 (Note 2.14).

5. Finance lease receivable

Future minimum lease receivable under finance leases together with the present value of the net minimum lease receivable are as follows:

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Minimum lease receivable				
Not later than one year	23,644,883	23,644,883	–	–
Later than one year but not later than five years	94,644,311	94,644,311	–	–
Later than five years	336,210,794	353,895,871	–	–
Total minimum lease payment	454,499,988	472,185,065	–	–
Less: Future finance income	(311,693,177)	(328,396,790)	–	–
Present value of minimum lease receivable	142,806,811	143,788,275	–	–
Unguaranteed residual value	57,544,899	57,544,899	–	–
Net investment in finance lease	200,351,710	201,333,174	–	–

Present value of the finance lease receivable is analysed as follows:

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Not later than one year	1,462,595	1,277,929	–	–
Later than one year but not later than five years	8,599,905	7,520,120	–	–
Later than five years	132,744,311	134,990,226	–	–
Present value of minimum lease receivable	142,806,811	143,788,275	–	–

The finance lease receivable relates to the lease arrangement under a Water Purchase Agreement as disclosed in Note 2.14.

6. Amount due from/to a shareholder (non-trade)
Amount due from/to related companies (non-trade)
Amounts due to related companies (trade)

These amounts are unsecured, interest-free and expected to be repaid within the next 12 months.

7. Other receivables, deposits and prepayments

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Prepayments	70,465	91,667	–	–
Interest receivable	224,702	195,425	130,390	87,513
Deposits	20,790	20,790	868,080	–
Receivables on settlement of commodity swaps	395,158	331,476	–	–
Down payments	–	–	–	2,170,200
Other debtors	54	–	100,605	–
	711,169	639,358	1,099,075	2,257,713

8. Cash and bank balances

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 1.75% to 3.5% per annum in 2005 and 2006.

9. Other payables and accruals

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Interest payable	599,270	549,170	457,493	427,649
Payable to a related company	–	1,378,845	–	–
Other accrued liabilities	12,247	62,343	8,619	39,903
	611,517	1,990,358	466,112	467,552

10. Interest bearing loans and borrowings

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Current				
S$ bank loan	4,032,109	2,512,334	–	–
Non-current				
S$ bank loan	153,170,324	149,069,986	151,582,320	139,006,320

The S$ bank loan bears floating interest at rates ranging from 4.48% to 4.82% (2005: 2.77% to 4.23%) per annum including margin. The Company has swapped the floating rates with a fixed rate of 4.55% including margin using an interest rate swap. The loan is repayable by monthly instalment from June 2006 and matures in December 2021.

The loan is secured by a charge on all present and future assets and intellectual property of the Company and a mortgage on the land where the desalination plant of the Company is located. In addition, the shareholders of the Company have also pledged all the issued ordinary shares in the Company to the principal banks as security for the loan.

10. Interest bearing loans and borrowings (cont'd)

One of the Company's shareholders and three of that shareholder's subsidiaries have guaranteed the Company's obligations to ensure that the Debt Service Reserve Account on and after 16 December 2006 is at all times funded to an amount equal to the principal and interest that will be payable on the next following 6 repayments dates.

One of the Company's shareholders have also undertaken to provide an energy cost loan to the Company in accordance with the requirement of the project facilitate agreement signed between the Company and its principal bankers. Three of that shareholder's subsidiaries have guaranteed this undertaking.

11. Shareholders' loans

As these loans have no repayment terms and are repayable only when cash flows of the Company's permit, their fair value are not determinable as the timing of future cash flows cannot be estimated reliably.

12. Issued share capital

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Authorised:				
- 100,000 ordinary shares	100,000	100,000	100,000	100,000
Issued and fully paid:				
At beginning of period				
- 100 (2005: 10) ordinary shares	100	10	10	10
Issued during the period				
- Nil (2005: 90) ordinary shares for cash	–	90	90	–
At end of period:				
- 100 (2005: 100) ordinary shares	100	100	100	10

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. Pursuant to the Companies (Amendment) Act 2005 which is effective from 30 January 2006, the concept of authorised share capital and par value has been abolished.

13. Hedging reserve

Hedging reserve records the portion of the fair value changes of derivative financial instruments designed as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	2006 S$	**2005** S$	**2004** S$
Opening balance at 1 January	(8,584,034)	(13,356,365)	–
Net change in the reserve	(652,319)	1,847,556	–
Closing balance at 30 September	(9,236,353)	(11,508,809)	–

Net change in hedging reserve arises from:

	2006 S$	2005 S$	2004 S$
- Net gain on fair value changes during the period	3,215,461	3,174,123	–
- Recognised in the profit and loss account on occurrence of hedge transactions	(3,867,780)	–	–
- Recognised in asset under construction on occurrence of hedge transactions	–	(1,326,567)	–
	(652,319)	1,847,556	–

14. Commitments and contingencies

Guarantee

The Company has guaranteed a sum of S$12,830,950 to the Singapore's Public Utilities Board ("PUB") in relating to certain of its obligations under the Water Purchase Agreement which was signed between the Company and PUB. The guarantee expires on 30 November 2006 and no liability is expected to arise.

15. Related party disclosures

An entity or individual is considered a related party of the Company for the purposes of the interim financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the interim financial statements, the following significant transactions between the Company and related parties took place for the financial periods at terms agreed between the parties:

	For the 6 months ended 30 September		
	2006 S$	2005 S$	2004 S$
Construction costs paid to subsidiary of a shareholder	–	13,021,200	73,786,800
Operation and maintenance costs paid or payable to subsidiary of a shareholder	2,588,035	–	–
Loan interest payable to a shareholder	7,265	–	–

16. Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are interest rate, liquidity and commodity price risks. The management reviews, manages and monitors each of these risks and will recommend necessary actions to the board of directors as appropriate.

(a) *Interest rate risk*

The Company obtains additional financing through bank borrowings and from its shareholders. The Company's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Company enters into an interest rate swap. The interest rate swap allows the Company to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to lower the interest costs on the borrowings.

Surplus funds are placed with reputable banks. Information relating to the Company's interest rate exposure is also disclosed in the notes on the Company's borrowings.

(b) *Liquidity risk*

The Company's main exposure to liquidity risk is in respect of funding its operating expenses.

The Company monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Company's operations. Short-term credit facilities from financial institutions and funding from shareholders are available for working capital purposes.

The Company relies on loans from its shareholders and bank borrowings for its working capital requirements and the construction of the seawater desalination plant.

(c) *Commodity price risk*

Electricity is a major component in the total operating costs of the seawater desalination plant. The cost of electricity is affected by the volatility in fuel prices and consequently, the Company is exposed to commodity price risk on purchase of electricity.

The Company manages its commodity price risk by using commodity swaps and hedge up to December 2008 based on anticipated capacity demand of the plant so as to provide the Company with protection against sudden and significant increases in fuel prices.

16. Financial risk management objectives and policies (cont'd)

(d) *Foreign currency risk*

The Company is exposed to an embedded foreign currency risk as the fuel prices on purchase of electricity that is denominated in United States dollars ("US$").

The Company aims to reduce its exposure to fluctuations between US$ and S$ to a minimal level. It has arranged for the settlements of its electricity charges and commodity swaps in S$, which are computed using the same average exchange rate for month of consumption.

Except in situations when the plant runs at an operating capacity that exceeds the anticipated capacity used by the Company in entering into hedging transactions to mitigate its risk, the Company's exposure to foreign currency risk is minimal as its revenue and other major operating expenses are denominated in S$.

17. Financial instruments

(a) *Credit risk*

The carrying amount of cash and cash equivalents and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Company's has a significant concentration of credit risk to PUB. As disclosed in Note 1 to the interim financial statements, PUB is the only customer of the Company for a period of 20 years from December 2005.

(b) *Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair values

The Company has carried all derivative financial instruments at their fair values as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, bank loan, amounts due from shareholder and related companies, amounts due to shareholders and related company and interest-bearing shareholders' loan reasonably approximate their fair values because these are mostly short - term in nature or are repriced frequently.

17. Financial instruments (cont'd)

Financial instruments carried at other than fair value

Set out below is a comparison of the carrying amount and fair value of the Company's finance lease receivable that is carried in the financial statements at other than fair value as at the balance sheet date :

	Carrying amount		Fair value	
	30.9.2006	31.12.2005	30.9.2006	31.12.2005
	S$	S$	S$	S$
Financial asset :				
Finance lease receivable	142,806,811	143,788,275	236,900,000	241,000,000

The fair value of finance lease receivable has been determined using discounted estimated cash flows. The discount rate used is the current risk-free rate adjusted by market risk premium for similar type of arrangement.

17. Financial instruments (cont'd)

(c) The following tables sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year S$	1 – 2 Years S$	2 – 3 years S$	3 – 4 years S$	4 – 5 years S$	More than 5 years S$	Total S$
30 September 2006							
Fixed rate							
Finance lease receivable	1,462,595	1,739,483	1,974,862	2,266,733	2,618,827	132,744,311	142,806,811
Bank loan	(3,024,082)	(2,974,343)	(3,470,543)	(6,048,401)	(7,536,525)	(94,847,931)	(117,901,825)
Floating rate							
Bank loan	(1,008,027)	(991,447)	(1,156,848)	(2,016,134)	(2,512,175)	(31,615,977)	(39,300,608)
31 December 2005							
Fixed rate							
Finance lease receivable	1,277,929	1,476,717	1,771,208	1,981,947	2,290,248	134,990,226	143,788,275
Bank loan	(1,908,620)	(3,012,414)	(3,064,685)	(3,880,254)	(6,599,076)	(95,221,691)	(113,686,740)
Floating rate							
Bank loan	(603,714)	(953,376)	(967,265)	(1,209,939)	(2,258,744)	(31,902,542)	(37,895,580)

17. **Financial instruments (cont'd)**

	Within 1 year S$	1 – 2 Years S$	2 – 3 years S$	3 – 4 years S$	4 – 5 years S$	More than 5 years S$	Total S$
30 September 2005							
Fixed rate							
Bank loan	–	(3,063,027)	(2,916,702)	(3,208,652)	(4,958,953)	(99,539,406)	(113,686,740)
Floating rate							
Bank loan	–	(1,021,009)	(972,234)	(1,069,551)	(1,652,984)	(33,179,802)	(37,895,580)
31 December 2004							
Fixed rate							
Bank loan	–	(1,908,620)	(3,012,414)	(3,064,685)	(3,880,254)	(108,134,027)	(120,000,000)
Floating rate							
Bank loan	–	(603,714)	(953,376)	(967,265)	(1,209,939)	(15,272,026)	(19,006,320)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments are swapped to fix rate until year 2014. The other financial instruments of the Company that are not included in the above tables are not subject to interest rate risks.

17. Financial instruments (cont'd)

(d) *Derivative financial instruments and hedging activities*

Derivative financial instruments included in the balance sheet are as follows:

	30.9.2006 S$	31.12.2005 S$	30.9.2005 S$	31.12.2004 S$
Derivative financial instruments – current assets	10,618,609	12,801,237	17,060,125	–
Derivative financial instruments – current liabilities	9,412,504	10,784,034	14,385,809	–

Cash flow hedges

As at 30 September 2006, the Company held four financial derivatives, namely one interest rate swap and three commodity swaps. These swaps are designated as hedges of expected future interest and utilities expenses that the Company have firm commitments. The interest rate swap is being used to hedge the interest rate risks of the Company's existing bank loans. The commodity swaps are used to hedge the fuel price risk that directly impacts the Company's existing commitments under an energy supply contract.

The terms of the swaps have been negotiated to match the terms of the commitments.

The cash flow hedge of the expected future interest expense is assessed to be highly effective and a fair value loss of S$ 9,412,504 (2005: S$10,784,034), with a related deferred tax asset of S$1,882,501 (2005: S$2,200,000) as at 30 September 2006 is included in the hedging reserve.

The commodity swaps were only designated as a cash flow hedge in December 2005. Hence, the fair value gain for the financial period from 1 April 2005 to 30 September 2005 of S$11,283,765 is recognised in the profit and loss account. The fair value loss for the financial period from 1 January 2006 to 30 September 2006 of S$2,182,628, with a related deferred tax assets of S$476,278 is included in the hedging reserve.

18. Authorisation of interim financial statements

The interim financial statements for the financial periods from 1 April 2005 to 30 September 2005 and 1 April 2006 to 30 September 2006 were authorised for issue in accordance with a resolution of the directors on 17 November 2006.

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APPENDIX J

INDEPENDENT TAXATION REPORT

The Board of Directors
CitySpring Infrastructure Management Pte Ltd
(as Trustee-Manager of CitySpring Infrastructure Trust)

111 Somerset Road #07-02
Singapore Power Building
Singapore 238164

8 January 2007

Dear Sirs

THE SINGAPORE TAXATION REPORT

This letter has been prepared at the request of CitySpring Infrastructure Management Pte Ltd (as Trustee-Manager of CitySpring Infrastructure Trust) for inclusion in the Prospectus to be issued in relation to the initial public offering of units ("Units") in CitySpring Infrastructure Trust ("CitySpring") on the Singapore Exchange Securities Trading Limited.

The purpose of this letter is to provide prospective purchasers of the Units with an overview of the Singapore income tax consequences of the purchase, ownership and disposition of the Units. This letter addresses principally purchasers who hold the Units as investment assets. Purchasers who acquire the Units for dealing purposes should consult their own tax advisers concerning the tax consequences of their particular situations.

This letter is not a tax advice and does not attempt to describe comprehensively all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units. Prospective purchasers of the Units should consult their own tax advisers to take into account the tax law applicable to their particular situations. In particular, prospective purchasers who are not Singapore tax residents are advised to consult their own tax advisers to take into account the tax laws of their respective countries of tax residence and the existence of any tax treaty which their countries of tax residence may have with Singapore.

This letter is based on Singapore income tax laws and relevant interpretations thereof current as at the date of this letter, all of which are subject to change, possibly with retroactive effect.

Words and expressions defined in the Prospectus have the same meaning in this letter. In addition, unless the context requires otherwise, words in the singular include the plural and the other way around and words of one gender include the other gender.

Singapore taxation of trusts in general

Under current Singapore income tax law, the trustee of a trust is liable to income tax on the taxable income of the trust arising from:-

(a) income accruing in or derived from Singapore; and

(b) income derived from outside Singapore which is received in Singapore or deemed to have been received in Singapore by the operation of law.

The taxable income of a trust is ascertained in accordance with the provisions of the Singapore income tax law, after deduction of all allowable expenses and any other allowances permitted under the law. This taxable income is taxed at the prevailing corporate rate of income tax and the tax is assessed on, and collected from, the trustee. The prevailing corporate tax rate in Singapore is currently 20%. Where the trustee can prove to the satisfaction of Inland Revenue Authority of Singapore ("IRAS") that any beneficiary of the trust is entitled to a share of the trust income, a corresponding share of the statutory income of the trustee may be charged at a lower rate or not charged with any tax, as the IRAS shall determine.

A beneficiary of a trust is taxed on the statutory income of the trust to which he is beneficially entitled. The trust income that is taxable in the hands of the beneficiary is the amount of the taxable income of the trust that corresponds to his beneficial entitlement. A corresponding amount of the tax paid by the trustee on the taxable income of the trust is generally imputed as a tax credit to the beneficiary of the trust. The amount of tax credit is calculated by multiplying the regrossed amount of the distribution with the corporate tax rate applicable to the year in which the distribution is made. This tax credit is available to the beneficiary for offset against his income tax liability on his overall income subject to Singapore income tax provided he is liable to tax on his beneficially entitled portion of the income of the trust. Any excess tax credit will be refunded.

The interpretation of the IRAS is that the source of income of a beneficiary of a trust is his entitlement to the share of the income of the trust. Following this IRAS interpretation, the taxable distribution received by beneficiaries is generally considered gains or profits of an income nature taxable under Section 10(1)(g) of the Income Tax Act, Chapter 134 of Singapore (the "Income Tax Act') but the distribution received by any beneficiary who is dealing in the units of a trust would be taxable under Section 10(1)(a) of the Income Tax Act as income from a trade or business.

Based on the Income Tax (Amendment) Bill 2006, with effect from the Year of Assessment 2008, distributions made by any trustee of a trust (other than a trust governed by specific provisions in the Income Tax Act for example, a real estate investment trust listed on the Singapore Exchange) out of income from any trade or business carried on by the trustee would be tax exempt. No tax credit will be allowed for any tax paid by the trustee.

Singapore does not impose tax on capital gains. However, gains from the sale of investments are chargeable to tax if such gains arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.

Singapore taxation of trusts registered under the Business Trusts Act, Chapter 31A of Singapore ("Business Trusts Act")

A trust registered under the Business Trusts Act is treated like a company under the one-tier system for income tax purposes. This tax treatment is effective from the first year such a trust commences operation as a registered business trust. Accordingly, like a company under the one-tier system, a registered business trust is subject to Singapore income tax in accordance with the same provisions of the income tax laws applicable to a company.

The income of a registered business trust is taxed at the trust level. Taxable income comprises income accruing in or derived from Singapore as well as on income derived from outside Singapore which is received in Singapore or deemed to have been received in Singapore unless otherwise exempted. There is no capital gains tax in Singapore. However, gains from the sale of investments are chargeable to tax if such gains arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.

Singapore income tax is imposed on the chargeable income of the registered business trust after deduction of allowable expenses and any allowances permitted under the law. The tax is assessed on, and collected from, the trustee-manager of the registered business trust.

The first S$100,000 of chargeable income of a registered business trust is exempt from tax as follows:

(i) 75% of up to the first S$10,000 of chargeable income (excluding Singapore dividends); and

(ii) 50% of up to the next S$90,000 of chargeable income (excluding Singapore dividends).

The remaining chargeable income (after the tax exemption) will be taxed at the prevailing corporate rate, currently 20%.

The distributions made by a registered business trust to its unitholders out of such taxed income, are exempt from Singapore income tax in the hands of the unitholders, regardless of their nationality, corporate identity or tax residence status. No credit will be allowed to the unitholders for the tax paid by the trustee-manager of the registered business trust.

For tax purposes, a registered business trust is considered a tax resident of Singapore if:

(a) the trustee-manager of the registered business trust in his capacity as such carries on a trade or business in Singapore; and
(b) the control and management of the business is in Singapore.

Taxation of the Sub-Trusts

The income of the Sub-Trusts will comprise substantially receipts from trade/ business. The Sub-Trusts may also earn interest income from the placement of their income that is not immediately distributed in fixed deposits with banks located in Singapore.

The income of the Sub-Trusts, after adjusting for any allowable expenses and permitted allowances under the Income Tax Act, would be subject to Singapore income tax at the prevailing corporate tax rate, currently 20%. The tax is assessed on, and collected from, the Sub-Trustees of the respective Sub-Trusts. The after-tax amount may subsequently be distributed to CitySpring free of Singapore withholding tax or tax deduction at source.

Taxation of CitySpring

The receipts of CitySpring, a registered business trust, will comprise substantially the receipts of distributions made by the Sub-Trusts, and the principal repayments and interest payments received pursuant to the Notes issued by the Sub-Trusts.

CitySpring's taxable income after adjusting for allowable expenses and permitted allowances, if any, would be subject to Singapore income tax at the prevailing corporate tax rate, currently 20% (after deducting the applicable tax exemption on the first S$100,000 of chargeable income).

Specifically, the tax treatment of each of CitySpring's receipts from the Sub-Trusts is described below.

Distributions from Sub-Trusts

Based on the Income Tax (Amendment) Bill 2006, with effect from the Year of Assessment 2008, distributions made by the Sub-Trusts out of their income from trade or business carried on by the Sub-Trustees would be tax exempt in the hands of CitySpring as a unitholder in the Sub-Trusts.

Principal Repayments from the Notes

Principal repayments received from the Sub-Trusts are not taxable since they are capital in nature.

Interest Payments from the Notes

On 1 November 2006, the Monetary Authority of Singapore ("MAS") issued a circular to introduce a package of tax incentives to catalyse the growth of the project finance industry through Singapore's capital markets. One of the tax incentives is the exemption from tax of interest income from qualifying project debt securities. The Notes issued by the Sub-Trusts will qualify as qualifying project debt securities if they meet the following conditions:

(a) Issued on a non-recourse or limited recourse basis i.e. interest payment on the debt is funded primarily from the cashflows of the qualifying infrastructure projects/assets;

(b) Cash raised from the debt security can only be used to acquire, develop or invest in qualifying infrastructure projects/assets or pay down bondholders, shareholders and loan providers of qualifying infrastructure projects/assets;

(c) Either:
    (i) the issue of the debt security is lead managed by, or the debt security is issued under a programme arranged by a Financial Sector Incentive (Project Finance) company ("FSI-PF") or a Financial Sector Incentive (Bond Market) ("FSI-BM") company; or

    (ii) the issue of the debt security is arranged by a financial institution in Singapore where the Singapore based staff play a leading and substantial role in origination, structuring and distribution of the debt security.;

(d) Issued during the period from 1 November 2006 to 31 December 2008 (both dates inclusive);

(e) Approval has been given by MAS on the level of gearing in the case of an onshore qualifying infrastructure project/asset;

(f) Less than 50% of the issue of the qualifying project debt security is beneficially held or funded directly or indirectly at any time during the life of the issue by related parties of the issuer of the qualifying project debt security; and

(g) Issued to and held by 4 or more persons at any time during the life of the issue.

If condition (g) cannot be met, a waiver will be granted if the entire issue of the qualifying project debt security is held by entities which are Singapore tax residents and listed in Singapore or to be listed in Singapore within 6 months of the issuance of the qualifying project debt security. Where MAS approval has been obtained for the waiver, interest income from the qualifying project debt security will continue to be tax exempt only if it is onward-declared for distribution to the shareholders, unitholders or other equivalent security holders of the entities within 6 months from the end of the financial year in which the interest income was actually received by those entities.

With regard to the Notes issued by the Sub-Trusts, approval has been obtained from the MAS / Ministry of Finance on the waiver of condition (g), as well as the appropriate level of gearing under condition (e). With this approval, if the above conditions (a), (b), (c), (d) and (f) are met, the Notes should qualify as qualifying project debt securities.

Taxation of Unitholders of CitySpring

<u>Distributions from Units</u>

Distributions from CitySpring received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the trustee-manager of CitySpring.

Gain on Disposal of Units

Singapore does not impose tax on capital gains. However, gains from the sale of investments are chargeable to tax if such gains arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.

If a Unitholder has held the Units as investment assets on capital account, any gains arising from subsequent sales of the Units should generally be considered capital gains not subject to Singapore income tax. However, if the Units have been held on trading account, the gains arising from a subsequent sale may be taxed as income. Because the precise tax status will vary from Unitholder to Unitholder, Unitholders should consult their own professional adviser on the Singapore tax consequences that may apply to their individual circumstances.

Yours faithfully,

Russell James Aubrey
Partner, Tax
For and on behalf of
Ernst & Young
Singapore

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APPENDIX K

INDEPENDENT VALUATION SUMMARY LETTER

9 January 2007

The Board of Directors
CitySpring Infrastructure Management Pte. Ltd.
111 Somerset Road
#07-02 Singapore Power Building
Singapore 238164

Dear Sirs,

1. INTRODUCTION

BNP Paribas Capital (Singapore) Ltd. ("**BNP Paribas**") has been appointed by the Board of Directors ("**Directors**") of CitySpring Infrastructure Trust Management Pte. Ltd. ("**Trustee-Manager**") to undertake an independent valuation of 100% of the City Gas Trust and 70% of the SingSpring Trust, in connection with the offering of units in CitySpring Infrastructure Trust ("**CitySpring**") (the "**Offering**"). Unless otherwise stated, words and expressions defined in the preliminary prospectus lodged with the Monetary Authority of Singapore on 9 January 2007 in connection with the Offering ("**Prospectus**") have the same meaning in this letter.

Pursuant to the Restructuring Exercise, the City Gas Trust and the SingSpring Trust will acquire and hold the assets and business undertakings of City Gas and SingSpring, respectively, upon the listing of CitySpring on the Main Board of The Singapore Exchange Securities Trading Limited. Our valuation was undertaken on the basis that the Restructuring Exercise has been completed.

This letter has been prepared for inclusion in the Preliminary Prospectus, and is a summary of the information contained in our full valuation report dated 9 January 2007 (the "**Report**"). Accordingly, this letter should be read in conjunction with the full text of the Report.

2. TERMS OF REFERENCE

BNP Paribas has been appointed by the Directors of the Trustee-Manager to undertake a valuation of 100% of the City Gas Trust and 70% of the SingSpring Trust.

We are not expressing an opinion on the commercial merits and structure of the Offering or the Restructuring Exercise undertaken in relation to the Offering, nor are we providing any opinion, expressed or implied, as to the future trading price of units in or the financial condition of CitySpring upon its listing. This letter and the Report are not intended to form the basis of any investment decision in CitySpring, the City Gas Trust or the SingSpring Trust and do not purport to contain all the information that may be necessary or desirable to fully evaluate the Offering or an investment in CitySpring, the City Gas Trust or the SingSpring Trust. We have not conducted a comprehensive review of the business, operational or financial condition of CitySpring, the City Gas Trust or the SingSpring Trust and accordingly, make no representation or warranty, expressed or implied, in this regard.

Our terms of reference do not require us to provide specific advice on legal, regulatory, accounting, property or taxation matters and where specialist advice has been obtained by the Trustee-Manager, we have considered and where appropriate relied upon such advice.

This letter and the Report are addressed strictly to the Board of Directors of the Trustee-Manager and for the intended purpose as set out above and accordingly the Report as well as the Letter may not be used or relied upon in any other connection by, and are not intended to confer any benefit on, any other person (including without limitation the respective unitholders of CitySpring, the City Gas Trust and the SingSpring Trust).

In the course of our evaluation and for the purpose of preparing our opinion, we have held discussions with certain Directors and management of the Trustee-Manager, the City Gas Trust and the SingSpring Trust and their professional advisers and we have examined information provided by them (including information contained in the Prospectus) and reviewed other publicly available information, upon which our view is based.

BNP Paribas has relied upon assurances of the Directors of the Trustee-Manager that the Preliminary Prospectus has been approved by the Board of Directors who have made all reasonable enquiries that, to their best knowledge and belief, the facts stated and the opinions expressed in the Preliminary Prospectus are fair and accurate in all material respects as at the respective dates to which such statements and opinions relate and that there are no material facts the omission of which would make any statement in the Preliminary Prospectus misleading in any material respect on such dates.

In addition, the Board of Directors have also confirmed to us, upon making all reasonable enquiries and to the best of their respective knowledge and belief, that all material information available to them with respect to the City Gas Trust and the SingSpring Trust that is relevant for the purpose of our evaluation, has been disclosed to us and that such information is fair and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate or misleading in any material respect.

We have not independently verified all such information provided or otherwise made available to us or relied upon by us as described above, whether written or verbal, and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

BNP Paribas' compensation is not contingent upon the reporting of a pre-determined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions and on the information made available to us as of the date of the Report. Such conditions may change significantly over a relative short period of time and we assume no responsibility to update, revise or reaffirm our opinion set out in this letter to reflect events or developments subsequent to the date of the Report.

3. VALUATION METHODOLOGY

We have arrived at the valuation of both 100% of the City Gas Trust and 70% of the SingSpring Trust on a standalone basis (i.e. excluding any potential synergies that CitySpring could derive), by discounting the projected cashflow streams to CitySpring, comprising cash distributions from the respective Sub-Trust and the principal and interest payments from the Notes issued by the respective Sub-Trust. Our valuation range for each of 100% of the City Gas Trust and 70% of the SingSpring Trust represents the discounted value of all such projected cashflow streams in respect of the respective Sub-Trust. This does not include the external net debt of the respective Sub-Trusts and is hence not the enterprise valuation of both 100% of the City Gas Trust and 70% of the SingSpring Trust.

Our valuation is based on various assumptions with respect to the City Gas Trust and the SingSpring Trust, including their respective present and future financial condition, dividend and debt repayment policies, business strategies and the environment in which they will operate in the future. These assumptions are based on the information we have been provided with and our discussions with the management of CitySpring, the City Gas Trust and the SingSpring Trust, and reflect current expectations and views regarding future events and therefore, necessarily involve known and unknown risks and uncertainties.

We have also set out in the Report the key assumptions used in our valuation as well as risk factors that, in our opinion, may have a material impact on the valuation of the City Gas Trust and the SingSpring Trust. It should be noted that it is not an exhaustive list of all risk factors of both the Sub-Trusts.

4. CONCLUSION

In summary and as detailed in the Report, which should be read in conjunction with this letter to the Directors, BNP Paribas has arrived at:

- a valuation range of S$312 million to S$355 million for 100% of the City Gas Trust (representing the value accruing to CitySpring as the holder of 100% of the units in the City Gas Trust and the City Gas Notes); and
- a valuation range of S$62 million to S$78 million for 70% of the SingSpring Trust (representing the value accruing to CitySpring as holder of 70% of the units of the SingSpring Trust and the SingSpring Notes).

Yours faithfully,

For and on behalf of
BNP Paribas Capital (Singapore) Ltd.

Theresa Foo
Chairman

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APPENDIX L

LIST OF PRESENT AND PAST PRINCIPAL DIRECTORSHIPS OF DIRECTORS AND EXECUTIVE OFFICERS OF THE TRUSTEE-MANAGER

Directors of the Trustee-Manager

(1) Mr Sunny George Verghese

Current Directorships	Past Directorships (for a period of five years preceding the Latest Practicable Date)
CitySpring Infrastructure Management Pte. Ltd.	Nil
Lamco Spa	
Olam Americas Inc.	
Olam Europe BV	
Olam Europe Ltd	
Olam Exports (India) Ltd	
Olam Insurance Ltd	
Olam International Ltd	
Olam Ivoire Sarl	
Olam Mocambique Limitada	
Olam Nigeria Ltd	
Olam South Africa (Pty) Ltd	
Olam Vietnam Ltd	
Olam Online Ltd	
International Enterprise Singapore	

(2) Mr Peter Foo

Current Directorships	Past Directorships (for a period of five years preceding the Latest Practicable Date)
CitySpring Infrastructure Management Pte. Ltd.	Nil
Fortis Clearing Singapore Pte. Ltd.	
Fortis GSLA (Singapore) Pte. Ltd.	
Fortis Prime Fund Solutions (Singapore) Pte. Ltd.	
Fortis Private Banking Singapore Limited	

(3) Mr Yeo Wico

Current Directorships	Past Directorships (for a period of five years preceding the Latest Practicable Date)
CitySpring Infrastructure Management Pte. Ltd.	Sketches (Singapore) Pte Ltd
	Dailymeals Pte. Ltd.
	Oriental Century Limited
	Comat Manufacturing (Holdings) Pte. Ltd.
	China Haida Ltd. (formerly known as Comat Industrial Ltd.)

(4) Mr Yeo Kah Chong Mark Andrew

Current Directorships

CitySpring Infrastructure Management Pte. Ltd.
IMC Holdings Limited
IMC Pan Asia Alliance Pte. Ltd.
IMC Marine Holdings (Hong Kong) Limited
Fortune Harvest Pte. Ltd.
IMC Shipping Services Co. Pte. Ltd. (formerly known as MSI (Singapore) Pte. Ltd.)
IMC Yongyue Shipyard & Engrg
Pan Asia Alliance Capital Pte. Ltd.
Pan Asia Alliance Capital Fund Management Limited
Maritime Services Inc
IMC Investment Ltd
IMC Investment Pte Ltd (appointed after 26 December 2006 but before the date of registration of this Prospectus)
Orchid Shipping Co Inc

Past Directorships (for a period of five years preceding the Latest Practicable Date)

Singex Exhibitions Pte. Ltd.
Singapore Exhibition Ventures Pte. Ltd.
Singex Venues Pte. Ltd.
Singapore Cruise Centre Pte. Ltd.

(5) Ms Margaret Lui-Chan Ann Soo

Current Directorships

CitySpring Infrastructure Management Pte. Ltd.
Bartley Investments Pte Ltd
Napier Investments Pte Ltd
Nassim Investments Pte Ltd
Singapore Food Industries Limited
Brookstone, Inc.
Brookstone Company, Inc.
Arcadia Global Corporation Limited
PLE Investments Pte Ltd
Dover Investments Pte Ltd
Singapore Cruise Centre Pte Ltd

Past Directorships (for a period of five years preceding the Latest Practicable Date)

Aetos Security Management Pte Ltd
Alexandra Distripark Pte Ltd
Alexandra Terrace Pte Ltd
Bougainvillea Realty Pte Ltd
Cantonment Realty Pte Ltd
Changi International Airport Services Pte Ltd
CIAS International Pte Ltd
Heliconia Realty Pte Ltd
International Development and Consultancy Corporation (Pte) Ltd
MC Private Equity Management Pte Ltd
MC Private Equity Partners Asia Ltd
PSA Corporation Pte Ltd
PSA International Pte Ltd
PSA Marine (Pte) Ltd
SingSpring Pte Ltd
SMRT Buses Ltd (formerly known as Trans-Island Bus Services Ltd.)
SMRT Corporation Ltd
SMRT Road Holdings Ltd (formerly known as TIBS Holding Ltd.)
SMRT Trains Ltd

Current Directorships	Past Directorships (for a period of five years preceding the Latest Practicable Date)
	Tiger Airways Pte Ltd Tuas Power Ltd Vista Real Estate Investments Pte Ltd Anderson Investments Pte Ltd Alexandra Fund Management Pte Ltd Canberra Investments Pte Ltd Dahlia Investments Pte Ltd Fullerton Fund Investments Pte Ltd Hazeltree Holdings Private Limited Lentor Investments Pte Ltd Tembusu Capital Pte Ltd Temasek Capital (Private) Limited Thomson Capital Pte Ltd Singex Exhibitions Pte. Ltd. (resigned after 26 December 2006 but before the date of registration of this Prospectus) Singex Exhibition Ventures Pte. Ltd. (resigned after 26 December 2006 but before the date of registration of this Prospectus) Singex Venues Pte. Ltd. (resigned after 26 December 2006 but before the date of registration of this Prospectus) Mount Faber Leisure Group Pte. Ltd. (formerly known as Singapore Cable Car Pte Ltd) Singapore Aircraft Leasing Enterprise Pte Ltd Singapore Pools (Private) Limited CPG Corporation Pte Ltd Mapletree Investments Pte Ltd The Harbourfront Pte Ltd

(6) Mr Fai Au Yeung

Current Directorships	Past Directorships (for a period of five years preceding the Latest Practicable Date)
CitySpring Infrastructure Management Pte. Ltd. City Gas Pte Ltd SingSpring Pte. Ltd.	Bonjoint LLC Conjoint Inc. ENSO Resources Ltd Fonjoint LLC Health Guard BioNutraceutica Is Ltd Honglad Ltd Monjoint LLC Sante Naturelle Adrien Gagnon Sealbond Canada Inc. VIH Holdco I Corp VIH Holdco II Corp Vitaquest International LLC

Executive Officers of the Trustee-Manager

(1) Mr Fai Au Yeung

Current Directorships	**Past Directorships (for a period of five years preceding the Latest Practicable Date)**
See above	See above

(2) Mr Tong Yew Heng

Current Directorships	**Past Directorships (for a period of five years preceding the Latest Practicable Date)**
City Gas Pte Ltd SingSpring Pte. Ltd.	SP Services Ltd Enertek Singapore Pte Ltd Everitt Investments Pte Ltd Ellington Investments Pte Ltd Ellington International Pte Ltd Trusted Hub Ltd

(3) Ms Susanna Cher Mui Sim

Current Directorships	**Past Directorships (for a period of five years preceding the Latest Practicable Date)**
Nil	Precious Care Pte Ltd Thomson Pre-Natal Diagnostic Laboratory Pte Ltd Thomson Women's Clinic Holdings Pte Ltd Thomson Women's Clinic (Sun Plaza) Pte Ltd Thomson Women's Clinic (Choa Chu Kang) Pte Ltd Thomson Women's Clinic (Tiong Bahru) Pte Ltd Thomson Women's Clinic (Serangoon Garden) Pte Ltd Thomson Women's Clinic (Sengkang) Pte Ltd Thomson Women's Clinic (Bukit Batok) Pte Ltd Thomson Women's Clinic (Katong) Pte Ltd Thomson Aesthetics Centre Pte Ltd

APPENDIX M

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION FOR AND ACCEPTANCE OF THE UNITS IN SINGAPORE

Applications are invited for the subscription of the Units at the maximum subscription price (the "**Maximum Offering Price**") or, as the case may be, the Offering Price on the terms and conditions set out below and in the relevant Application Forms or, as the case may be, the Electronic Applications (as defined below).

Investors applying for the Units in the Public Offer by way of Application Forms or Electronic Applications are required to pay the Maximum Offering Price of S$0.89 per Unit, subject to a refund of the full amount or, as the case may be, the balance of the applications monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason, or (iii) if the Offering Price is less than the Maximum Offering Price for each Offer Unit.

Investors applying in the Placement Tranche for the Units are required to pay, in Singapore dollars for each Unit applied for, the Offering Price specified by the investors in the Placement Units Application Form (being a price within the Offering Price Range) (the "**Specified Price**") in the case of an application by way of a Placement Units Application Form and the Maximum Offering Price of S$0.89 per Unit in the case of an application by way of an Internet Placement Application (as defined below), subject in each case to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason, or (iii) in the case of an application by way of an Internet Placement Application, if the Offering Price is less than the Maximum Offering Price for each Offer Unit.

(1) **Your application must be made in lots of 1,000 Units or integral multiples thereof. Your application for any other number of Units will be rejected.**

(2) You may apply for the Units only during the period commencing at 8.00 a.m. on 31 January 2007 and expiring at 12.00 p.m. on 5 February 2007. The Offering period may be extended or shortened to such date and/or time as the Trustee-Manager may agree with the Underwriters, subject to all applicable laws and regulations and the rules of the SGX-ST.

(3) (a) Your application for the Units offered in the Public Offer (the "**Offer Units**") may be made by way of the printed **WHITE** Offer Units Application Forms or by way of Automated Teller Machines ("**ATMs**") belonging to the Participating Banks ("**ATM Electronic Applications**") or the Internet Banking ("**IB**") website of the relevant Participating Banks ("**Internet Electronic Applications**").

(b) Your application for the Units offered in the Placement Tranche (the "**Placement Units**") may be made by way of the printed **BLUE** Placement Units Application Forms (or in such other manner as the Underwriters may in their absolute discretion deem appropriate) or by way of the Internet website of DBS Vickers Securities Online (Singapore) Pte. Ltd. ("**DBS Vickers Online**") at "www.dbsvonline.com" ("**Internet Placement Applications**", which, together with ATM Electronic Applications and Internet Electronic Applications, shall be referred to as "**Electronic Applications**"), if you have a trading account with DBS Vickers Online.

YOU MAY NOT USE YOUR CPF FUNDS TO APPLY FOR THE UNITS

(4) **Only one application may be made for the benefit of one person for the Offer Units in his own name. Multiple applications for the Offer Units will be rejected, except in the case of applications by approved nominee companies where each application is made on behalf of a different beneficiary.**

You may not submit multiple applications for the Offer Units via the Offer Units Application Form, ATM Electronic Applications or Internet Electronic Applications. A person who is submitting an

application for the Offer Units by way of the Offer Units Application Form may not submit another application for the Offer Units by way of an ATM Electronic Application or Internet Electronic Application and vice versa.

A person, other than an approved nominee company, who is submitting an application for the Offer Units in his own name should not submit any other applications for the Offer Units, whether on a printed Application Form or through an ATM Electronic Application or Internet Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.

Joint or multiple applications for the Offer Units shall be rejected. Persons submitting or procuring submissions of multiple applications for the Offer Units may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, and such applications may be referred to the relevant authorities for investigation.

(5) **Multiple applications may be made in the case of applications by any person for (i) the Placement Units only (whether via Placement Units Application Forms or through the website of DBS Vickers Online), or (ii) the Placement Units together with a single application for the Offer Units.**

(6) Applications from any person under the age of 21 years, undischarged bankrupts, sole proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP will be rejected.

(7) Applications from any person whose addresses (furnished in their printed Application Forms or, in the case of ATM Electronic Applications and Internet Electronic Applications, contained in the records of the relevant Participating Bank, as the case may be) bear post office box numbers will be rejected. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased name at the time of the application.

(8) The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her or their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 9 below.

(9) **Nominee applications may only be made by approved nominee companies.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.

(10) **If you are not an approved nominee company, you must maintain a Securities Account with CDP in your own name at the time of your application.** If you do not have an existing Securities Account with the CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your application (if you apply by way of an Electronic Application).

(11) Subject to paragraph 12 and 15 below, your application is liable to be rejected if your particulars such as name, National Registration Identity Card ("**NRIC**") or passport number, nationality and permanent residence status, and CDP Securities Account number provided in your Application Form, or in the records of the relevant Participating Bank or DBS Vickers Online at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with the CDP, your application shall be rejected.

(12) **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank or DBS Vickers Online, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allocation from CDP will be sent to your address last registered with CDP.**

(13) This Prospectus and its accompanying Application Forms have not been registered in any jurisdiction other than in Singapore. The distribution of this Prospectus and its Application Forms may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Without limiting the generality of the foregoing, neither this Prospectus (including its Application Forms) nor any copy thereof may be published or distributed, directly or indirectly, in or into the United States and they do not constitute an offer of securities for sale into the United States or any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer. The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Units are being offered and sold outside the United States to non-U.S. persons (including institutional and other investors in Singapore) in reliance on Regulation S. There will be no public offer of Units in the United States. Any failure to comply with this restriction may constitute a violation of securities laws in the United States and in other jurisdictions.

The Trustee-Manager reserves the right to reject any applications for Units where the Trustee-Manager believes or has reason to believe that such applications may violate the securities laws or any applicable legal or regulatory requirements of any jurisdiction.

No person in any jurisdiction outside Singapore receiving this Prospectus or its accompanying Application Forms may treat the same as an offer or invitation to subscribe for any Units unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

(14) The Trustee-Manager reserves the right to reject any application which does not conform strictly to the instructions set out in this Prospectus (including the instructions set out in the Application Forms, in the ATM and IB websites of the relevant Participating Banks and in the website of DBS Vickers Online) or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance.

(15) The Trustee-Manager further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in this Prospectus (including the instructions set out in the Application Forms and in the ATMs and IB websites of the relevant Participating Banks and in the website of DBS Vickers Online), and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

Without prejudice to the rights of the Trustee-Manager, the Underwriters, as agents of the Trustee-Manager, have been authorised to accept, for and on behalf of the Trustee-Manager, such other forms of application as the Underwriters may, in consultation with the Trustee-Manager, deem appropriate.

(16) The Trustee-Manager reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot, any application, without assigning any reason therefor, and none of the Trustee-Manager and the Underwriters will entertain any enquiry and/or correspondence on the decision of the Trustee-Manager. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by such other forms of application as the Underwriters may, in consultation with the Trustee-Manager, deem appropriate. In deciding the basis of allocation, the Trustee-Manager will give due consideration to the desirability of allocating the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

(17) In the event that the Trustee-Manager lodges a supplementary or replacement prospectus ("**Relevant Document**") pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Offering, and the Units have not been issued, the Trustee-Manager will (as required by law) at the Trustee-Manager's sole and absolute discretion either:

(a) within two days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document; or

(b) within seven days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdrawn your application; or

(c) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraphs 17(a) and (b) above to withdraw his application shall, within 14 days from the date of lodgement of the Relevant Document, notify us whereupon the Trustee-Manager shall, within seven days from the receipt of such notification, return all monies in respect of such application (without interest or any share of revenue or other benefit arising therefrom).

In the event that the Units have already been issued at the time of the lodgement of the Relevant Document but trading has not commenced, the Trustee-Manager will (as required by law) either:

(i) within two days (excluding Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to return to us the Units which you do not wish to retain title in and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document; or

(ii) within seven days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the Units which you do not wish to retain title in; or

(iii) deem the issue as void and refund your payment for the Units (without interest or any share of revenue or other benefit arising therefrom) within seven days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraphs 17(c)(i) and (ii) above to return the Units issued to him shall, within 14 days from the date of lodgement of the Relevant Document, notify us of this and return all documents, if any, purporting to be evidence of title of those Units, whereupon the Trustee-Manager shall, within seven days from the receipt of such notification and documents, pay to him all monies paid by him for the Units without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the Units issued to him shall be deemed to be void.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw, may be found in such supplementary or replacement prospectus.

(18) The Units may be reallocated between the Placement Tranche and the Public Offer for any reason, including in the event of excess applications in one and a deficit of applications in the other.

(19) It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Offering, and subject to the submission of valid applications and payment for the Units and the Offering Price being agreed upon between the Underwriters and the Trustee-Manager, a statement of account stating that your Securities Account has been credited with the number of Units allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by the Trustee-Manager. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee

any instrument of transfer and/or other documents required for the issue or transfer of the Units allocated to you. This authorisation applies to applications made both by way of Application Forms and by way of Electronic Applications.

(20) You irrevocably authorise CDP to disclose the outcome of your application, including the number of Units allocated to you pursuant to your application, to the Trustee-Manager, the Underwriters, DBS Vickers Online and any other parties so authorised by the Trustee-Manager and/or the Underwriters.

(21) Any reference to "you" or the "Applicant" in this section shall include a person, a corporation, an approved nominee company and trustee applying for the Units by way of an Application Form or by way of Electronic Application.

(22) By completing and delivering an Application Form and, in the case of an ATM Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM or, in the case of an Internet Electronic Application or Internet Placement Application, by clicking "Submit" or "Continue" or "Yes" or "Confirm" or any other button on the IB website screen or the DBS Vickers Online website screen in accordance with the provisions herein, you:

(a) irrevocably agree and undertake to purchase the number of Units specified in your application (or such smaller number for which the application is accepted) at the Maximum Offering Price for each Unit and agree that you will accept such number of Units as may be allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and its accompanying Application Forms and the Trust Deed;

(b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and its accompanying Application Forms and those set out in the website of DBS Vickers Online, or the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus and its accompanying Application Forms shall prevail;

(c) in the case of an application by way of an Offer Units Application Form, an ATM Electronic Application, Internet Electronic Application or Internet Placement Application, agree that the Maximum Offering Price for the Units applied for is due and payable to the Trustee-Manager upon application;

(d) in the case of an application by way of a Placement Units Application Form or such other forms of application as the Underwriters may, in consultation with the Trustee-Manager, deem appropriate, using cash, agree that the Offering Price for the Units is due and payable to the Trustee-Manager upon the Price Determination Date;

(e) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by the Trustee-Manager in determining whether to accept your application and/or whether to allocate any Units to you; and

(f) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of the Trustee-Manager nor any of the Underwriters will infringe any such laws as a result of the acceptance of your application.

(23) Acceptance of applications will be conditional upon, *inter alia*, the Trustee-Manager being satisfied that:

(a) permission has been granted by the SGX-ST to deal in and for the quotation of all the Units on the Main Board of the SGX-ST;

(b) the Underwriting Agreement, referred to on page 215 of this Prospectus, has become unconditional and has not been terminated in accordance with the terms of the Underwriting Agreement; and

(c) the Authority has not served a stop order which directs that no or no further Units to which this Prospectus relates be allotted or issued ("**Stop Order**").

(24) In the event that a Stop Order in respect of the Units is served by the Authority or other competent authority, and:

(a) the Units have not been issued (as required by law), all applications shall be deemed to be withdrawn and cancelled and the Trustee-Manager shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the Stop Order; or

(b) if the Units have already been issued but trading has not commenced, the issue will (as required by law) be deemed void and the Trustee-Manager shall refund your payment for the Units (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days from the date of the Stop Order.

This shall not apply where only an interim Stop Order has been served.

(25) In the event that an interim Stop Order in respect of the Units is served by the Authority or other competent authority, no Units shall be issued to you until the Authority revokes the interim Stop Order.

(26) Additional terms and conditions for applications by way of Application Forms are set out in the section entitled "Additional Terms and Conditions for Applications using Printed Application Forms" on pages M-6 to M-8 of this Prospectus.

(27) Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled "Additional Terms and Conditions for Electronic Applications" on pages M-10 to M-15 of this Prospectus.

(28) No application will be held in reserve.

(29) The Prospectus is dated 30 January 2007. No Units will be allocated on the basis of this Prospectus later than six months after the date of the Prospectus.

Additional Terms and Conditions for Applications using Printed Application Forms

Applications by way of an Application Form shall be made on, and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below, as well as those set out under the section on "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore" of this Prospectus and the Trust Deed.

(1) Applications for the Offer Units must be made using the printed **WHITE** Offer Units Application Forms and printed **WHITE** official envelopes "A" and "B", accompanying and forming part of this Prospectus.

Applications for the Placement Units must be made using the printed **BLUE** Placement Units Application Forms, accompanying and forming part of this Prospectus.

Without prejudice to the rights of the Trustee-Manager, the Underwriters, as agents of the Trustee-Manager, has been authorised to accept, for and on behalf of the Trustee-Manager, such other forms of application, as the Underwriters may (in consultation with the Trustee-Manager) deem appropriate.

Your attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms, which must be carefully followed. **The Trustee-Manager reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus which are illegible, incomplete, incorrectly completed or which are accompanied (or, in the case of applications for the Placement Units, followed) by improperly drawn remittances or improper form of remittances.**

(2) You must complete your Application Forms in English. Please type or write clearly in ink using BLOCK LETTERS.

(3) You must complete all spaces in your Application Forms except those under the heading "FOR OFFICIAL USE ONLY" and you must write the words "NOT APPLICABLE" or "N.A." in any space that is not applicable.

(4) Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears on your NRIC (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with CitySpring's Registrar. The Trustee-Manager reserves the right to require you to produce documentary proof of identification for verification purposes.

(5) (a) You must complete Sections A and B and sign page 1 of the Application Form.

(b) You are required to delete either paragraphs 6(c) or 6(d) on page 1 of the Application Form. Where paragraph 6(c) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).

(c) If you fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

(6) You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Units is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

You may apply for the Units using only cash. Each application must be accompanied by a cash remittance in Singapore currency for the full amount payable at the equivalent in Singapore dollars of the Maximum Offering Price of S$0.89, in respect of the number of Units applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "CITYSPRING UNIT ISSUE ACCOUNT" crossed "A/C PAYEE ONLY" with your name, CDP Securities Account number and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. No combined Banker's Draft or Cashier's Order for different CDP Securities Accounts shall be accepted. Remittances bearing "Not Transferable" or "Non-Transferable" crossings will be rejected.

No acknowledgement of receipt will be issued for applications and application monies received.

(7) Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours (or such shorter period as the SGX-ST may require) after the close of the Offering at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies (including the excess monies arising from the difference between the Offering Price and the Maximum Offering Price should the Offering Price be lower than the Maximum Offering Price), as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Offering, PROVIDED THAT

the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account. If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

(8) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in the Prospectus.

(9) By completing and delivering the Application Forms, you agree that:

(a) in consideration of the Trustee-Manager having distributed the Application Form to you and by completing and delivering the Application Form before the close of the Offering:

(i) your application is irrevocable;

(ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom; and

(iii) you represent and agree that you are not a U.S. person (as defined in Regulation S);

(b) all applications, acceptances or contracts resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(c) in respect of the Units for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of the Trustee-Manager and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Trustee-Manager;

(d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

(e) reliance is placed solely on information contained in this Prospectus and that none of the Trustee-Manager, the Underwriters, the Sponsor or any other person involved in the Offering shall have any liability for any information not contained therein;

(f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, Securities Account number, and Unit application amount to our Registrar, CDP, Securities Clearing Computer Services (Pte) Ltd ("**SCCS**"), SGX-ST, the Trustee-Manager, and the Underwriters (the "**Relevant Parties**"); and

(g) you irrevocably agree and undertake to purchase the number of Units applied for as stated in the Application Form or any smaller number of such Units that may be allocated to you in respect of your application. In the event that the Trustee-Manager decides to allocate any smaller number of such Units or not to allocate any Units to you, you agree to accept such decision as final.

Procedures Relating to Applications for the Offer Units by Way of Printed Application Forms

(1) Your application for the Offer Units by way of printed Application Forms must be made using the **WHITE** Offer Units Application Forms and **WHITE** official envelopes "**A**" and "**B**".

(2) You must:

(a) enclose the **WHITE** Offer Units Application Form, duly completed and signed, together with correct remittance for the full amount payable at the Maximum Offering Price in Singapore currency in accordance with the terms and conditions of the Prospectus and its accompanying documents, in the **WHITE** official envelope "**A**" provided;

(b) in appropriate spaces on the WHITE official envelope "**A**":

  (i) write your name and address;

  (ii) state the number of Offer Units applied for; and

  (iii) tick the box to indicate form of payment;

(c) **SEAL THE WHITE OFFICIAL ENVELOPE "A"**;

(d) write, in the special box provided on the larger **WHITE** official envelope "**B**" addressed to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, the number of Offer Units you have applied for;

(e) insert the **WHITE** official envelope "A" into the **WHITE** official envelope "B" and seal the **WHITE OFFICIAL ENVELOPE "B"**; and

(f) affix adequate Singapore postage on the **WHITE** official envelope "B" (if dispatching by ordinary post and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, so as to arrive by 12.00 p.m. on 5 February 2007 or such other date(s) and time(s) as the Trustee-Manager may agree with the Underwriters. Courier services or Registered Post must NOT be used.

(3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

(4) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Procedures Relating to Applications for the Placement Units by Way of Printed Application Forms

(1) Your application for the Placement Units by way of printed Application Forms must be made using the **BLUE** Placement Units Application Forms.

(2) The completed and signed **BLUE** Placement Units Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable at the Maximum Offering Price or the Offering Price, as the case may be, for each Unit in respect of the number of Placement Units applied for, with your name, Securities Account number and address clearly written on the reverse side, must be enclosed and sealed in an envelope to be provided by you. Your application for Placement Units must be delivered to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, to arrive by 12.00 p.m. on 5 February 2007 or such other date(s) and time(s) as the Trustee-Manager may agree with the Underwriters. Courier services or Registered Post must not be used.

(3) In respect of an application for Placement Units, you may alternatively remit your application monies by electronic transfer to the account of **DBS Bank, Shenton Way Branch, Current Account number 003-710193-1** in favour of "**CITYSPRING UNIT ISSUE ACCOUNT**" by 12.00 p.m. on 5 February 2007 or such other date(s) and time(s) as the Trustee-Manager may agree with the Underwriters. Applicants who remit their application monies via electronic transfer should send a copy of the telegraphic transfer advice slip to **DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809**, for the attention of Equity Capital Markets, to arrive by 12.00 p.m. on 5 February 2007 or such other date(s) and time(s) as the Trustee-Manager may agree with the Underwriters.

(4) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

(5) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Additional Terms and Conditions for Electronic Applications

Electronic Applications shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below and those under the section "Terms, Conditions and Procedures for Application for and Acceptance for the Units in Singapore" on pages M-1 to M-18 of this Prospectus as well as the Trust Deed.

(1) The procedures for Electronic Applications are set out on the ATM screens of the relevant Participating Banks (in the case of ATM Electronic Applications), the IB website screens of the relevant Participating Banks (in the case of Internet Electronic Applications) and the website screens of DBS Vickers Online (in the case of Internet Placement Applications). Currently, DBS Bank and the UOB Group are the only Participating Banks through which Internet Electronic Applications may be made.

(2) For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS Bank, and the procedures for Internet Placement Applications through the website of DBS Vickers Online (together the "**Steps**") are set out in pages M-15 to M-18 of this Prospectus. The Steps set out the actions that you must take at ATMs or the IB website of DBS Bank or the website of DBS Vickers Online to complete an Electronic Application. The actions that you must take at the ATMs or the IB websites of the other Participating Banks are set out on the ATM screens or the IB website screens of the respective Participating Banks.

Please read carefully the terms and conditions of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

(3) Any reference to "you" or the "Applicant" in these Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for the Units through an ATM of one of the relevant Participating Banks or the IB website of a relevant Participating Bank or an application for Internet Placement Units through the website of DBS Vickers Online.

(4) If you are making an ATM Electronic Application:

(a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Units at an ATM belonging to other Participating Banks.

(b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

(c) Upon the completion of your ATM Electronic Application, you will receive an ATM transaction slip ("**Transaction Record**"), confirming the details of your ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.

(5) If you are making an Internet Electronic Application.

(a) You must have an existing bank account with, and a User Identification ("**User ID**") as well as a Personal Identification Number ("**PIN**") given by, the relevant Participating Bank.

(b) You must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that the application is being made in Singapore. Otherwise, your application is liable to be rejected.

(c) Upon the completion of your Internet Electronic Application through the IB website of the relevant Participating Bank, there will be an on-screen confirmation ("**Transaction Completed Screen**") of the application which can be printed out by you for your record. This printed record of the Transaction Completed Screen is for your retention and should not be submitted with any printed Application Form.

(6) If you are making an Internet Placement Application:

(a) You must have an existing trading account with, and a User ID as well as a password given by DBS Vickers Online.

(b) You must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that the application is being made in Singapore. Otherwise, your application is liable to be rejected.

(c) Upon the completion of your Internet Placement Application, there will be a Confirmation Screen which can be printed out by you for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.

(7) In connection with your Electronic Application, you are required to confirm statements to the following effect in the course of activating the Electronic Application:

(a) that you have received a copy of this Prospectus (in the case of ATM Electronic Applications) and have read, understood and agreed to all the terms and conditions of application for the Units and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;

(b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and Unit application amount (the "**Relevant Particulars**") from your account with the relevant Participating Bank or DBS Vickers Online, as the case may be, to the Relevant Parties; and

(c) where you are applying for the Offer Units, that this is your only application for the Offer Units and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key in the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the website screen. By doing so, you shall be treated as signifying your confirmation of each of the three statements above. In respect of statement 7(b) above, your confirmation, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key in the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including Section 47(2) of the Banking Act, Chapter 19 of Singapore, to the disclosure by that Participating Bank or DBS Vickers Online, as the case may be, of the Relevant Particulars of your account(s) with that Participating Bank or DBS Vickers online to the Relevant Parties.

(8) You must have sufficient funds in your bank account with your Participating Bank at the time you make your ATM Electronic Application or Internet Electronic Application, failing which such Electronic Application will not be completed. Any ATM Electronic Application or Internet Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATMs or on the IB website of the relevant Participating Bank, as the case may be, through which your ATM Electronic Application or Internet Electronic Application is being made shall be rejected.

(9) You may apply and make payment for your application for the Offer Units in Singapore currency through any ATM or IB website (as the case may be) of your Participating Bank by authorising your Participating Bank to deduct the full amount payable from your bank account(s) with such Participating Bank.

(10) If you make an Internet Placement Application through the website of DBS Vickers Online, you must have sufficient funds in your nominated Automatic Payment account with an Automatic Payment Facility (direct

debit/credit authorisation or "GIRO") with DBS Vickers Online. Your application will be rejected if there are insufficient funds in your account with DBS Vickers Online to deduct the full amount payable for your application.

(11) You irrevocably agree and undertake to subscribe for and to accept the number of Offer Units or Placement Units (as the case may be) applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of such Offer Units or Placement Units (as the case may be) that may be allocated to you in respect of your Electronic Application. In the event that the Trustee-Manager decides to allocate any lesser number of such Offer Units or Placement Units (as the case may be) or not to allocate any Offer Units or Placement Units (as the case may be) to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key in the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the Internet screen) of the number of Offer Units or Placement Units (as the case may be) applied for shall signify and shall be treated as your acceptance of the number of Offer Units or Placement Units (as the case may be) that may be allocated to you and your agreement to be bound by the Trust Deed.

(12) The Trustee-Manager will not keep any application in reserve. Where your Electronic Application is unsuccessful, the full amount of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank, or if you have applied for the Internet Placement Units through DBS Vickers Online, by ordinary post or such other means as DBS Vickers Online may agree with you, at your own risk, within 24 hours (or such shorter period as the SGX-ST may require) after the close of the Offering provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

Where your Electronic Application is accepted in full or in part only, the balance of the application monies (including the excess monies arising from the difference between the Offering Price and the Maximum Offering Price should the Offering Price be lower than the Maximum Offering Price, as the case may be, will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank, or if you have applied for the Internet Placement Units through DBS Vickers Online, by ordinary post or such other means as DBS Vickers Online may agree with you, at your risk, within 14 Market Days after the close of the Offering provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

Responsibility for timely refund of application monies (whether from unsuccessful or partially successful Electronic Applications or otherwise) lies solely with the respective Participating Banks and with DBS Vickers Online (as the case may be). Therefore, you are strongly advised to consult your Participating Bank or DBS Vickers Online as to the status of your Electronic Application and/or the refund of any money to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Units or Placement Units (as the case may be), if any, allocated to you before trading the Units on the SGX-ST. None of the SGX-ST, CDP, SCCS, the Participating Banks, DBS Vickers Online, the Trustee-Manager, and the Underwriters assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

(13) If your ATM Electronic Application or Internet Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Bank.

If your Internet Placement Application is unsuccessful, no notification will be sent by DBS Vickers Online.

It is expected that successful applicants who applied for Internet Placement Units will be notified of the results of their applications through the website of DBS Vickers Online no later than the evening of the day immediately prior to the commencement of trading of the Units on the SGX-ST.

Applicants who make ATM Electronic Applications through the following banks may check the provisional results of their ATM Electronic Applications as follows:

Bank	**Telephone**	**Other Channels**	**Operating Hours**	**Service expected from**
DBS Bank	1800-339 6666 (for POSB account holders) 1800-111 1111 (for DBS accountholders)	Internet Banking www.dbs.com[(1)]	24 hours a day	Evening of the balloting day
OCBC	1800-363 3333	ATM/Internet Banking/ Phone Banking[(2)]	24 hours a day	Evening of the balloting day
UOB Group	1800-222 2121	ATM (Other Transactions — "IPO Enquiry") www.uobgroup.com[(1), (3)]	24 hours a day	Evening of the balloting day

Notes:

(1) Applicants who have made Internet Electronic Applications through the IB websites of DBS Bank or UOB Group may also check the results of their applications through the same channels listed in the table above in relation to ATM Electronic Applications made at the ATMs of DBS Bank or UOB Group.

(2) Applicants who have made Electronic Application through the ATMs of OCBC Bank may check the results of their applications through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking services.

(3) Applicants who have made Electronic Application through the ATMs or the IB web-site of the UOB Group may check the results of their applications through UOB Personal Internet Banking, UOB ATMs or UOB Phone Banking services

(14) ATM Electronic Applications shall close at 12.00 p.m. on 5 February 2007 or such other date(s) and time(s) as the Trustee-Manager may agree with the Underwriters. All Internet Electronic Applications and Internet Placement Applications must be received by 12.00 p.m. on 5 February 2007, or such other date(s) and time(s) as the Trustee-Manager may agree with the Underwriters. Internet Electronic Applications and Internet Placement Applications are deemed to be received when they enter the designated information system of the relevant Participating Bank or DBS Vickers Online, as the case may be.

(15) You are deemed to have irrevocably requested and authorised the Trustee-Manager to:

(a) register the Offer Units or Placement Units, as the case may be, allocated to you in the name of CDP for deposit into your Securities Account;

(b) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected or if the Offering does not proceed for any reason, by automatically crediting your bank account with your Participating Bank or if you have applied for the Internet Placement Units through DBS Vickers Online, by ordinary post or such other means as DBS Vickers Online may agree with you, at your risk, with the relevant amount within 24 hours after balloting (or such shorter period as the SGX-ST may require), or within three Market Days if the Offering does not proceed for any reason, after the close or discontinuation (as the case may be) of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account; and

(c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies (including the excess monies arising from the difference between the Offering Price and the Maximum Offering Price should the Offering Price be lower than the Maximum Offering Price), should your Electronic Application be accepted or accepted in part only, by automatically crediting your bank account with your Participating Bank or if you have applied for Internet Placement Units through DBS Vickers Online, by ordinary post or such other means as DBS

Vickers Online may agree with you, at your risk, with the relevant amount within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account.

(16) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Banks, DBS Vickers Online, the Trustee-Manager, and the Underwriters, and if, in any such event the Trustee-Manager, the Underwriters, DBS Vickers Online and/or the relevant Participating Bank do not receive your Electronic Application, or any data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against the Trustee-Manager, the Underwriters and/or the relevant Participating Bank or DBS Vickers Online for any Offer Units or Placement Units, as the case may be, applied for or for any compensation, loss or damage.

(17) The existence of a trust will not be recognised. Any Electronic Application by a trustee must be made in his own name and without qualification. The Trustee-Manager shall reject any application by any person acting as nominee.

(18) All your particulars in the records of your Participating Bank or DBS Vickers Online (as the case may be) at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank or DBS Vickers Online (as the case may be) and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you must promptly notify your Participating Bank or DBS Vickers Online (as the case may be).

(19) You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank or DBS Vickers Online (as the case may be) are correct and identical. Otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.

(20) By making and completing an Electronic Application, you are deemed to have agreed that:

(a) in consideration of the Trustee-Manager making available the Electronic Application facility, through the Participating Banks and DBS Vickers Online acting as agents of the Trustee-Manager at the ATMs and IB websites of the relevant Participating Banks and the website of DBS Vickers Online:

(i) your Electronic Application is irrevocable;

(ii) your Electronic Application, the acceptance by the Trustee-Manager and the contract resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts; and

(iii) you represent and agree that you are not a U.S. person (as defined in Regulations S);

(b) none of CDP, the Trustee-Manager, the Underwriters, the Participating Banks and DBS Vickers Online shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to the Trustee-Manager, or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 16 above or to any cause beyond their respective controls;

(c) in respect of the Units for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of the Trustee-Manager and not otherwise, notwithstanding any payment received by or on behalf of the Trustee-Manager;

(d) you will not be entitled to exercise any remedy for rescission for misrepresentation at any time after acceptance of your application; and

(e) reliance is placed solely on information contained in the Prospectus and that none of the Trustee-Manager, the Underwriters, and any other person involved in the Offering shall have any liability for any information not contained therein.

Steps for ATM Electronic Applications for Offer Units through ATMs of DBS Bank (including POSB ATMs)

Instructions for ATM Electronic Applications will appear on the ATM screens of the respective Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "amt", "appln", "&", "I/C", "No.", "SGX" and "Max" refer to "Account", "amount", "application", "and", "NRIC", "Number", "SGX-ST" and "Maximum", respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB)), may differ slightly from those represented below.

Step 1 : Insert your personal DBS Bank or POSB ATM Card.

2 : Enter your Personal Identification Number.

3 : Select "MORE SERVICES".

4 : Select language (for customers using multi-language card).

5 : Select "ESA-IPO SHARE/INVESTMENT".

6 : Select "ELECTRONIC SECURITY APPLN (IPOS/BOND/ST-NOTES)".

7 : Read and understand the following statements which will appear on the screen:

- THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.

- ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.

8 : Select “CTSPRING” to display details.

9 : Press the “ENTER” key to acknowledge:

- YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT.

- YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITY APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF AND THE ISSUER/VENDOR(S).

- FOR FIXED AND MAX PRICE SECURITY APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

- THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.

- FOR TENDER SECURITY APPLICATIONS, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

- YOU ARE NOT A US PERSON AS REFERRED TO IN THE PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.

10 : Select your nationality.

11 : Select the DBS account (Autosave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application monies.

12 : Enter the number of securities you wish to apply for using cash.

13 : Enter or confirm (if your CDP Securities Account number has already been stored in DBS’s records) your own 12-digit CDP Securities Account number.

14 : Check the details of your securities application, your NRIC or passport number and CDP Securities Account number and number of securities on the screen and press the “ENTER” key to confirm your application.

15 : Remove the Transaction Record for your reference and retention only.

Steps for Internet Electronic Application for Offer Units through the IB Website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website are shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "&", "amt", "I/C" and "No." refer to "Account", "and", "Amount", "NRIC" and "Number", respectively).

Step 1 : Click on DBS Bank website (www.dbs.com)

2 : Login to Internet banking.

3 : Enter your User ID and PIN.

4 : Select "Electronic Security Application (ESA)".

5 : Click "Yes" to proceed and to warrant, *inter alia*, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore.

6 : Select your country of residence.

7 : Click on "CITYSPRING" and click the "Submit" button.

8 : Click on "Confirm" to confirm, *inter alia*:

- You have read, understood and agreed to all terms of this application and the Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.
- You consent to disclose your name, NRIC or Passport No., address, nationality, CDP Securities A/c No., CPF Investment A/c No. (if applicable) and securities application amount from your DBS/POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).
- You are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
- This application is made in your own name and at your own risk.
- For FIXED/MAX price securities application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price.

9 : Fill in details for securities application and click "Submit".

10 : Check the details of your securities application, your NRIC or passport number and click "OK" to confirm your application.

11 : Print the Confirmation Screen (optional) for your reference and retention only.

Steps for Internet Placement Applications for Placement Units through the website of DBS Vickers Online

For illustrative purposes, the steps for making an application through the website of DBS Vickers Online is shown below.

Step 1 : Access the website at "www.dbsvonline.com".

2 : Login with user ID and password.

3 : Click on to the IPO Centre hyperlink to go to the IPO Section.

4 : Click on the IPO Issue hyperlink.

5 : Click "Yes" to represent and warrant that, *inter alia*, that you are in Singapore and you are not a U.S. person (as such term is defined in Regulation S).

6 : Confirm the IPO applying for and its details by clicking on the "Next" button.

7 : Click "Yes" and click "Submit" to confirm, *inter alia*:

- You have read, understood and agreed to the terms and conditions set out in the Prospectus/Document or Profile Statement including the notes and instructions for the completion of this Application Form and that this application has been made in accordance with the Prospectus/Document or Profile Statement and such notes and instructions.
- You have read and understood the disclaimers.
- You have read, understood and agreed to the "APPLICATION TERMS AND CONDITIONS" and the "GENERAL TERMS AND DISCLAIMERS".
- You consent to disclose your name, NRIC or passport number, address, nationality and permanent resident status, CDP Securities A/c No., CPF Investment A/c No. (if applicable) and securities application amount from your account with DBS Vickers Online to the Issuer and the Manager, registrars of securities, SGX, SCCS, CDP and CPF (as applicable).
- This application is made in your own name and at your own risk.
- You understand that these are not deposits or other obligations of or guaranteed or insured by DBS Vickers Online and are subject to investment risks, including the possible loss of the principal amount invested.
- You declare that (a) you are not under 21 years of age, (b) you are not a corporation, sole-proprietorship, partnership or any other business entity, (c) you are not an undisclosed bankrupt, (d) you are in Singapore, (e) you have a mailing address in Singapore and (f) you are not a U.S. person (within the meaning of Regulation S).

8 : Fill in amount of securities applied for and preferred payment mode, then click "Submit".

9 : Check and verify the details of your securities application and your personal particulars on the screen.

10 : Enter your password and click "Submit" to continue.

11 : Click on "Application Status" to check your IPO application details.

12 : Print page for your reference and retention only.

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