

STARHUB LTD

(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

1. INTRODUCTION

The Board of Directors of StarHub Ltd (“**StarHub**” or the “**Company**”) wishes to announce a proposed capital reduction of the Company (the “**Capital Reduction**”) involving the cancellation of approximately 155.3 million ordinary shares in the issued share capital of the Company (the “**Shares**”), representing approximately 8.3 per cent. of the issued share capital of the Company as at 5 March 2007 (the “**Latest Practicable Date**”), being the latest practicable date prior to the date of this Announcement.

Pursuant to the Capital Reduction, the Company will, subject to the Rounding-Up (as defined below), cancel one Share for every twelve Shares (the “**Reduction Ratio**”), disregarding fractions, held by or on behalf of each of the Shareholders of the Company (the “**Shareholders**”) as at a date to be determined by the Directors of the Company (the “**Books Closure Date**”).

Shareholders who hold or own less than 12 Shares as at the Books Closure Date will not be subject to, and their Shares will not be cancelled pursuant to, the Capital Reduction.

The resultant number of Shares that would have been held by or on behalf of each Shareholder following the proposed cancellation of Shares based on the Reduction Ratio will be rounded up (where applicable) to the nearest multiple of 10 Shares (the “**Rounding-Up**”).

Consequently, the number of Shares proposed to be cancelled from such Shareholder may be reduced accordingly (please refer to the illustration in paragraph 2.5 below). In the event that the resultant number of Shares arising from the Rounding-Up:

- (a) is greater than that held or owned by such Shareholder as at the Books Closure Date, no Rounding-Up will be applied and the number of Shares proposed to be cancelled from such Shareholder will be the number of Shares cancelled based solely on the Reduction Ratio, disregarding fractions; or
- (b) is equal to that held or owned by such Shareholder as at the Books Closure Date, no Shares shall be cancelled from such Shareholder.

The Rounding-Up is intended to enable the Shareholders to own Shares in multiples of 10 Shares to facilitate the trading of Shares on Singapore Exchange Securities Trading Limited (“**SGX-ST**”) after the Capital Reduction.

Pursuant to the Capital Reduction, the Company will make a cash distribution to the Shareholders of S\$2.86 for each Share cancelled pursuant to the Capital Reduction.

The actual number of Shares to be cancelled pursuant to the Capital Reduction as well as the actual amount of the issued share capital of the Company to be reduced may be adjusted, based on the issued share capital of the Company as at the Books Closure Date.

2. THE CAPITAL REDUCTION

2.1 **Capital Reduction.** The Company is proposing to return to the Shareholders S\$2.86 in cash for each Share held by or on their behalf as at the Books Closure Date which is cancelled pursuant to the Capital Reduction. Based on the issued share capital of the Company of approximately S\$239 million comprising approximately 1,853 million Shares as at the Latest Practicable Date:

- (a) an aggregate amount of approximately S\$444 million will be returned to the Shareholders pursuant to the Capital Reduction; and
- (b) approximately 155.3 million Shares will be cancelled under the Capital Reduction.

As part of the Capital Reduction process, the Company will capitalise a portion of its capital reserves equivalent to the amount set out in sub-paragraph (a) above so that the Capital Reduction and cash distribution will be effected out of, and limited to, the amount of issued share capital of the Company arising from such capitalisation.

2.2 **Share Options and Share Awards.** The Company has granted share options (the “**Share Options**”) under the StarHub Pte Ltd Share Option Plan and the StarHub Share Option Plan 2004 (the “**Share Option Plans**”), which are exercisable into Shares. The Company has also granted awards (“**Awards**”) under the StarHub Performance Share Plan (the “**Performance Share Plan**”) and the StarHub Restricted Stock Plan (together with the Share Option Plans and the Performance Share Plan, the “**Share Plans**”) pursuant to which the Company may, subject to performance targets and/or conditions being fulfilled, deliver Shares, free of payment, to the holders of such Awards, either in the form of new Shares or existing Shares, upon the vesting of the Awards.

Accordingly, the actual number of Shares to be cancelled pursuant to the Capital Reduction may be adjusted, based on the issued share capital of the Company as at the Books Closure Date, taking into account the issue of new Shares arising from the exercise of any Share Options and any vesting of Awards, on or before the Books Closure Date.

2.3 **Funds for the Capital Reduction.** The Capital Reduction will be funded from cash and where appropriate, proceeds from drawdown of credit facilities made or to be made available to the Company.

2.4 **Cash Distribution.** The price of S\$2.86 for each Share so cancelled is based on the average of the last transacted prices of the Shares traded on the SGX-ST for the five market days from (and including) 27 February 2007 to (and including) 5 March 2007, being the Latest Practicable Date.

- 2.5 **Illustration for Shareholders.** The following illustrates the position of a Shareholder who owns 1,000 Shares as at the Books Closure Date:

	Shareholder with 1,000 Shares
Position pre-Capital Reduction	
(1) Shares currently held	1,000
Position post-Capital Reduction	
(2) Shares proposed for cancellation based on the Reduction Ratio alone	83
(3) Resultant number of Shares after proposed cancellation based on the Reduction Ratio alone ((1) – (2))	917
(4) Rounding-Up of Shares held to the nearest multiple of 10	920
(5) Shares to be cancelled pursuant to the Capital Reduction ((1) – (4))	80
(6) Cash proceeds received by Shareholder who owns 1,000 Shares (S\$)	\$228.80

Based on the illustration above, a Shareholder who owns 1,000 Shares before the Capital Reduction will receive a cash distribution of S\$228.80 for 80 shares cancelled, while maintaining approximately the same proportionate shareholding in the Company after the Capital Reduction is effected.

3. RATIONALE FOR THE EXERCISE

The Company regularly reviews its capital structure and the leverage position of its balance sheet in the context of its current strategy. To this end, the Directors of the Company are of the view that the Capital Reduction exercise will allow the Company and Group to achieve a more efficient capital structure.

On a proforma basis on the financial statements for the year ended 31 December 2006, the Capital Reduction is expected to increase the Return on Equity (“ROE”) of the Company from **23.7%** to **26.6%**, thereby increasing shareholders’ value. After the Capital Reduction, the Company’s financial position is expected to remain strong and cash flow generated from Group operations is expected to be able to support a sustainable dividend policy of not less than 14 cents per share in fiscal year 2007, adequately service the expanded debt level and cover its near term operating and investment needs.

4. FINANCIAL EFFECTS OF THE CAPITAL REDUCTION

For illustrative purposes only, the financial effects of the Capital Reduction, based on the existing issued share capital of the Company as at 31 December 2006, and assuming the Capital Reduction had been implemented by 31 December 2006, are set out below:

	Company	
	Audited 31.12.2006	Proforma After Proposed Capital Reduction
<u>Profit & Loss Account</u>		
Net profits (S\$'million)	424	416
Fully Diluted Earnings Per Share (cents)	20.51	21.76
<u>Balance Sheet (S\$'million)</u>		
Shareholders' Equity	1,578	1,126
Total Assets	3,187	3,179
Net Debt	593	1,047
<u>Financial Ratios</u>		
Return On Equity	23.7%	26.6%
Net Debt / Average Equity (%)	33%	67%
Net Debt / Group EBITDA (times)	1.03	1.8

5. APPROVALS

5.1 **Conditions.** The Capital Reduction is subject to, *inter alia*:

- (a) the approval of the shareholders by way of a special resolution for the Capital Reduction at an extraordinary general meeting of shareholders (“EGM”) to be convened;
- (b) the approval of the High Court of Singapore for the Capital Reduction;
- (c) the approval of the Minister for Information, Communications and the Arts (the “Minister”) pursuant to Section 35(3) of the Broadcasting Act, Chapter 28 of Singapore; and
- (d) all other relevant approvals and consents being obtained.

5.2 **Regulatory Approvals.** An application will be made by the Company to obtain the approval of each of the SGX-ST and the Minister for the Capital Reduction.

5.3 **Order of Court.** A copy of the Order of Court approving the Capital Reduction will subsequently be lodged with the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”).

- 5.4 **Payment Date.** On the lodgement of the office copy of the Order of Court confirming the Capital Reduction together with the other documents prescribed under the Companies Act, Chapter 50 of Singapore, with ACRA, the special resolution for the Capital Reduction will take effect, and the cash distribution of S\$2.86 per Share cancelled pursuant to the Capital Reduction will be made thereafter. Subject to the above conditions being satisfied, it is currently expected that the amounts arising from the Capital Reduction will be paid to the Shareholders by 12 July 2007.

6. GENERAL

A circular containing further details of the Capital Reduction and convening the EGM for the purpose of seeking shareholders' approval will be despatched to the Shareholders in due course.

BY ORDER OF THE BOARD

VERONICA LAI

Company Secretary

Dated: 7 March 2007