



Talk it, See it, Surf it.

# THE HUB IS YOU

STARHUB LTD ANNUAL REPORT 2004



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## CORPORATE PROFILE

StarHub is a Singapore-based info-communications company providing a full range of information, communications and entertainment services over fixed, mobile and Internet platforms.

Driven by a passion for listening and providing what customers want, StarHub endeavours to bring affordable and premium quality services with innovative and useful features to all its customers.

## THEME INFO

The “Hub Is You” theme speaks volumes of how the Company value you – as an investor, a stakeholder, a subscriber of StarHub services, or as a corporate customer. It revolves around its corporate philosophy of meeting and exceeding your expectations, be it in driving revenue growth and profitability, launching pioneering services or introducing high-impact, integrated business solutions.

Talk it, See it, Surf it. StarHub powers the digital generation with its unparalleled suite of Mobile, Broadband, Cable TV and Fixed Network Services, that is driven by its unique ability in providing compelling content across different technology platforms.

## At a Glance



### Mobile

**30%**  
market share

- StarHub is Singapore's fastest growing mobile operator, having captured 30% of the market share by end December 2004, since its launch in April 2000.
- In mid 2004, StarHub recorded its one-millionth mobile customer.
- StarHub's performance is not just limited to its rapid run-up in customer numbers. It also enjoys high monthly Average Revenue Per User (ARPU) in both pre-paid and post-paid segments at S\$22 and S\$72, respectively, as at end December 2004.



### Cable TV

**412,000**  
households in Singapore

- StarHub offers cable TV services for the residential market over its own hybrid fibre-coaxial (HFC) network which reaches 99% of households in Singapore.
- It has 412,000 households subscribing to this service in 2004, up from 380,000 in the previous year.
- With the launch of Digital Cable in May 2004, customers can now opt for more advanced cable TV services offering a higher level of interactivity and substantially wider choice of channels.





## Broadband

**46.2%**  
residential broadband market

- StarHub also provides broadband access to the Internet via the HFC network, on which it delivers fixed-line telephony as well.
- FY2004 revenue from Broadband services grew the fastest at 37.3% to S\$125.9 million in a keenly competitive environment.
- As at end December 2004, StarHub's residential broadband base stood at 215,000, representing 46.2% of the residential broadband market. MaxOnline's monthly ARPU for FY2004 was S\$54 while churn was at a low of 1.1%.



## Fixed Network

**2,000**  
fibre kilometres around Singapore

- StarHub offers a wide range of fixed network services broadly categorised as Data & Internet and Voice Services to address each business customer's specific requirements.
- Its strategy is to leverage its network and capacity to service both the business market and its own internal network supply requirements.
- StarHub's fixed network, built since inception, extends more than 2,000 fibre kilometres around Singapore and directly connects more than 800 commercial buildings.







# Talk it

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With StarHub's reputation of introducing innovative and cost-effective services, it has become Singapore's fastest growing mobile operator. Today, it provides myriad voice services including residential fixed-line telephony, IDD and mobile roaming services for consumers, as well as an array of voice offerings to corporate and wholesale customers.

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# See it

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StarHub's advanced networks are fully equipped to revolutionise consumers' visual senses. The launch of Digital Cable enables it to target new customers with an enhanced suite of cable TV product offerings. It is also precisely StarHub's experience in managing content that gives it a distinct advantage when its 3G services are continually enhanced throughout 2005.

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# Surf it

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StarHub offers the highest download speed of 6.5 Mbps for residential broadband Internet access in Singapore. It also has extensive wireless broadband coverage in Singapore and worldwide. As such, its plug-and-play cable broadband service has enjoyed rapid customer take-up. StarHub intends to build on this momentum through its alliance with NTT DoCoMo for i-mode™ which will mark a new era of mobile Internet in Singapore.

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# Financial Highlights

## KEY FINANCIAL TRENDS

In S\$m	2001	2002	2003	2004
Operating revenue	778	912	1,118	<b>1,355</b>
Service revenue	745	877	1,075	<b>1,287</b>
Mobile	356	406	559	<b>713</b>
Cable TV	169	198	211	<b>224</b>
Broadband	52	70	92	<b>126</b>
Fixed network	169	203	213	<b>225</b>
Profit/(Loss)				
From operations	(382)	(268)	(130)	<b>(14)</b>
Before tax <sup>(1)</sup>	(28)	82	(53)	<b>(28)</b>
Attributable to shareholders	54	103	(46)	<b>(52)</b>
EBITDA <sup>(2)</sup>	(134)	46	203	<b>325</b>
EBITDA as a % of service revenue	(18%)	5%	19%	<b>25%</b>
Free cash flow	(522)	(173)	43	<b>118</b>
Per share (cents)				
Earnings/(Loss)	2.8	5.1	(2.2)	<b>(2.5)</b>
Net asset	29.7	44.8	42.6	<b>40.5</b>

## CURRENT YEAR PERFORMANCE

In S\$m	2004	2003
Operating revenue	<b>1,355</b>	1,118
– 1st half	<b>655</b>	536
– 2nd half	<b>701</b>	583
Profit attributable to shareholders	<b>(52)</b>	(46)
– 1st half	<b>(46)</b>	17
– 2nd half	<b>(7)</b>	(63)
EBITDA <sup>(2)</sup>	<b>325</b>	203
Free cash flow	<b>118</b>	43

<sup>(1)</sup> Includes Net other income of S\$1.08 billion compensation received from Infocomm Development Authority of Singapore (IDA), which was recognised over three years from April 2000.

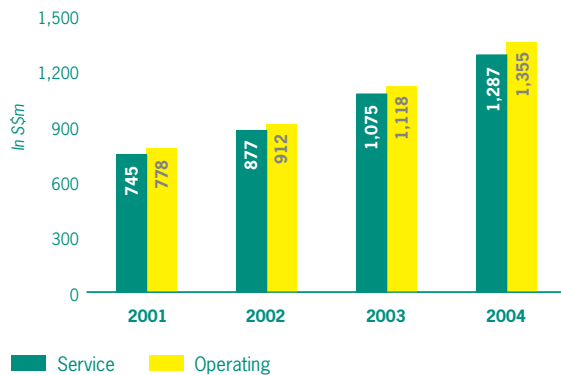
<sup>(2)</sup> EBITDA is defined as profit from operations adding back depreciation, amortisation and accretion of asset grants.

<sup>(3)</sup> Figures in the tables may not add up due to rounding.

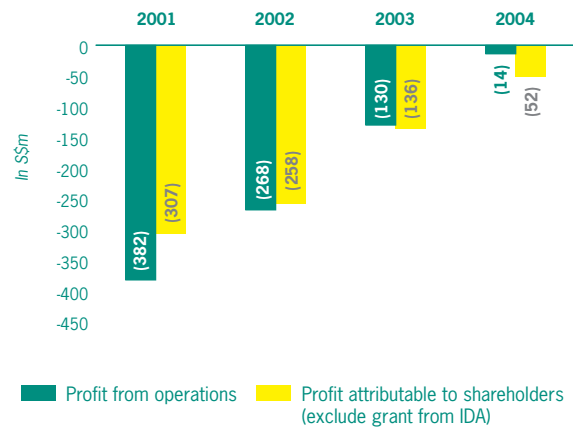
# Financial Highlights

## KEY FINANCIAL TRENDS

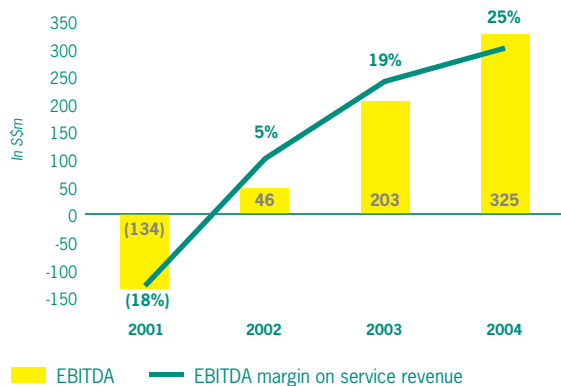
### OPERATING & SERVICE REVENUE



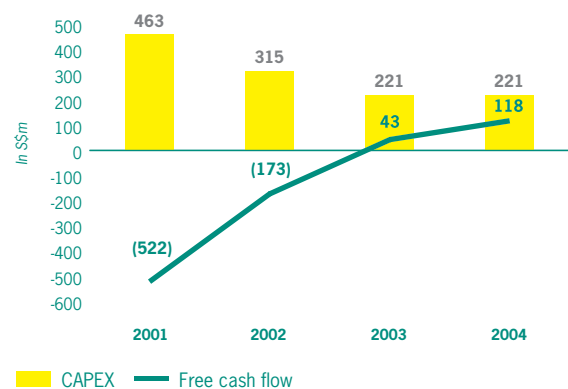
### PROFITS



### EBITDA



### FREE CASH FLOW & CAPITAL EXPENDITURE (CAPEX)

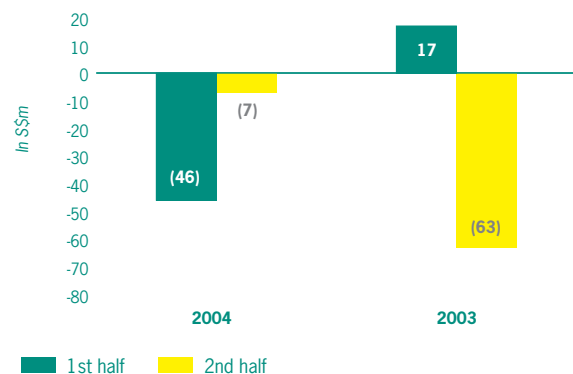


## CURRENT YEAR PERFORMANCE

### OPERATING REVENUE



### PROFIT ATTRIBUTABLE TO SHAREHOLDERS





Our track record and achievements have placed StarHub in a strong position to influence and shape the info-communications landscape in Singapore. As Singapore's second largest and fastest growing operator, you can count on StarHub to continue to challenge the status quo, and to seek opportunities to grow value for our shareholders.

**Tan Guong Ching**  
Chairman  
StarHub Ltd



# Chairman's Message to Shareholders

## DEAR SHAREHOLDERS

It is my pleasure and privilege to be reporting to you in StarHub's first annual report. On behalf of all the members of the Board, I want to welcome those of you who have invested in StarHub. We are delighted that you have taken the time to get to know the StarHub investment theme.

Since the merger with Singapore Cable Vision Limited (SCV) in July 2002, StarHub has worked diligently at strengthening its position as Singapore's only fully integrated info-communications player in the Singapore market, with a reputation as an innovator and a challenger. The day following the merger, we immediately began efforts to integrate the staff and systems of StarHub's Mobile, Internet, and Fixed Network businesses with SCV's Cable TV and Broadband businesses. It was our intent to capture the merger synergies as rapidly as possible, as we saw many opportunities to positively impact our revenue, operating expenditure, and CAPEX streams. For example, in the first month following the merger, we began cross-selling within our various customer bases. It was also in the same month that we coined a new term, "Hubbing". As a result of these early efforts, our revenue grew 23% to exceed S\$1.12 billion by the end of FY2003.

## CORPORATE HIGHLIGHTS FOR FY2004

During the year 2004, we achieved a number of milestones. A few of the more significant ones are:

- Revenue growth of 21%, reaching S\$1.36 billion;
- EBITDA growth of 60%, achieving S\$325.1 million;
- Digital Cable services launched only in late May, ending the year with 53,000 customers subscribing to the Digital Cable package;
- Mobile customer base surpassed the one million mark, closing the year at 1.16 million, and showing the highest customer growth in the industry;
- MaxOnline Flexisurf 1500 launched – the first and only pre-paid broadband service in Singapore;
- 3G Mobile network – completed the initial phase in December, with outdoor street coverage of 98%, exceeding the 3G licence obligation which only required a minimum of 95% outdoor coverage; and
- Launched and completed a successful Initial Public Offering (IPO).

## MARCHING TOWARDS PROFITABILITY

Our fundamental strategy for building shareholder value has been one of pursuing sensible growth, operating efficiently, investing wisely, and continually improving customer service. We believe that sustainable growth in free cash flow and profits is delivered by focusing on those four sound operating principles.

Management's financial targets have always been heavily weighted towards rapidly improving EBITDA while making timely and economic investments. This is why, during 2004, StarHub generated over S\$117.9 million in Free Cash Flow, which is an increase of 174% over the S\$43 million in 2003.

During the year 2004, the Group's revenue grew year-on-year by 21% to S\$1.36 billion, while EBITDA increased 60% to a record S\$325.1 million. EBITDA margin (as a percentage of service revenue) grew to 25%, compared to 19% a year ago.

At the after tax level, the Group's net loss for 2004 was S\$52.4 million as compared to a loss of S\$45.9 million a year earlier. However, excluding the impact of non-cash, non-operating items such as tax adjustments in the first quarter of 2004 as well as the credit of S\$90.2 million of amortisation of IDA compensation in 2003, losses were reduced by more than S\$98 million.

## LOOKING AHEAD

While the mobile penetration rate in Singapore is over 92%, we believe that there are emerging growth opportunities as demand for mobile data services increases. We recently announced an exclusive alliance with NTT DoCoMo in January 2005, with plans to launch the popular i-mode™ service in Singapore during the fourth quarter of 2005. This will be an enhancement to our 3G services, which will be launched in the first half of 2005. Both of these initiatives will place StarHub in a strong position to tap emerging growth in the mobile data services market.

In January 2005, we launched MaxOnline 6500, offering broadband download speeds of up to 6.5 Mbps, putting further distance between the nearest competitor and us. In so doing, we reinforced our status as the provider of the highest residential broadband speed in Singapore.

On the Cable TV front, we are encouraged by the take-up of Digital Cable. We believe that the adoption of Digital Cable will remain robust in 2005 as we continue to address the needs of individual customer segments.

# Chairman's Message to Shareholders

Going forward, our Fixed Network Services will continue to play two critical roles. These include supplying connectivity for our mobile, cable TV and broadband businesses, giving us a higher Quality of Service (QoS) and lowering cost as compared to sourcing the same externally. Secondly, we offer highly reliable and competitively priced services and solutions to corporate and wholesale customers. This generated roughly 17% of our revenue base for FY2004.

Pulling it all together under a unified marketing strategy and monolithic brand, we will continue to build on our momentum in Hubbing to grow our customer base and revenue. We believe this is the key to differentiating StarHub and delivering more value to customers and shareholders.

In FY2005, the Group expects to be profitable.

## COMMITMENT TO STAKEHOLDERS

Our track record and achievements have placed StarHub in a strong position to influence and shape the info-communications landscape in Singapore. As Singapore's second largest and fastest growing operator, you can count on StarHub to continue to challenge the status quo, and to seek opportunities to grow value for our shareholders.

Of course, we could not have achieved so much without the support of our shareholders, business partners, customers, and staff. Without the foresight, courage, and commitment of the management team, and the spirited dedication and competence of our entire staff, StarHub would certainly not have been able to come this far in such a short period of time.

The StarHub Board and Management are committed to using best practices in the area of corporate governance. We adopt and promote high standards of corporate accountability, transparency, integrity and performance to enhance long term shareholder value. We recognise that these standards play a key role in the efficient and effective running of the StarHub Group, and form the basis of public confidence in StarHub's corporate system.

The Board increased the number of independent directors in the fourth quarter of 2004, with the addition of Mr Teo Ek Tor, Mr Nihal Kaviratne, and Mr Liu Chee Ming. These gentlemen bring a wealth of experience in corporate governance, in addition to being seasoned and successful business people. We are also committed to adding one additional independent director in 2005.

At this point, we would like to take special note of Professor Su Guanng, Mr Haruhiko Yamada, Mr Ernest Wong Yuen Weng, Mr Henry Lim Song Joo, Mr Graham Goodfellow Moore and Mr Alan Chan Heng Loon who have retired as Directors of StarHub with effect from 16 August 2004, as part of the re-composition of the Board pursuant to the IPO of StarHub. I speak on behalf of the Board and the entire leadership team when I say that it has been a special privilege for us to have the opportunity to work with these gentlemen. We thank each of them for their significant contributions and wish them every success in their future endeavours.

On behalf of the Board, I would like to take this opportunity to express our appreciation to each and every stakeholder, and we look forward to your continued support.



**Tan Guong Ching**  
Chairman  
StarHub Ltd



StarHub's Trading Debut on the Singapore Exchange  
13 October 2004



# Board of Directors



## 1 TAN GUONG CHING

*Chairman*

Mr Tan Guong Ching is the non-executive Chairman and was appointed to the Board on 8 August 1998. He is the Permanent Secretary of the Ministry of Home Affairs. Mr Tan is also the Chairman of SP PowerGrid Ltd, Singapore Technologies Telemedia Pte Ltd (ST Telemedia) and STT Communications Ltd (STT Communications). He has served as CEO of the Housing & Development Board, the Principal Private Secretary to the Prime Minister and the Permanent Secretary of the Ministry of the Environment and the then Ministry of Communications & Information. Mr Tan holds a Bachelor and a Master of Engineering (Chemical) from the McMaster University, Canada.

## 2 STEVEN TERRELL CLONTZ

*Executive Director*

Mr Steven Terrell Clontz is and has been StarHub's President and CEO since January 1999. He was also appointed Executive Director to the Board on 8 December 1999. Mr Clontz is a veteran in the telecommunications industry with 33 years of extensive experience. He began his career in the United States of America (USA). From 1995 through 1998, he served as President and CEO of IPC Information Systems Inc., based in New York. Prior to that, Mr Clontz has held senior executive positions at BellSouth International. He was President of BellSouth Asia Pacific

between 1991 and 1994. Mr Clontz holds a Bachelor of Science (Physics Major) from the University of North Carolina, USA.

## 3 LIM CHIN BENG

*Non-Executive Director*

Mr Lim Chin Beng was appointed to the Board on 8 August 1998. He is the Chairman of Singapore Press Holdings Limited, Valuar Limited and The Ascott Group Limited. When Singapore Airlines was established in 1972, he was appointed Managing Director and was Deputy Chairman between 1982 and 1996. In recognition of his significant contributions to the airline and tourism industries, Mr Lim was awarded the "Businessman of the Year Award" in 1986 and the "Outstanding Contribution to Tourism Award" in 1990. In 1998, Mr Lim was appointed as a member of the Public Service Commission by the President of Singapore. Mr Lim holds a Bachelor of Arts (Honours) with a major in Economics from the former University of Malaya, Singapore.

## 4 LEE THENG KIAT

*Non-Executive Director*

Mr Lee Theng Kiat was appointed to the Board on 7 May 1998. He joined the Singapore Technologies (ST) group of companies in 1985 and has held various senior level positions overseeing the group's legal and strategic business development. Mr Lee is currently the President and CEO of ST Telemedia and

STT Communications. Under his leadership, ST Telemedia has evolved into a significant info-communications company with operations and investments in Asia Pacific, America and Europe. Prior to joining the ST group, Mr Lee has served in the Singapore Legal Services for more than eight years. He holds a Bachelor of Laws (Honours) from the former University of Singapore.

## 5 LIM MING SEONG

*Non-Executive Director*

Mr Lim Ming Seong was appointed to the Board on 14 December 2000. He is the Chairman of CSE Global Limited and the Deputy Chairman of Chartered Semiconductor Manufacturing Ltd and STATS ChipPAC Ltd. Mr Lim was with the ST group from 1986 through 2002, where he left as Executive Director. Prior to joining the ST group, Mr Lim was with the Ministry of Defence. He holds a Bachelor of Applied Science (Honours) with a major in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore.

## 6 KUA HONG PAK

*Independent Director*

Mr Kua Hong Pak was appointed to the Board on 19 November 2001. He is the Managing Director and Group CEO of ComfortDelGro Corporation Limited (ComfortDelGro). Mr Kua is also the Deputy Chairman of SBS Transit Ltd and VICOM



Ltd. Prior to joining ComfortDelGro, Mr Kua has served as President and CEO of Times Publishing Limited and Executive Director of SBS Transit Ltd. He holds a Bachelor of Accountancy from the former University of Singapore.

**7 PETER SEAH LIM HUAT**

*Non-Executive Director*

Mr Peter Seah Lim Huat was appointed to the Board on 22 July 2002. He is a member of the Temasek Advisory Panel. He is also the Chairman of Singapore Technologies Engineering Ltd, SembCorp Industries Limited and Singapore Computer Systems Limited. He held several senior level positions in Overseas Union Bank Limited before retiring as Vice Chairman and CEO in September 2001. Mr Seah served as President and CEO and a director of Singapore Technologies Pte Ltd from December 2001 to December 2004. Mr Seah holds a Bachelor of Business Administration (Honours) from the former University of Singapore.

**8 OSAMU INOUE**

*Non-Executive Director*

Mr Osamu Inoue was appointed to the Board on 25 June 2003. He is the Senior Vice President of NTT Communications Corporation. He started his career with Nippon Telegraph and Telephone Public Corporation in 1973. He has since held various senior level positions in the NTT

group including that of Director, ISDN Planning & Promotion; Vice President, Overseas Business Division of the Global Business Headquarters and also Managing Director of NTT Europe Ltd. from 1999 to 2003. He holds a Master of Electronic Physical Engineering from the Tokyo Institute of Technology, Japan.

**9 TEO EK TOR**

*Independent Director*

Mr Teo Ek Tor was appointed to the Board on 16 August 2004. He is the Managing Partner of PrimePartners Asset Management Pte Ltd which manages private-equity funds. He has vast experience in investment banking in Asia. Mr Teo had contributed to and been instrumental in the development of two major regional investment banking groups – Morgan Grenfell Asia (1980-1993) and BNP Prime Peregrine (1997-1999). He held senior executive positions within the Morgan Grenfell Asia group and was the Regional Managing Director of BNP Prime Peregrine (Singapore) Ltd. He holds a Bachelor of Arts (Honours), with a major in Business Administration from the University of Western Ontario, Canada.

**10 NIHAL VIJAYA DEVADAS KAVIRATNE**

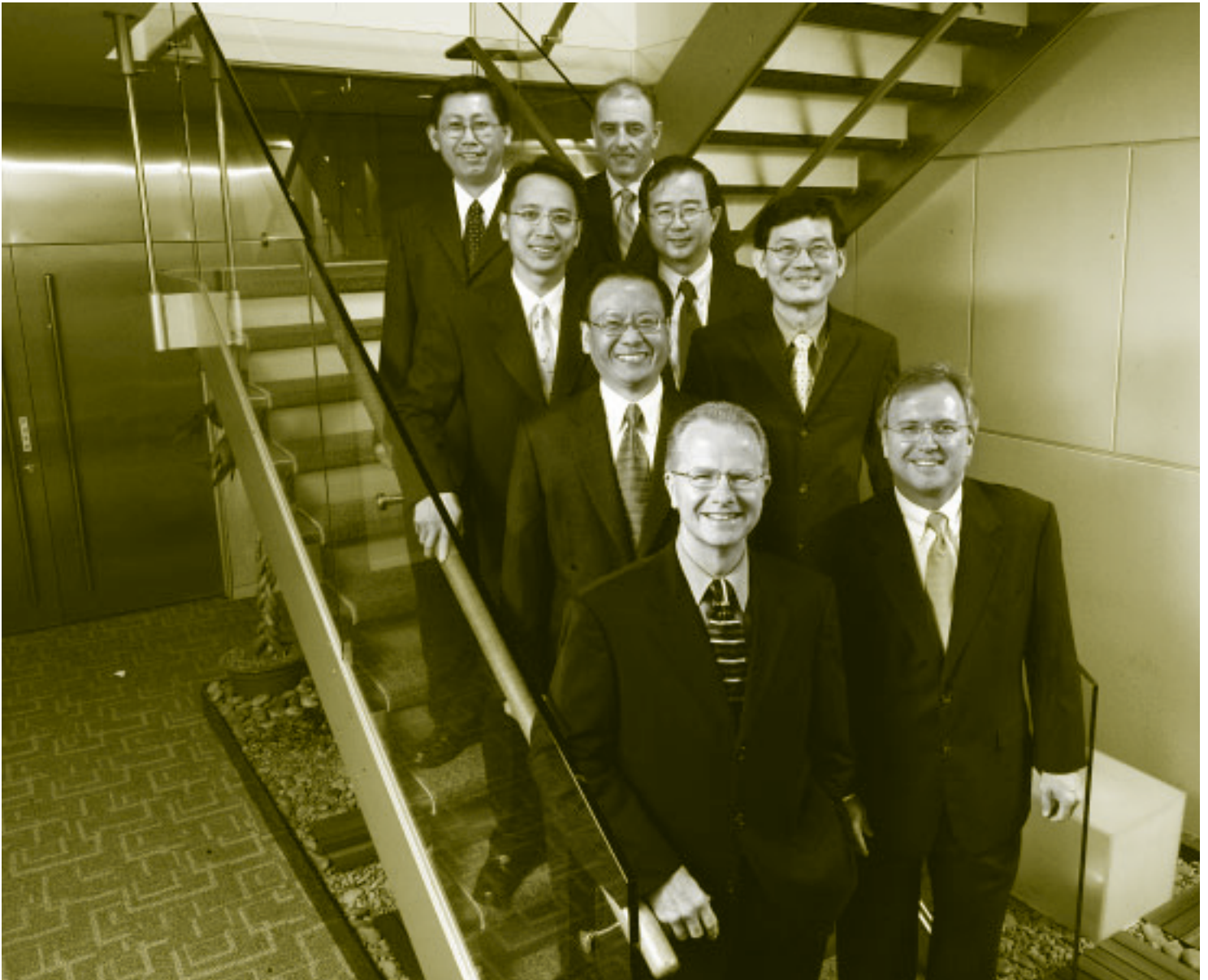
*Independent Director*

Mr Nihal Vijaya Devadas Kaviratne was appointed to the Board on 16 August 2004. He is the Senior Vice President, Development & Environmental Affairs and the Chairman, Home Care and Oral Care of Unilever Asia Pte Ltd. He has spent the last 21 years of his career with Unilever in various senior level management roles across Asia and Latin America. He was chosen by Business Week in 2002 for the “Stars of Asia Award” as one of the “25 leaders at the forefront of change”. Mr Kaviratne holds a Bachelor of Arts (Honours) with a major in Economics from the Bombay University, India.

**11 LIU CHEE MING**

*Independent Director*

Mr Liu Chee Ming was appointed to the Board on 16 August 2004. He is and has been the Managing Director of Platinum Holdings Company Limited since 1996. Mr Liu has over 28 years of experience within the financial services sector. He worked for various Jardine Fleming entities for over 17 years in senior level positions. Between 1988 to 1995, he served as a Member of the Executive Committee and the Head of Investment Banking for Jardine Fleming Holdings Limited. He holds a Bachelor of Business Administration from the former University of Singapore.



StarHub has defined and locked on to a solid strategy – Hubbing, which has been at the core of our strategy for over two years. We believe it has been effective because it excites and rallies the management team and staff, and it clearly sets us apart from the competition.

**1 Terry Clontz**  
President & CEO

**2 Mike Reynolds**  
Head, Consumer Markets

**3 Kwek Buck Chye**  
Chief Financial Officer

**4 Yong Lum Sung**  
Chief Operating Officer

**5 Chan Kin Hung**  
Head, Mobile Services

**6 Alex Siow**  
Head, Business Markets

**7 Philip Tan**  
Head, Operations & Support

**8 David Storrie**  
Head, Network and  
Wholesale Services





# Message from Senior Management

## DEAR FELLOW STAKEHOLDERS

It is indeed our pleasure to present StarHub's inaugural annual report. We hope that you will find this report helpful in learning more about the StarHub story. And, we hope you share our excitement for the journey ahead, and the opportunities we have to build an even stronger presence in Singapore, and a more valuable enterprise.

The consolidated financial results illuminate the path travelled to date and the current financial health of the Company. In regards to both matters, we point to our results for FY2004, and hope you are as pleased as we are. The past year was one of remarkable revenue growth, expanding EBITDA margins, rapidly growing cash flow, and ending with a strong balance sheet. Also, StarHub is fast approaching a key inflection point – profitability.

Naturally, we are well aware that investors mostly value a company on its future plans and prospects, which we will cover later. But first, let us provide you with more colour on our FY2004 results.

StarHub became a stronger company in each progressive quarter during 2004. Each of our four lines of business performed well in their own right, contributing to the 21% revenue growth for the Group. A number of innovative product offerings were launched during the year, attracting new customers and strengthening our relationship with existing customers.

## HUBBING – A COHESIVE AND PROVEN STRATEGY FOR GROWTH

StarHub has defined and locked on to a solid strategy – Hubbing, which has been at the core of our strategy for over two years. We believe it has been effective because it excites and rallies the management team and staff, and it clearly sets us apart from the competition. Further, to our delight, we believe that convergence in the IT, media and communications industries, will increasingly play to our strengths.

Hubbing enables us to deliver bundled, integrated services over multiple platforms. It is based on our philosophy that while mobile, cable TV and broadband services are attractive services in their own right, its collective appeal is potentially much greater when marketed, sold, and supported under one roof. We also believe that integrating the skills and assets necessary to succeed at each of the services, forms a highly potent blend of capabilities. Fulfilling the requirements for various segments defined by lifestyles takes

us into a new dimension of opportunities that traditional mobile companies, cable TV companies, and former monopoly telephone companies are ill-equipped to pursue. But for StarHub, that is where our exciting journey is taking us.

## OUR STRENGTHS

To make that journey successful requires a talented team of people, and a competitive spirit that comes from challenging oneself, even more than we challenge our competitors. And, it requires people who are individually and collectively driven by a strong desire to deliver services that endear customers to our brand.

Besides StarHub's talent pool, our unique set of network assets include:

- An island-wide GSM 1800 network that is fully upgraded for GPRS service;
- A 3G mobile network, with greater than 95% outdoor coverage island-wide;
- A two-way HFC network that reaches 99% of homes, delivering simultaneous Analogue and Digital video signals, voice services and providing the highest residential broadband speed in Singapore; and
- A high capacity fibre-optic network that directly connects 800 commercial buildings in Singapore.

Most importantly, our advanced mobile, broadband cable and fixed networks are integrated physically and operationally.

We have other assets that are critical to achieving our mission:

- Long-standing relationship with content providers, many of whom are keen to find new platforms, such as mobile and broadband, to distribute their content;
- A large customer base that includes at least one service in more than 679,000 homes in Singapore;
- A multi-dimensional profile of our customers that tells us a lot about their likes and requirements; and
- Alliances and affiliations with other operators and with suppliers that enhance various dimensions of our services.

# Message from Senior Management

Our plan for the future is to leverage the unique assets even more than we have to date. For example, through our cable TV products, we already know a lot about how to market video content. So to the extent that the 3G mobile platform becomes a new video distribution medium, we are well positioned to market and present the content successfully.

In 2005, we will quicken our pace in offering integrated services and enhancing our back-office Customer Relationship capabilities. We also expect to further refine customer segmentation, enabling us to target different lifestyle groupings in a more effective manner.

## THE HUB IS YOU

We have adopted “The Hub Is You” theme for our inaugural annual report. “The Hub is You” means that we see you as the centre of our universe – whether as an investor, or as a customer. Hopefully you are both!

Our aim is to deliver a superior customer experience at every opportunity, and to do it consistently. While customer recruitment has always been important to us, customer retention will increasingly demand more effort as our customer base grows and market shares stabilise.

We are known for offering innovative products and services. But we are mindful to enhance our “touch” dimensions that endear customers to the StarHub brand. Ultimately, it is the service ethos of the people at StarHub that will help us to deliver higher levels of customer satisfaction.

## MOBILE

StarHub has set the pace for innovation and carved out a unique space in Singapore’s mobile market.

This spirit of innovation has since become part of our corporate culture as StarHub introduced a string of “firsts”. These include Free Incoming Calls, Per Second Billing, Airtime Rollover, free IDD calls to popular international destinations, and push-email technology via BlackBerry®, amongst others.

In what is now an industry record in Singapore, we reached our one-millionth mobile customer milestone in just over four years, despite being the third entrant. Our market share capture rate has already put us on par with the second entrant, yet we have not

compromised on the quality of our customer base. This is clearly evident in the high ARPU and Minutes of Use performance.

We believe that non-voice services is an emerging growth area. It currently accounts for only about 15.5% of our blended ARPU, but it has good potential for growth over the next few years.

While we do not subscribe to the notion of a “killer application” in mobile data, we strongly believe in a “killer buffet”, where we present a vast array of compelling content that caters to different market segments. Our role is to make content easy to find, convenient to consume, and affordable to a large user community.

People will only spend more on mobile data services if the content theme is important to them and there is value in its immediacy – the “mobility premium”. In view of this, we are already laying the groundwork for a more exciting mobile data story.

- We will launch 3G services in the first half of 2005 with exclusive content such as Barclays English Premier League (EPL). Only StarHub’s customers will have access to video clips of EPL “near-live” goals, footage of previews, highlights and round-up of league action from current matches and archives of past seasons.
- Under an exclusive alliance we recently formed with NTT DoCoMo, we plan to launch the highly popular i-mode™ service in Singapore in the fourth quarter of 2005.

## BROADBAND

Growth in our residential broadband business has been exceptionally strong.

We believe that our success in growing the customer base is underpinned by enhancements in our residential broadband packages to meet the varied needs of consumers, coupled with the inherent technological superiority of cable broadband.

In the near future, we anticipate that there will be more online content and applications that will take advantage of higher download speeds. With the installation simplicity of home networking, faster surfing with MaxOnline 6500, and the streaming of four broadcast quality TV channels, our broadband customers are better able to experience the richness of multimedia content in their homes.

# Message from Senior Management

Our charge forward will include more value-added services, more content, and new applications to drive higher usage and to entice more dial-up Internet access customers to migrate to the broadband experience.

Through the Wireless Broadband Alliance (WBA), StarHub's customers enjoy seamless roaming access to over 10,000 hotspots around the world as at the end of 2004. StarHub also initiated a partnering programme with other wireless broadband hotspot operators in Singapore, which now boasts over 300 wireless broadband hotspots around Singapore.

## CABLE TV

In 2004, there were more new cable TV services launched than in any other year of our operating history. The launch of StarHub Digital Cable in May 2004 was a milestone event that revolutionised TV viewing experience for consumers in Singapore. With Digital Cable, we unlocked capacity constraints and widened consumer choice further by bringing on 23 new international channels. Also, TV viewing no longer has to be a passive activity for our customers with the introduction of enhanced viewing options and new interactive services such as Video Mosaic, TV games, Chat, enhanced TV, Onscreen TV Guide and the like.

The arrival of Digital Cable also positioned StarHub to grow our cable TV households, as well as lift ARPU with existing customers.

Furthermore, we look forward to offering a wider range of new services such as Pay-Per-View and Near Video-On-Demand to drive additional revenue. In addition, future interactive digital cable TV features, such as Personal Video Recording and T-commerce, are also in the pipeline.

## FIXED NETWORK

Our fixed network extends more than 2,000 fibre kilometres around the island, and directly connects over 800 commercial buildings in Singapore. As at end 2004, some 18,000 wholesale and business retail customers subscribed to one or more fixed network services including data and voice services, facilities management, hosting services and backhaul connections.

Aside from targeting wholesale and business retail customers, our fixed network plays a critical internal supply role to StarHub's mobile, cable TV and broadband businesses. We are able to service StarHub's business operations more efficiently than if we were to buy those same services externally.

Recently, StarHub introduced the first of its Next Generation Network services. Such Next Generation Network services, based on delivering Internet Protocol (IP) applications over a robust infrastructure comprising mostly of a fibre optic network, will provide us with additional revenue opportunities in the years to come.

## IN SUMMARY

We had an outstanding year in 2004. This was, in part, due to the initiatives we took in mid 2002 to integrate the complementary strengths brought about by the merger of StarHub and SCV. Since then, StarHub has gained significant momentum in terms of its operational and financial performances. And, as explained earlier, we believe we are well positioned to exploit opportunities for growth in Singapore.

We approach 2005 from a position of strength and remain well poised to deliver integrated info-communications solutions that will transform how, where and when people work, learn, communicate, play and be entertained.

We have an energised team of people with the requisite talent and skills to execute a strategy that is differentiated by an exceptional set of assets. We will continue to set the pace of change and help to shape the info-communications landscape in Singapore.

Essential attributes such as creativity and a pioneering spirit are our hallmarks. We take pride in being nimble and quick in the marketplace, anticipating and capitalising on new opportunities. You should expect even more of that in the future.

Above all, we look forward to sharing our future successes with you.

Sincerely,  
StarHub Senior Management Team



# Senior Management

## **TERRY CLONTZ**

*President & CEO*

[Terry's profile can be found on page 16 of this report.]

## **YONG LUM SUNG**

*Chief Operating Officer*

Lum Sung joined StarHub in July 2002. As the Chief Operating Officer, Lum Sung has direct responsibility over the Business Markets, Consumer Markets, Mobile, Operations & Support and Network & Wholesale divisions. Prior to the merger between StarHub and SCV in 2002, he has served as SCV's President since 1998.

Lum Sung has more than 20 years of industry experience, having held various senior level positions in technical, commercial and general management. He joined the ST group in 1991 and was one of the key executives who assisted in setting up the ST Telemedia group in 1993. He helped start up many of the group's telecommunications operations, including serving as General Manager of ST Mobile Data Pte Ltd ("ST Mobile Data") and ST SunPage Pte Ltd.

Lum Sung holds a Bachelor and Master of Electrical Engineering (Honours) from the former University of Singapore and a Graduate Diploma in Accounting and Finance from the Chartered Association of Certified Accountants, United Kingdom (UK).

## **KWEK BUCK CHYE**

*Chief Financial Officer*

Buck Chye joined StarHub in September 2002 as Chief Financial Officer (CFO). In addition to his financial portfolio, Buck Chye also oversees Corporate Administration, Business Excellence Centre and Purchasing & Logistics.

Prior to joining StarHub, Buck Chye was the CFO of ST Telemedia, the pan-Asian information communications flagship operations of STT Communications. Buck Chye has also served as CFO in various major operating units within the ST group including Chartered Semiconductor Manufacturing Ltd and STATS ChipPAC Ltd. He was also Chief Operating Officer of Vickers Ballas & Co.

Buck Chye holds a Bachelor of Accountancy from the former University of Singapore.

## **ALEX SIOW**

*Head, Business Markets*

Alex joined StarHub in March 2003 and leads StarHub's Business Solutions and Services Units in providing integrated data and value-added services for the local and global enterprise customers in Singapore.

Alex is also responsible for planning and directing StarHub's marketing strategies for the commercial and public sectors. In addition, Alex is entrusted with leading the development and marketing of StarHub's Business Solutions and Services for the enterprise market. Accordingly, he manages and leads the direct sales and marketing departments, business partners and the Business Solutions and Services teams. Prior to joining StarHub, Alex had a distinguished career spanning 23 years at the Housing & Development Board, of which he spent 13 years as its Chief Information Officer.

Alex holds a Bachelor of Engineering (Civil) from the Stuttgart Institute of Technology, Germany, and a Master of Science (Distinction), with a major in Engineering from the University of Birmingham, UK.

## **MIKE REYNOLDS**

*Head, Consumer Markets*

Mike joined StarHub in May 2001 and is responsible for the consumer sector for all StarHub services. He is a veteran in the telecommunications industry, with more than 23 years working in all aspects of the industry for BellSouth Corporation in the American, European and Asia Pacific regions.

Prior to joining StarHub, Mike was based in Beijing as President of BellSouth China's operations where he was in charge of business development and government relations, and was responsible for BellSouth's two operating entities in China. He was also the founding President and CEO of BellSouth International Wireless Services, Inc.

Mike holds a Master of Business Administration and a Bachelor of Business from the University of Georgia, USA

## **CHAN KIN HUNG**

*Head, Mobile Services*

Kin Hung joined StarHub in January 2001 and heads the strategic direction, marketing strategies, financial performance and operations of StarHub's mobile services. He comes with more than 15 years of marketing, sales and general management experience in the computer and telecommunications industry.

Kin Hung has held various senior marketing positions in the Hong Kong and China operations of multinational corporations such as Digital Equipment and Apple Computer International Limited. He also spent nine years in Singapore holding various senior level positions in the industry, including serving as Managing Director for UUNET Singapore Pte Ltd.

# Senior Management

He successfully implemented strategic and tactical sales and marketing plans to promote the mobile, narrowband and broadband Internet segments in Singapore.

Kin Hung holds a Master of Science (Electrical Engineering) from the University of Michigan, Ann Arbor and a Master in Business Administration from the Chinese University of Hong Kong.

## **DAVID STORRIE**

*Head, Network and Wholesale Services*

David joined StarHub in April 2000 and was part of the team working through the licence tender phase. As Head of Network & Wholesale, he oversees the day-to-day operations of StarHub's networks, both fixed and mobile as well as charting its future strategic technological directions.

He also heads international carrier relations and domestic wholesale services which focus on the provision of communications infrastructure, facilities and services with other carriers and service providers. In addition, he is responsible for all of StarHub's core fixed network products.

David is a telecommunications veteran with more than 30 years of working experience in countries like Britain, France, Germany, Holland, Kuwait, Singapore and USA.

Prior to joining StarHub, he has held various senior management positions within the British Telecom group in areas of project management and network design, planning and operations.

David holds a degree in Electrical Engineering from City & Guilds London, UK.

## **PHILIP TAN**

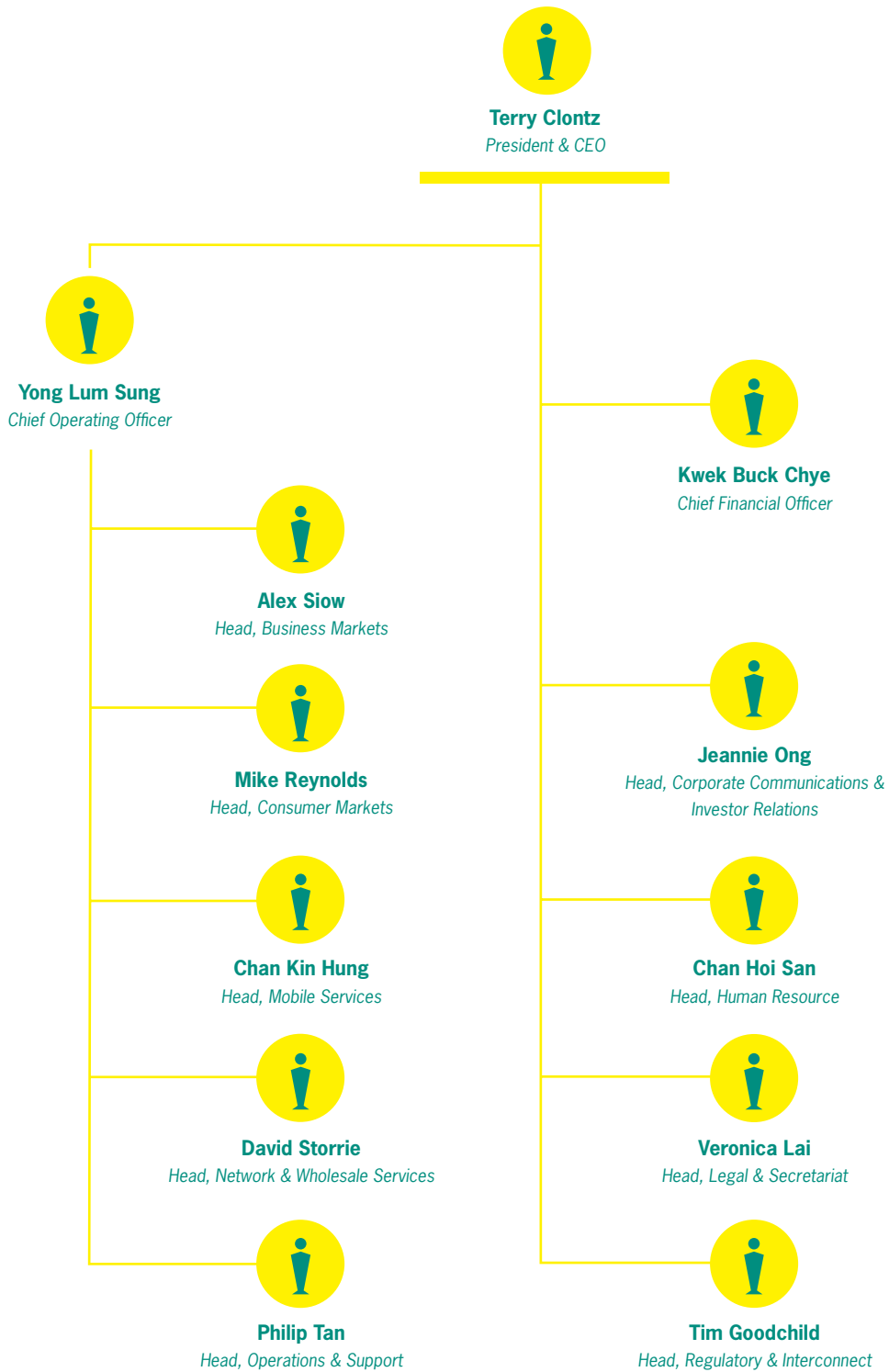
*Head, Operations & Support*

Philip heads StarHub's Operations & Support Division, which includes Information Technology, Customer Service and On-Site Service Fulfillment. Prior to the merger between StarHub and SCV in 2002, he was SCV's Executive Vice President of Operations and was instrumental in streamlining SCV's operations and systems.

Philip has more than 20 years' experience in telecommunications and operations, and has worked for the Ministry of Defence, AT&T, GEC, ST Mobile Data and ST Advanced Radio Pte Ltd in various capacities. Whilst at AT&T, Philip held regional appointments in customer support and business development in international network services.

Philip holds a Bachelor of Engineering (Electrical) from the National University of Singapore and a Diploma in Marketing from the Marketing Institute of Singapore.

# Organisation Chart



# Significant Events

## THE KEY EVENTS IN OUR HISTORY ARE SUMMARISED BELOW:

1998	We were incorporated as StarHub Pte Ltd (registration number: 199802208C) on 7 May 1998 as a private company limited by shares under the Singapore Companies Act. In May, we were awarded licences by the Telecommunication Authority of Singapore (now known as IDA) to provide public basic telephone services (PBTS) and public cellular mobile telephone services (PCMTS). At that time, we were the second PBTS licensee and the third PCMTS licensee in Singapore.
1999	In January 1999, we acquired CyberWay Pte Ltd, one of Singapore's three Internet Service Providers (ISPs) (now known as StarHub Internet Pte Ltd).
2000	We officially launched StarHub's mobile and fixed network services in April 2000.
2001	In April 2001, we were successful in our bid and were awarded a 3G licence and other associated rights to provide 3G services.
2002	In July 2002, we merged with SCV which was incorporated in 1991. As a result of the merger, we were able to add cable TV and broadband Internet access services to our suite of mobile, ISP and fixed network services.
	In December 2002, we launched our residential fixed network voice service called Digital Voice.
2003	In March 2003, we established the world's first and largest alliance of wireless operators called WBA, of which 18 leading global telecommunications companies are currently members. The alliance members are promoting a common global identity for international wireless broadband roaming.
	In May 2003, StarHub was the first in Singapore to commercially launch BlackBerry®, the world's leading secure wireless email platform.
	In August 2003, StarHub Mobile was the first in Singapore to offer free IDD 018 calls to China, Hong Kong SAR and USA, in addition to Malaysia which was offered in February 2002.
2004	In May 2004, StarHub launched Digital Cable services.
	In June 2004, StarHub exceeded one million mobile customers.
	On 13 October 2004, StarHub was listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).
	In December 2004, StarHub rolled out its 3G network and started customer trials of 3G services.



# Crucial Differentiator: HUBBING

In July 2002, StarHub completed its merger with the former Singapore Cable Vision (now known as StarHub Cable Vision or SCV) to form an all-new StarHub. The merger rallied StarHub's mobile, fixed-line, international long-distance and Internet service business units, with SCV's cable TV and broadband Internet access businesses. As a result, StarHub is now in a position to offer customers a full range of information, communications and entertainment services.

StarHub's vision is to empower customers through its unique suite of services, to offer them greater convenience, simplicity and enjoyment of what they love best. The term "Hubbing" was created to encapsulate this goal – both for its customers, so they can easily relate to StarHub's unique differentiation from its competition, as well as an internal rallying cry for its employees, to help the Company focus on pulling its unique strengths together to benefit its customers.

In its simplest form, hubbing is about bundling and packaging its service offerings together to give its customers greater convenience and value. But hubbing is so much more than that. As technology evolves, StarHub will leverage on convergence to provide unique and exciting new products and services for its customers to hub with. In turn, hubbing will enhance and solidify StarHub's position in the Singapore info-communications market, by allowing the Company to grow in value, keep customers loyal and entrench the StarHub brand.

# Crucial Differentiator: HUBBING

## BENEFITS TO CUSTOMERS

Hubbing delivers added value to customers by providing a single source for all their info-communications and entertainment needs:

- Access to a 'quadruple play' of services that competitors cannot match, thanks to StarHub's position as the only provider of cable TV. For example:
  - StarHub offers its customers a total experience of their favourite subject, by 'Hubbing' it to them across different platforms – on TV, online and on the move. For example, a soccer enthusiast can access live UEFA EURO 2004™ matches on cable TV, relive match highlights through mobile video streaming, have scoring updates delivered by SMS, access information online and even collect limited edition UEFA EURO 2004™ commemorative pre-paid mobile and IDD cards.
  - StarHub introduced a service for cable TV customers called Hub TV. This is Singapore's first dedicated interactive channel, which enables customers to chat via SMS, send MMS and cast electronic votes while viewing their favourite cable TV content.
  - StarHub also offers i.View, which enables customers to enjoy real-time broadcasts of quality TV channels on their computers, using their MaxOnline broadband connection.

Through hubbing, regardless of a customer's interests, be it sports, movies, music or fashion, StarHub is able to offer a complete lifestyle experience, making it the provider of choice.

- 'One-stop' Customer Service and Sales. Customers enjoy the convenience of one hotline number for all product and service queries. At the same time, StarHub shops and exclusive partner outlets offer the entire StarHub suite of products and services, making it a truly "one-stop-shop" experience for customers.
- Single Rewards and Recognition Programme. Customers who "Hub more, Get more" with StarHub. With hubbing, customers enjoy a wide range of discounts, privileges and loyalty incentives for choosing StarHub.



Hubberbonus

- Incremental benefits, such as premiums and discounts, are extended to customers who purchase a second or third service. These are in addition to the prevailing promotions for that service.



- An integrated rewards programme, which allows customers to consolidate rewards points earned across the various services they subscribe to, into one account, so they can redeem even more.



- Exclusive for customers who subscribe to all three services: mobile, cable TV and broadband. This programme entitles them to exclusive discounts and privileges.



Hubberexclusive

- Promotional benefits for Hubbing customers to encourage usage of more than one service across the StarHub base. For example, StarHub will offer special rates on its IDD 018 service to its mobile, Digital Voice (fixed-line telephony via cable), cable TV and MaxOnline customers.

# Crucial Differentiator: HUBBING

## TAILOR-MADE HUBBING

Hubbing also allows StarHub a deeper understanding of its customers. This in turn allows it to tailor products and service options for various customer types.

Take for example busy professionals. StarHub can offer products and services packaged to appeal to this segment. By offering MaxOnline 6500, Singapore's highest-speed residential broadband Internet service, along with its wireless broadband and mobile data offerings, these executives have fast access to information.

Hubbing families can also enjoy a broad range of StarHub services such as entertainment and educational cable TV programmes, home networking via MaxOnline which allows everyone in the family to be online at the same time, as well as a full suite of mobile phone packages to meet Dad's, Mum's and kids' differing communications needs.

To understand our customers' needs better, StarHub has invested substantially in customer intelligence tools, from data warehousing to campaign automation, to ensure that it learns all it can about the individual customer's needs and desires, so as to better serve them.

Of course, targeting and tailoring bundled services alone will not entice customers to upgrade or switch to StarHub. Customers have to be motivated to make a change. After all, the professional customer might have already been subscribing to, say, broadband access via another service provider and another operator's IDD service on his fixed-line telephone. This is where StarHub's many Hubbing incentives come into play. It does not take long for customers to appreciate the value of subscribing to StarHub for all his services because he is rewarded for his loyalty and enjoys an even greater level of service and value.

## HUBBING FORWARD

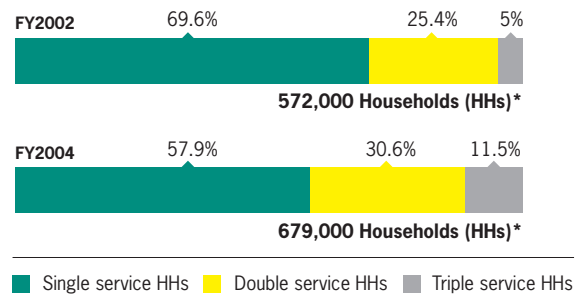
StarHub uses the Hubbing Index to gauge the effectiveness of its Hubbing strategy. The index is calculated by adding the total number of mobile, cable TV and broadband subscriptions, then dividing that by the total number of StarHub households subscribing to any one of these services.

The Hubbing strategy is delivering on its promise: StarHub's Hubbing Index has increased from 1.63 in December 2002 to 1.93 in December 2004. This means that each customer household has been subscribing to more services per home, even as we have grown the household base from 572,000 to 679,000 during the same period.

From this base of homes, households subscribing to at least two services out of StarHub's combined customer base for these three services grew from 30% in December 2002 to 42% in December 2004. For triple service households, StarHub saw an increase of 63% from 48,000 in 2003 to 78,000 households in 2004.

## The Hubbing Advantage

### INCREASING MULTI-SERVICE ADOPTION



\* Excludes other households which StarHub provides services. E.g. IDD, Internet and pre-paid mobile

StarHub's continuous refinement of its Hubbing strategy enables it to more efficiently and accurately target and market a relevant mix of products to its various target market segments. This in turn allows StarHub to increase loyalty and value from each of its customer households. This has clearly benefited its various lines of business in their acquisition initiatives, retention activities and improvement in ARPU.



# Crucial Differentiator: HUBBING

## HOW DOES HUBBING BENEFIT STARHUB?

- Packaging StarHub services across different product lines increases customer loyalty and reduces churn.

Customer churn is an issue that continues to impact all service providers in competitive environments. For example, Singapore's mobile telephony market has already achieved a high penetration rate of slightly more than 92% as at the end of December 2004. While there is still room to grow, it is important that service providers are able to maximise customer loyalty to prevent churn. While other operators often offer a combination of service and price incentives for each individual product, StarHub utilises its hubbing initiatives to offer value and limit churn.

Customers who reap the benefits of hubbing have less reason to churn. A Hubber enjoying a variety of info-communications services (information, communications, entertainment and generous rewards) packaged to blend in with his lifestyle is motivated to look upon StarHub as a lifestyle provider, rather than simply as a pure supplier of communications or entertainment services. A service provider that helps nurture a lifestyle mindset among its customers is far more likely to enjoy higher levels of loyalty in the market.

The cost of signing on a new customer is several times the cost of retaining one. Clearly, StarHub's strategy of increasing customer stickiness goes a long way towards reducing marketing costs.

Let the numbers speak! The churn rate for StarHub's mobile customers who also subscribed to cable TV or broadband services was 18% lower than for households that subscribed to mobile-only services in 2004.

- Subscription to a wider range of services increases ARPU

Mobile customer ARPU in households that purchase mobile, cable TV and broadband services was 7% higher than ARPU in mobile-only households in 2004.

Cable TV ARPU in the same households that subscribed to all three services was 11% higher than ARPU in cable TV-only households.

- Cost Efficiencies

StarHub saves on advertising and marketing costs by promoting its suite of services as opposed to promoting single products.

StarHub can more efficiently reduce acquisition and retention costs vis-à-vis its competitors by focusing on up- and cross-selling to its existing customer base, as well as centralising its retention and rewards efforts.

Hubbing enables StarHub to save on promotional costs, as it is able to leverage on its cable TV content promotions to highlight related value-added services. For example, by advertising cable TV's UEFA EURO 2004™ coverage on its Green pre-paid top-up cards, StarHub has not only leveraged an advertising channel at low cost, it has also used the visually appealing cards to encourage a higher rate of purchase among soccer enthusiasts, while improving its brand image.

# Talk it

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The provision of voice services is the foundation on which a telecommunications service provider builds a business. Given that StarHub's key differentiating factor is Hubbing, it is critical that StarHub provides customers with the widest possible portfolio of voice services, so the Company's position as an integrated provider of information, communications and entertainment services is not easily challenged.



# Business Overview

## MOBILE POWERS AHEAD

StarHub's largest revenue-generating service is mobile telephony, an area where it competes with two other operators that had already established strong positions in the market at the time of StarHub's entry in April 2000.

The late start meant that StarHub has had to work extremely hard and innovatively on all fronts to build the market share it enjoys today. As at end December 2004, StarHub succeeded in winning 30% of Singapore's mobile subscriber market, which puts it almost on par with its closest competitor.

In fact, StarHub has been capturing between 46% and 101% of total net adds in the market since 2001.

StarHub also enjoys high monthly ARPU in the market, at S\$72 for post-paid and S\$22 for pre-paid, as at end December 2004. Incidentally, it has the highest ARPU in the market for pre-paid.

The rapid growth in customer base and higher-than-average ARPU bears testimony that the Hubbing strategy, among other StarHub initiatives, has been yielding results.

## FIXED-LINE TELEPHONY SERVICE

StarHub is Singapore's only alternative carrier to the incumbent for the provision of residential fixed-line telephony services. It launched a cable telephony service known as Digital Voice in December 2002. This service is delivered via an integrated voice-enabled cable modem, which provides users with simultaneous access to the Internet as well as voice telephony.

## IDD: FRACTION OF THE PIE

IDD remains a major revenue component of StarHub's fixed-line business. It has about 13% of the IDD market share in 2004. Even though StarHub has been enjoying brisk growth in outgoing traffic minutes, revenue growth has flattened in the past one and a half years because of the intensely price-competitive nature of the IDD market. The lower IDD tariff, however, enables StarHub to tactically transform IDD into a marketing tool to drive traffic in other areas of its business.

StarHub also provides an array of voice offerings to businesses. These include voice services accessed via switched voice, Public Branch Exchange (PBX) and Integrated Services Digital Network (ISDN). International voice services via IDD 008 and IDD 018 are offered on an "All Day Flat Rate" basis with Per Second Billing. On the wholesale end, StarHub sells spare capacity in its international network to voice operators, thereby increasing IDD traffic volume and lowering its effective cost of offering IDD services. StarHub also delivers international traffic on behalf of other operators to overseas destinations through its partnership with foreign carriers.

## ROAM THE WORLD AT WILL

StarHub has signed roaming service agreements with more than 260 mobile operators worldwide, enabling its subscribers to enjoy this service in more than 200 destinations, as at end December 2004. It also provides inbound (that is, into Singapore) roaming customers with value-added services such as Local Direct Call, Wireless Broadband Connectivity and Short Code.



# See it

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The introduction of Digital Cable and 3G are revolutionising the way we see the world around us. With cable TV services as a differentiator, StarHub is able to provide a unique array of visual information services. As the 3G market develops, this strength will become increasingly apparent as a key market differentiator.



# Business Overview

## EXCITING DAYS AHEAD

The introduction of its 3G network in late 2004 marked the start of exciting days ahead for StarHub. StarHub's expertise in managing its cable TV service gives it an edge as it is the only telco with ready access to cable TV content, when its 3G service is continually enhanced throughout 2005.

Although Singapore is one of the most developed cable TV markets in Asia, the city-state still has considerable room to grow its customer base. As at end December 2004, StarHub enjoyed a residential cable TV penetration rate of 37.4%.

Given its ongoing efforts to strengthen the marketing of cable TV services bundled with services from its other lines of business, coupled with the upturn of the economy and the launch of Digital Cable in May 2004, StarHub believes that the penetration rate will climb.

Today, most cable TV customers are still analogue users, which mean they view programmes in the same way they view Free-To-Air (FTA) programmes. The introduction of Digital Cable, however, will enable them to view programmes interactively, thanks to the availability of interactive applications and features such as Chat, enhanced TV, Games, Video Mosaic and Onscreen TV Guide.

Digital Cable's digital compression technology expands the channel capacity by up to six times over analogue, which enables StarHub to offer up to 130 channels versus about 50 on analogue. All these, StarHub believes, will create higher levels of interest in cable TV.

StarHub also offers cable TV for business markets, using two access methods: wireless Ultra High Frequency (UHF) and Multi-channel Multi-point Distribution System (MMDS) networks. StarHub has replaced the UHF and MMDS platforms with a Digital Terrestrial Television (DTTV) platform in 2005. As at end December 2004, StarHub had some 1,800 cable TV business customers, comprising hotels, entertainment outlets and corporations.

## i.View THE FUTURE

StarHub introduced a service known as i.View in May 2004 that enables its existing residential broadband customers to enjoy real-time broadcast of selected cable TV channels on their computers. Again, this service is reflective of StarHub's innovative approach in developing market share. The launch of this service also showed StarHub's efforts at leveraging the convergence of technologies, which in this instance, enables customers to access the same content via two channels. It also demonstrated StarHub's Hubbing strategy. The ability to access the same content via the cable TV and broadband network, creates an incentive for a user to sign up for both services.

Other specific data-based "See it" business services that StarHub provides include Domestic Leased Circuits (DLC), as well as domestic Asynchronous Transfer Mode (ATM) and Frame Relay (FR) service. Through its international data services, StarHub provides connectivity to global destinations via International Private Leased Circuits (IPLC), International Frame Relay and International ATM at various speeds and interfaces.

StarHub also provides backhaul connections to give its wholesale customers access to many of the sub-sea cable systems that land in Singapore and provide domestic delivery to their network equipment locations in Singapore.

## MOVING INTO THE NEXT-GENERATION

In a way, the 3G handsets used to access 3G services are reflective of StarHub. The 3G handset is an integrated information, communications and entertainment device, which can be seen in parallel with StarHub's ability to provide information, communications, and entertainment services across its different lines of business. This, coupled with its ability to leverage content expertise and associations in the cable TV and broadband areas, gives StarHub a competitive edge in delivering non-voice services over its 3G and GPRS networks.

# Surf it

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StarHub's rollout of innovative broadband services is contributing towards transforming Singapore into an island of savvy broadband users. It also has extensive wireless broadband coverage in Singapore and around the world.



# Business Overview

Although Singapore is one of the world's most developed broadband markets, its potential is far from exhausted. As Singapore's broadband penetration rate is still lower than that of other advanced Asian economies such as Hong Kong SAR, Japan, South Korea and Taiwan, exciting opportunities exist to expand the local market.

## **MANY MEGABYTES TO GO...**

The number of broadband subscribers in Singapore grew by more than 122,000 in 2004, hitting the 512,000 mark as at end of December, an increase of 31% over the previous year, according to IDA. Recent reports showed that although Singapore's household penetration rate is one of the highest in the world, it is still below Hong Kong's and South Korea's.

This untapped potential means there is tremendous opportunity for StarHub to leverage on Hubbing, in order to motivate customers to subscribe to its broadband services. StarHub's strategy is to bundle its broadband services with services from other lines of business, such that customers actually get more value out of their chosen packages than if they subscribed individually to the services.

## **THE SPEEDIEST SERVICE IN TOWN!**

StarHub's push into the market, however, does not just revolve around its Hubbing strategy. It has developed a reputation for rolling out innovative products and services which serve to strengthen its efforts at Hubbing.

One such innovative product is the launch of the highest speed residential broadband service in Singapore – MaxOnline 6500 – in January 2005. Users enjoy “always on”, unlimited broadband access to the Internet at download speeds of up to 6.5 Mbps and upload speeds of up to 384 Kbps. With the growing popularity of home networking and other applications such as online gaming and streaming media, it is likely that customers will increasingly demand broadband access at higher speeds.

## **WIDENING THE NET**

Another service that StarHub introduced in 2004, which once again underlines its emphasis on innovation and providing value-for-money, is the “pay-as-you-use” MaxOnline FlexiSurf 1500 plan. This is Singapore's first pre-paid service and among the first of its type to be implemented in Asia Pacific.

This service provides dial-up users with ready access to broadband, giving them a taste of broadband speeds without having to pay full monthly subscription fees.

## **MOBILE INTERNET: WIRE FREE, TANGLE FREE**

StarHub's alliance with NTT DoCoMo for i-mode™ will mark a new era for mobile Internet in Singapore when the service is introduced in the fourth quarter of 2005. Pipped as an innovation that has revolutionised mobile Internet, i-mode™ focuses on enhancing customers' lifestyles by giving them an intuitive interface for easy access to a broad variety of lifestyle Internet services.

The main draw of i-mode™ is that it simplifies and standardises access to the Internet via the mobile phone, so that even a non tech-savvy mobile user will find it easy to make a restaurant booking or movie ticket reservation on their handsets. More importantly, i-mode™ gives a predictable, consistent experience each time you use mobile Internet. It eliminates frustration, giving customers a richer, more satisfying experience.

## **SURF'S UP FOR CORPORATE CUSTOMERS**

StarHub's ever-evolving range of business solutions designed to meet customers' needs include Internet Access and Global IP Transit services. Always ready to adapt to the requirements of individual companies, StarHub offers Internet access in a wide variety of connection speeds and options, ranging from simple dial-up access, leased line Internet, broadband access through to IP Virtual Private Networks (IP VPN) and Metro Multi Protocol Label Switching (MPLS) networks.

StarHub also provides IP Transit access to the global Tier 1 IP backbone which provides its customers with high speed connectivity to the Internet.

## **WIRELESS BROADBAND**

StarHub has extensive wireless broadband coverage in Singapore and around the world. Locally, it covers commercially strategic locations such as Singapore Changi Airport and Suntec City. All The Coffee Bean & Tea Leaf® outlets are also StarHub-managed hotspots. In addition, StarHub has established local and international roaming partnership agreements to further expand coverage and facilitate wireless roaming within Singapore.





The launch of 3G and later, i-mode™, will ring in an exciting era for Singapore's telecommunications sector, creating many opportunities for the introduction of innovative services. StarHub is well placed to thrive in such an environment.

# Mobile

# Operations Review

## OUTRUNNING THE COMPETITION

StarHub is Singapore's fastest-growing mobile operator, having captured 30% of the market share by end December 2004, since its launch in April 2000. StarHub has also captured between 46% and 101% of total net adds in the market since 2001. In mid 2004, StarHub signed up its one-millionth mobile customer.

StarHub's performance, however, is not just limited to its rapid run-up in subscriber numbers. It also enjoys high monthly ARPU in both pre-paid and post-paid segments at S\$22 and S\$72, respectively, as at end December 2004. StarHub's pre-paid ARPU is the highest among the three mobile companies; for post-paid ARPU, it shares the lead with another player. Non-voice services contributed 15.5% to blended ARPU.

Revenue from StarHub's Mobile Services reached an all-time high of S\$712.7 million in FY2004, registering a year-on-year growth of 27.4%. Driven by subscriber growth, revenue from post-paid mobile services rose 21% year-on-year to S\$614.5 million, accounting for 86% of the Mobile revenue mix. Year-on-year, StarHub's customer base grew 32.5% to 1.16 million, almost three times as fast as the 11% growth achieved by the overall Singapore mobile market. StarHub closed the year with 689,000 post-paid customers and 471,000 pre-paid customers.

## THE SUCCESS FORMULA: HUBBING AND INNOVATIVE THINKING

This unprecedented performance points to the success of StarHub's approach since its inception; an approach that revolves around the continual introduction of innovative and cost-effective services and products and, in recent years, the intertwined strategies of Hubbing.

StarHub's focus on introducing innovative, easy-to-understand pricing plans and value-for-money products and services has truly struck a chord with consumers who appreciated the Company's offerings.

## POST-PAID SERVICES

StarHub's stable of mobile service plans caters to customers that can be broadly categorised into three groupings, namely, high local users, high IDD users and high SMS users. These different

user groups tend to gravitate towards different mobile subscription plans, as indicated below:

- High local users : PowerValue plans
- High IDD users : PowerPlay, PowerTalk and PowerCall plans
- High SMS users : PowerChat plans

StarHub's mobile subscription plans are designed in such a way as to cast a wide net across the market and, at the same time, services are fine-tuned for market niches and segments.

The overall diversity of offerings also strengthens StarHub's customer service levels – even for those who currently subscribe to its mobile services only, and have no immediate plans to hub. This is because the diversity allows them to select a service that fits in, or comes close to matching their business and/or lifestyle requirements, as well as to upgrade from one plan to another, as the need arises.

But it is not just the diversity of services that has enabled StarHub to reach out and capture the mass market. StarHub was the first operator to offer all these innovative features in Singapore – in its service plans:

- Unlimited free incoming local calls
- Free IDD 018 calls to China, Hong Kong SAR, Malaysia, Taiwan, Thailand, the USA (except PowerValue plans)
- Per Second Billing
- Airtime rollover
- All Day Flat Rate
- Conversion of free SMS to free MMS

These innovative features mean more cost-savings for the customer. For instance, in Per Second Billing, StarHub bills customers strictly for what they use, as opposed to blocks of six seconds, like other competitors. The innovative and thoughtful structuring of StarHub's mobile plans means it offers the fairest and best value in the Singapore market.

# Operations Review

## PRE-PAID SERVICES

The Singapore pre-paid market grew by more than 265,000 subscribers in 2004, of which StarHub grabbed more than 75%. StarHub has 471,000 customers in this segment, up from 269,000 in the previous year. Furthermore, its ARPU increased by 214% between December 2001 and December 2004.

StarHub's pre-paid service, called "Green", has been designed to cater to two market segments: the young, and infrequent mobile users. The intertwined strategies of Hubbing and innovation have been put into play in the marketing of StarHub's pre-paid service.

Some highlighted examples:

- Hubbing – StarHub released collectible pre-paid top-up cards with popular and topical themes such as UEFA EURO 2004™ which helped promote cable TV services
- Innovation – Customers can top up their cards in various ways: Electronically at ATMs, AXS terminals and via the Internet; by SMS if they have bank accounts with selected banks; and through automatic monthly top-up plans
- Value-for-money – Free IDD 018 calls to selected countries and Per Second Billing

## NON-VOICE SERVICES

The contribution of non-voice services has grown rapidly, rising to 15.5% of blended ARPU as at end December 2004, compared with 13.6% in the previous year. The total number of MMS messages, which were first offered in late 2002, has grown from 3 million in 2003 to 10.1 million in 2004. GPRS traffic grew by 132% year-on-year in 2004, to reach 1,768 Gb.

On the corporate front, a key element of StarHub's strategy for the business segment, is push-email (a service that automatically pushes your emails to your handset). It has made successful inroads into the corporate market with the introduction of push-email solutions such as BlackBerry® from Canadian company Research In Motion. StarHub was the first operator to introduce this service in Singapore, launching it in May 2003.

Continuing its efforts to grow this segment, StarHub made available a suite of real-time financial data applications to BlackBerry® Enterprise customers in December 2004. These applications enable users to wirelessly access Comstock – a provider of real-time financial information to financial institutions – via their BlackBerry® wireless handhelds. The applications are provided exclusively through Outercurve, a leading global provider of wireless handheld business solutions. StarHub's BlackBerry® service also offers print and facsimile functionalities for corporate customers.

In addition, StarHub offers the SMSOffice service, which enables corporate users to compose messages on their computers and send them out as SMS messages to mobile phones. This service also includes a broadcast tool that enables questions to be transmitted as SMS and email with responses compiled in an easy-to-read spreadsheet.

Besides the BlackBerry® and SMSOffice, StarHub also launched the award-winning Smartner Duality Always-on Mail® Solution in July 2004, to further extend its popular suite of PushMail services and provide instant email connectivity to a variety of Windows Mobile or Symbian-based mobile devices.



# Operations Review

## ADVANCED DATA SERVICES

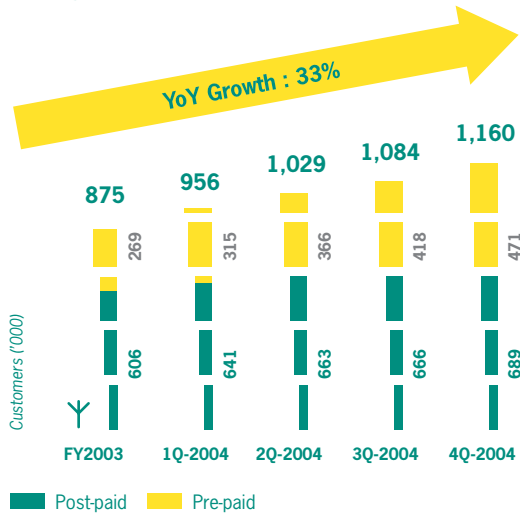
StarHub rolled out its 3G network in December 2004, but it is too early for StarHub to comment on performance and expectations. The main reason is that the range and the availability of 3G handsets right through the first half of 2005 are expected to be limited. Furthermore, the rather short battery life of the 3G handsets currently available vis-à-vis 2G handsets will inhibit demand for such equipment.

There is no doubt that these kinks will be overcome. And once they are, StarHub will be positioned to drive the market forward. This is because it has one advantage in the provision of non-voice content over its 3G and GPRS networks: it can leverage its content management expertise and associations with content developers in the cable TV and broadband service areas.

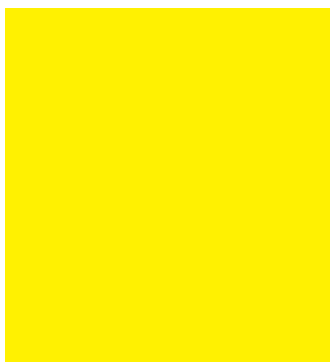
Another advantage that will equip StarHub with valuable insight into the management of its 3G services is its strategic partnership with Japan's leading mobile operator NTT DoCoMo. StarHub signed a strategic partnership with NTT DoCoMo in January 2005, for the exclusive provision of i-mode™ services over both its 2.5G and 3G networks in Singapore. Subscribers to i-mode™ will be able to enjoy push-email and Internet access. NTT DoCoMo is the world's first operator to launch 3G services and pioneered i-mode™. Through its alliance with NTT DoCoMo, StarHub will gain expertise and insight in managing 3G services. The launch of StarHub's i-mode™ service will widen the local user's options for selecting a mobile multimedia service.

The launch of 3G and later, i-mode™, will ring in an exciting era for Singapore's telecommunications sector, creating many opportunities for the introduction of innovative services. StarHub

Growing Mobile Customer Base



is well placed to thrive in such an environment as the market's eventual uptake of content-rich 3G services will create a wide window of opportunities for StarHub to leverage on Hubbing, in cross- and up-selling services from its other business lines.







With the launch of Digital Cable in May 2004, subscribers are able to opt for more advanced cable TV services that offer a higher level of interactivity and substantially wider choice of channels. Digital Cable not only increased the customer base, but also boosted ARPU. StarHub signed up 53,000 households for Digital Cable in 2004.

# Cable TV

# Operations Review

## **CABLE TV: THE EXCITEMENT HAS JUST BEGUN**

StarHub is Singapore's sole cable operator. This has enabled StarHub to differentiate itself from the competition, by offering integrated information, communications and entertainment services across the widest diversity of channels in Singapore.

Furthermore, StarHub has developed strong relationships with content providers, including exclusive distribution agreements with leading channel partners such as HBO and Discovery.

In addition, the diversity of communications and broadcast channels offered by StarHub meshes dynamically with its Hubbing strategy: it is able to creatively package and cross-and up-sell services.

StarHub's ability to extend content offerings that have been traditionally sourced for cable TV to other lines of business – mainly broadband Internet access and 3G services – puts StarHub in a strong position.

## **RAMPING UP THE NUMBERS**

StarHub offers cable TV services for the residential market over its HFC network which reaches 99% of households in Singapore. It has 412,000 households subscribing to this service in 2004, up from 380,000 in the previous year. This translates to a household penetration rate of 37.4%, above average by Asia Pacific standards, but still lower than India, South Korea and Taiwan, presenting substantial room for growing the customer base in Singapore.

With the launch of Digital Cable in May 2004, subscribers are able to opt for more advanced cable TV services that offer a higher level of interactivity and substantially wider choice of channels.

The availability of Digital Cable not only increased the customer base, but also boosted ARPU. StarHub signed up 53,000 households for Digital Cable in 2004.

But StarHub is not just leveraging on Digital Cable to ramp up customer numbers and increase ARPU, although this service is a critical driver and revenue generator. The outlook has also been bolstered by the upturn in the Singapore economy.

Singapore, like many other countries, experienced a recession during 2002 – 2003, which inevitably switched consumers into a cautious spending mode, especially for items such as entertainment. However, it is interesting to note that, despite the dampened economy, cable TV subscriptions grew by 52,000 in 2002, 25,000 in 2003 and 32,000 in 2004.

StarHub leveraged on "Hubbing" to promote cable TV in homes that use its other services, enticing consumers with benefits that come with using carefully designed bundles of StarHub services. The introduction of Digital Cable also provided an excellent opportunity for StarHub to up-sell this service to existing analogue cable TV customers.

## **BUSINESSES TOO...**

Cable TV was also marketed to businesses, mainly hotels, hospitals and the entertainment sector. Originally offered on wireless UHF and MMDS networks, StarHub has recently replaced both platforms with a DTTV system which offers customers better quality service and reception and a larger selection of channels to choose from. As at end December 2004, StarHub had some 1,800 cable TV business customers.

# Operations Review

## DIGITAL CABLE: A NEW LIFESTYLE

StarHub's Digital Cable transforms passive viewers into interactive users, which is not the case with analogue-service customers and conventional FTA viewers. It also delivers value-added services that enhances the appeal of cable TV and reach out to niche customer segments with particular requirements:

- Onscreen TV Guide – The Onscreen TV guide provides three days' telecast schedules so viewers can plan their TV viewing times.
- Enhanced TV – Subscribers can get more information about the programme and take part in polls and contests via SMS while watching selected TV programmes.
- Info Bar – Viewers enjoy quick and easy access to information such as names, synopses and cast lists of currently aired or upcoming programmes, with the touch of a button on the remote control. For channels offering Chinese content, such as VV Drama and E City, viewers can opt to view the information in Chinese text.
- Quick Surf – Enables users to access the Info Bar for all channels, without any disruption to the channel being viewed.
- Video Mosaic – Provides a quick visual search of programmes being aired on all available channels, by displaying 16 channels on a single screen.
- Programme Alert and Auto-Tune Setting – Programme Alert enables users to set reminder alerts for as many as four programmes, while the Auto-Tune Setting allows the digital set-top box to automatically switch to a pre-selected programme when it is aired.
- Chat – Subscribers can interact with like-minded viewers via SMS and MMS using their mobile phones.
- Pay-Per-View (PPV) – StarHub offers customised packages that cater to the special interests of customers. These packages can comprise sports, movies and other entertainment events.
- Near Video-On-Demand (NVOD) – Viewers may purchase and view programmes at scheduled times that are most convenient for them. These can be creatively packaged to meet the needs of different viewer segments. For example, viewers may want to purchase a thematic movies season pass or a discount pass that offers better value-for-money. Viewers can also choose to buy a single NVOD event.
- Other features include Genre Search, Last Channel Recall, Favourite Channel Setting, Parental Lock Setting, Recording Function, PIN Number, Self Help and Games.

## DIGITAL CABLE: FAR WIDER CHOICE

A Digital Cable customer is currently able to access over 70 channels (includes FTA), with more to come in the future.



# Operations Review

## CLEARING THE HURDLES

In its pursuit of providing an even higher level of service, StarHub will need to overcome several challenges:

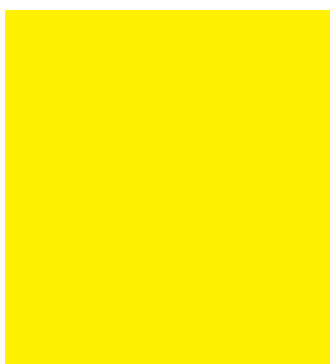
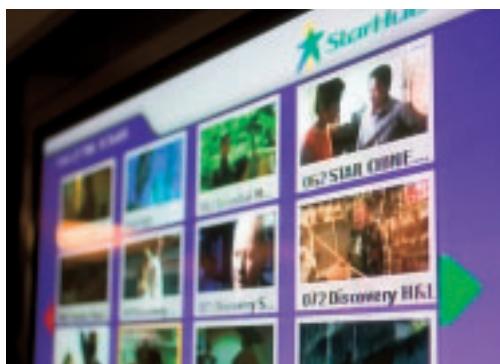
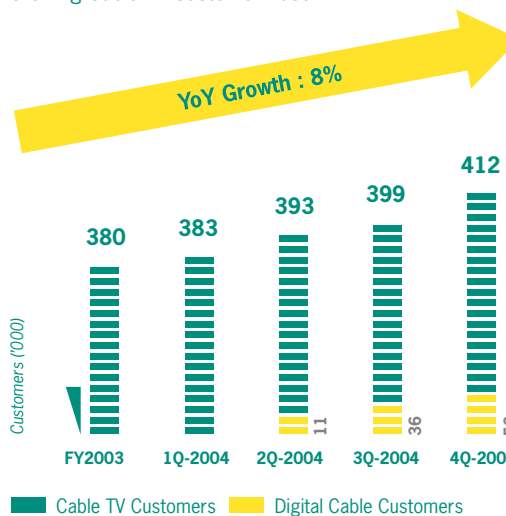
- It is difficult to serve Singapore's small but culturally fragmented market where StarHub's per-user content cost is above the global average. However, as 3G services and content-over-broadband-access services such as i.View gather momentum, the content distribution will be spread across a wider base of delivery channels.
- Several ADSL-based operators in Asia, Europe and North America have already launched triple-play services: TV, Internet and voice. There is nothing to stop competitors from doing the same, but StarHub believes its HFC network is suited for distributing broadcast content over cable efficiently.

## CABLE TV ACCOLADES

StarHub's cable TV programming publicity has achieved a strong reputation for developing many creative and compelling promotional spots that the audience remembers and cherishes. These promotional spots have garnered industry recognition in 2004, including the seven Gold and two Silver awards received at Promax&BDA International 2004, and the Bronze award at the New York Festival 2004 for E City's Entertainment Programme Opener and Title sequence.

StarHub has also received the "Family Television Commercial of the Year" award at this year's Singapore Advertising Hall of Fame awards for its funny and heart-warming cable TV commercial "Almanac".

Growing Cable TV Customer Base







StarHub offers a diversity of broadband services: cable broadband for residential usage, wireless broadband for surfing in public areas and corporate broadband – from Asymmetric Digital Subscriber Line (ADSL) to high-speed domestic leased circuits – offered under the Fixed Network range of products and services.

# Broadband

# Operations Review

## **BROADBAND: STRONG GROWTH**

StarHub differentiated itself at the outset with the method of Internet access for enabling residential broadband-based services. It provides broadband access to the Internet via its own HFC network, which also delivers cable TV and fixed-line telephony services.

The use of cable technology sharpens StarHub's edge as it leverages the same network to provide a wider diversity of services, which in turn, creates synergies across various lines of business.

StarHub's launch of its i.View service in 2004 illustrates this advantage while also reflecting its Hubbing strategy. i.View enables subscribers of StarHub's broadband-access service, MaxOnline, to view four selected quality TV channels in real-time broadcast quality via their computers at home.

By combining i.View and cable TV, StarHub has created exciting new opportunities for its customers who can now access content across a wider selection of channels, i.e. computers or TV. StarHub also benefits from economies of scale through collective negotiations and distribution of the same content through a wider range of channels, thus reducing per-user content acquisition costs.

For FY2004, revenue from Broadband services grew the fastest amongst all other lines of business at 37.3% to S\$125.9 million. This growth was achieved on the back of a 42.9% surge in customers with a greater percentage taking up the premium service plan. This achievement is significant in the context of Singapore's keenly competitive environment. As at 31 December 2004, StarHub's residential broadband base stood at 215,000, representing 46.2% of the residential broadband market. MaxOnline's monthly ARPU for FY2004 was S\$54 while churn was at a low of 1.1%.

## **UNTAPPED POTENTIAL**

According to the IDA, the number of broadband subscribers in Singapore grew by more than 122,000 to reach 512,000 as at the end of December 2004, an increase of 31% over the previous year. The household broadband penetration rate has also risen sharply to 42% as at end December 2004 from 33.3% in 2003.

Although Singapore's household broadband penetration rate is high, it is still below more established markets like Hong Kong SAR and South Korea. What that suggests is that Singapore's broadband access market still has room to grow.

Thanks to Hubbing, StarHub's ability to target prospective broadband subscribers from its existing customer base, enables the Company to enjoy lower marketing costs. StarHub's studies have shown that Hubbing does in fact increase ARPU on packaged services compared to services subscribed on a stand-alone basis.

## **CONSTANT INNOVATION**

StarHub's edge in building its broadband customer base is not just limited to the power of Hubbing. StarHub also offers many innovative and cost-effective plans that target specific segments of the market.

In January 2005, StarHub launched Singapore's highest speed residential broadband service – MaxOnline 6500. All users of its hitherto highest speed MaxOnline 3000 service were upgraded to this even faster service at no extra subscription charges. Customers still enjoy "always on", unlimited broadband access to the Internet through their existing cable modems at an enhanced download speed of up to 6.5 Mbps and upload speed of up to 384 Kbps. The new enhancement not only increases users' productivity, but also further encourages home networking while taking advantage of innovative multimedia Internet applications, such as video streaming and online gaming.

StarHub has also taken the lead to launch the MaxOnline FlexiSurf 1500 plan in 2004. This is Singapore's first pre-paid residential broadband service and among the first of its type to be implemented in Asia Pacific. The service is targeted at dial-up Internet users, to entice them to experience and eventually switch to cable broadband services.

The two examples above illustrate how StarHub has positioned itself to attract new subscribers from different market segments. All MaxOnline plans have one common denominator: they offer unlimited usage as StarHub believes households will be more comfortable with such plans than with time or limited usage-based plans.

# Operations Review

## CABLE ADVANTAGE

Broadband Internet access via cable has several advantages over other broadband transmission methods like ADSL for residential use:

- Speed – Cable can potentially offer a maximum speed of up to 40 Mbps versus 6 Mbps for ADSL.
- Delivery of broadcast content – StarHub's broadband cable network is designed as a broadcast network whereas ADSL is based on voice and data switching infrastructure. This makes cable an ideal choice for delivering broadcast quality video and audio content at high download speeds.
- Value – Cable has made it relatively easy for StarHub to offer flat-fee schemes with the highest download speed and unlimited usage, at competitive prices.
- Ease of use – MaxOnline's plug-and-play feature has made it easy for home users to extend into home networking.
- Ability to offer unique services – Cable's many special features have enabled StarHub to offer pre-paid broadband access with MaxOnline FlexiSurf 1500.

## CLEAR VOICE

StarHub is Singapore's only alternative carrier for the provision of residential fixed-line telephony services. The service, known as Digital Voice (DV), was launched in December 2002. StarHub's customers access the service via an integrated voice-enabled cable modem, which allows them simultaneous access to broadband Internet, as well as voice telephony.

The subscription fee for this service includes a telephone number-for-life feature, 300 minutes of free local call-time, Per Second Billing and free call time rollover. DV customers are also offered additional exclusive Hubber discounts for their IDD usage.

## THE WIRELESS WAVE

StarHub and its local roaming partners have the most extensive wireless broadband coverage in Singapore, covering some of the city-state's commercially strategic locations such as Singapore Changi Airport and Suntec City. All The Coffee Bean & Tea Leaf® outlets are also StarHub-managed hotspots. As part of StarHub's strategy to provide seamless integrated services to its customers, StarHub mobile, cable TV and MaxOnline customers are able to enjoy unlimited wireless broadband access at all StarHub-managed hotspots for just S\$10 a month.

In addition, StarHub has established local roaming partnership agreements with local wireless ISPs including iCell, Bluengine and Nautilus Networks. The partnerships ensure that wireless broadband coverage and roaming is organically grown within Singapore.

StarHub is widening its wireless broadband global footprint, having signed a series of roaming arrangements with five other major international wireless broadband operators in November 2004. This enables subscribers to continue their wireless surfing in countries that have members in the WBA. Through this, StarHub's roaming customers now have access to more than 10,000 hotspots across Asia, Europe and North America.



# Operations Review

StarHub's wireless broadband roamers can use their existing user IDs and passwords to connect to hotspots through a standard StarHub login interface. They also have the added convenience of having their roaming and usage charges billed to them by StarHub directly.

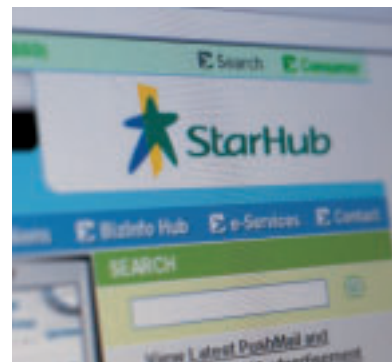
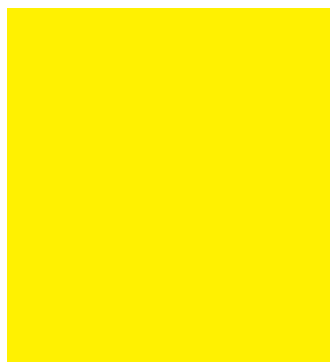
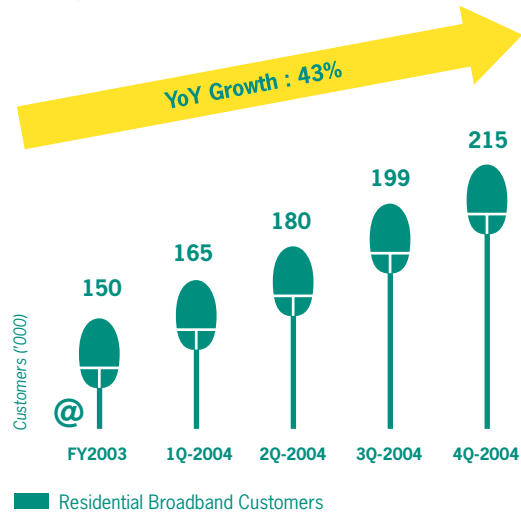
WBA members with a direct wireless roaming agreement with StarHub include: BT Group (UK), Maxis (Malaysia), NTT Communications (Japan), T-Mobile USA, Inc. and Telstra (Australia).

StarHub has also established international roaming arrangements with GoRemote, iPASS and Connexion by Boeing<sup>SM</sup>, an inflight broadband service that provides travellers with real-time, high-speed and secure Internet connectivity in mid-flight.

## CREATING CONTENT

Beyond providing broadband access, StarHub has developed a number of compelling online content channels for Singapore Internet users to experience. Launched in March 2004, StarHub's music download service called ;PLAY, offers Internet users up to 100,000 music tracks for purchase and download from leading record labels EMI and Sony Music. StarHub has also created a community-driven local arts portal called SPECTRUM in support of Singapore's local talents in short films, digital arts and animation. SPECTRUM was awarded "Best Writing / Content (Corporate Website category)" and "Best Multi-Image, Film or Video Hybrid PR / Image – Non-Profit (Corporate Film or Video categories)" at the "1st International Business Awards 2004". The music portal ;PLAY also secured the "Best Interface Design (Corporate Website category)" award.

Growing Residential Broadband Customer Base







StarHub's fixed network extends some 2,000 fibre kilometres around Singapore and directly connects over 800 commercial buildings. This infrastructure is used to offer a wide range of fixed network services, and along with digital microwave links, connect StarHub's cellular base stations. In addition, StarHub is connected to most undersea cable landing stations in Singapore.

# Fixed Network

# Operations Review

## SERVING THE BUSINESS WORLD

StarHub offers a wide range of fixed network services – broadly categorised as Data & Internet and Voice Services – which can be packaged to address each business customer's specific requirements. StarHub's strategy is to leverage its network and capacity to service both the business market and its own internal network supply requirements. It also leases capacity to other telecommunications carriers, which, in turn, resell to the business market.

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StarHub has the expertise and experience in serving business customers from diverse sectors including Manufacturing, Info-communications (IT, Media and Communications), Banking and Finance, Hospitality, Commercial and the Public Sector. Its fixed network services target customers ranging from large enterprises, small and medium enterprises (SMEs), to wholesalers and international carriers.

StarHub's fixed network also plays a critical role in supplying connectivity to our own mobile and cable units, since it is more economical to do so than buying leased capacity from third-party suppliers. This ensures that it is able to maintain a high consistent QoS to its customers.

## DATA & INTERNET SERVICES

Data & Internet revenues for Fixed Network grew by 10% in 2004 to S\$131.0 million as StarHub continued to offer higher bandwidth services to its corporate customers. Fixed Network currently provides a range of domestic and international circuits, exchange lines, Ethernet services, FR, ATM, corporate Internet access, IP VPN, facilities management and hosting services.

Fixed Network manages predominantly the following services:

- **Domestic Leased Circuit Services:** Domestic point-to-point and point-to-multipoint private circuits and domestic half-circuits from StarHub's exchanges to the customer premises, at speeds in multiples of 64 Kbps up to 1 Gbps. These are packaged and made available on various interfaces such as V.35, Ethernet, G.703, ESCON and FICON.
- **Domestic ATM and FR Services:** Multipoint-to-multipoint services, with bandwidth scaleable from 2 Mbps to 622 Mbps for ATM services and from 64 Kbps to 2084 Kbps for FR services. These services offer flexible yet robust connectivity to customers and service providers.
- **International Data Service:** Connectivity to global destinations via International Private Leased Circuits (IPLC), International FR and International ATM at various speeds and interfaces. StarHub offers IPLC services over a diverse range of cable networks including APCN, APCN2, EAC, FLAG, SMW3 and others. On July 2004, in collaboration with Indosat, Indonesia's leading telecommunications and information provider, StarHub began offering IP VPN services directly to Batam, Indonesia. The Indosat-StarHub IP VPN tie-up provides a cost-effective, scaleable and multi-point connectivity for companies that need higher quality connections to meet the growth expected in data telecommunications services between these two markets. With this service, companies are able to leverage MPLS technology with fully meshed network configurations, high security and prioritisation capabilities.
- **Internet Access Services:** StarHub provides Internet access over a wide range of connection speeds and options, from simple dial-up access, leased-line Internet, broadband ADSL access, through to ATM and MPLS networks.
- **Global IP Transit Services:** StarHub IP Exchange (SiX) is a comprehensive IP Transit Service designed to help Service Based Operators (SBOs) such as Domestic and Regional ISPs and content providers achieve superior performance for business communications needs. SiX offers more routing options to meet customers' specific requirements as well as excellent Global and Asian coverage.

# Operations Review

- **Co-location Services:** StarHub's co-location service enables companies to protect their investments and maintain their competitive edge through effective cost management of Internet connectivity, hardware, facilities and staff. Customers enjoy telco-class network facilities and round-the-clock support by experienced engineers, yet retain ownership and control over the operation and maintenance of their equipment. They can also gain access to Singapore ONE and Internet users via StarHub's Internet backbone and a direct link to the Singapore ONE broadband ATM network. StarHub also provides disaster recovery and business continuity options that add further value to its customers.
- **Facilities Management Services –** Being carrier-neutral, StarHub's Premier Facility Management Service provides companies with a 24-hour secure housing for corporate mission critical servers outside of the office.

## VOICE SERVICES

StarHub provides a whole range of voice offerings, from high-quality IDD to wholesale transit delivery of international voice traffic:

- **Voice:** Includes switched voice, PBX trunks, ISDN-2 and ISDN-30. With ISDN-30, companies will be able to access a host of applications such as a PBX office network, call centre set-ups and routers.
- **IDD:** Comprises IDD 008 and IDD 018 services; the former being a premium voice service. With these two access services, StarHub offers connections to some 230 destinations. Its international voice services are offered on an "All Day Flat Rate" basis, with Per Second Billing.

In addition, StarHub channels one per cent of the revenue from IDD services into the StarHub IDD Charity Fund. The Fund was started in 2000 and distributes its proceeds to foster communications and learning for the less privileged.

StarHub's share of the IDD market (in outgoing minutes) in 2004 was 12.9%, up from 11.5% in the previous year and 8.4% in 2002, but this has not translated into commensurate growth in revenue. While its IDD business generated 534 million minutes in 2004 versus 355 million minutes a year ago, revenue for Voice Services, of which IDD is the main component, remained steady at S\$93 million. This was due to the highly competitive IDD business, which continues to face increasing price pressure.

As part of its cost-effective offerings to customers of its fixed-line voice and mobile services, StarHub offers free IDD 018 calls to high-volume destinations such as China, Hong Kong SAR, Malaysia, Taiwan, Thailand and the USA. While this depresses revenue intake, the free IDD service has yielded huge benefits to StarHub's mobile business line, helping it to sprint from behind and capture slightly less than one-third of the Singapore market in just over four years.

- **Wholesale IDD:** Delivers international traffic on behalf of other operators to overseas destinations through partnerships with foreign carriers.

## BUSINESS SOLUTIONS

In addition to Data & Internet and Voice Services, StarHub offers a variety of other solutions that businesses demand:

- **Managed Email Security Service:** On April 2004, StarHub introduced Managed Email Security Service, a complete



# Operations Review

email security solution that protects businesses against spam and viruses while enabling content filtering of pornographic images. StarHub Managed Email Security Service is open to all businesses in Singapore, which have their own domain name, and is independent of the ISP email service they subscribe to. Powered by MessageLabs, the world's biggest email security company with 50 per cent of the managed email security market, the solution consists of three main services – an Anti-Spam Email Security Service, an Anti-Virus Email Security Service and a Pornographic Filtering Service.

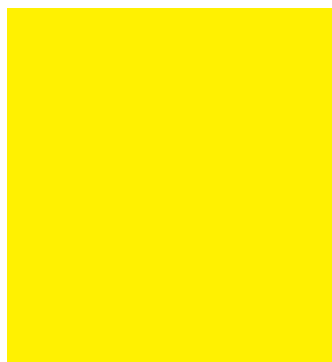
- Global Conferencing Service: StarHub Global Conferencing Service offers the latest suite of innovative conferencing services designed to meet the cross-border meeting needs of local and multinational companies. For Audio Conferencing services, StarHub delivers on-demand and event call features. For Multimedia Conferencing services, the Company offers Web Meeting facilities which give businesses all the control and functionality they need to manage calls, chat, share presentations, exchange materials, and even record the entire meeting for playback later – online. With eMeeting, customers are able to conduct virtual meetings and harness the power of real-time collaboration via the Internet. StarHub also delivers Multipoint Video Conferencing, an all-in-one meeting solution that provides the tools, expertise and support for companies to host productive meetings.
- Global Managed Services: StarHub brings a comprehensive range of international network services for multinational corporations in Singapore. The fully managed private network services – using data protocols such as FR, IP and ATM – cover over 50 countries, and IPLC offers direct private connections to major business centres around the world.

Global Managed Services includes:

- Arcstar Global Managed services – StarHub is the exclusive provider of Arcstar's range of global managed services to multinationals in Singapore. With a complete suite of international and domestic network services from StarHub and NTT, companies will be assured of total end-to-end solutions from StarHub. Services offered include Arcstar Global Bandwidth Service, Arcstar Global FR Service, Arcstar Global ATM Service and Arcstar Global IP VPN Service.
- BT Global Managed Services – StarHub is the premier provider of BT Global Services in Singapore. With an extensive portfolio of services, BT has created an integrated global service range with common pricing structures, common service availability, features and support options. Services on offer include BT Global Managed Data and IP Services, BT Global Managed Voice Services, BT Contact Centre Service and BT Business Voice.

## IHUB: INNOVATION CENTRE FOR BUSINESS SERVICES

To provide more information to StarHub's customers, the Company recently launched iHub, a one-stop innovation centre that showcases StarHub's business services and next-generation info-communications applications. Located on the ground floor of StarHub Centre, iHub enables both retail and business customers to visualise product concepts by providing them a 'touch-and-feel' environment.



# Organisation Excellence & Vitality

## STARHUB'S #1 ASSET: PEOPLE

More than anything, StarHub's success rests on the commitment and talent of its people. It takes a special breed of individuals, those with a good measure of creativity, a passion for excellence, integrity and dedication to be called "StarHubbers" – a term that its employees are often fondly called. These attributes are key to what defines, and differentiates the Company from its competitors.

Without a doubt, StarHubbers form the cornerstone of the success that the Company enjoys today. Its energised people keep StarHub on the cutting edge. StarHub's human capital ensures that StarHub is continually known as an innovator and challenger in the marketplace.

Over the years, StarHub had stepped up efforts to attract and develop the best talents in the industry. The Company has ensured that its people are equipped with the tools to win in the marketplace. As the third entrant in the telecommunications arena, these were necessary measures for the Company to effectively address the competition. And if its achievements to date are anything to go by, StarHubbers have not only delivered, but attained extraordinary goals. For example, in 2004, 92 StarHubbers from its Customer Service and Technical Service teams were recognised at the SPRING Singapore's prestigious "Excellent Service Awards", while its customer service consultants secured six major wins at the "4th Annual Call Centre Awards" organised by the Call Centre Council of Singapore.

Employees are groomed to embed the StarHub brand name so that they not only serve customers with pride, they also champion the virtues of StarHub and its service offerings.

In today's society, any successful business needs to retain good people. On this note, StarHub values and respects employees, recognises and rewards their performances. It also provides them with meaningful growth opportunities and career development. StarHub strongly believes in investing in, and tapping the power of its people.

Employees across the Company are provided with skills development and training programmes. The Company has put in place a robust leadership development programme where young individuals are identified at an early stage and given the opportunity to be groomed for key leadership roles in the organisation.

In 2005, StarHub will focus on identifying and growing young talents to meet future technological and leadership needs. StarHub remains vigilant in ensuring that it has the right resources, and the relevant competency and skills to support the Company's growth in business.

Indeed, StarHub is defining the future of info-communications by securing the best talents, tools and technologies across the enterprise. And its people, StarHubbers, will remain the bedrock foundation of its future successes.





# Organisation Excellence & Vitality

## CORPORATE CITIZENRY

Good corporate citizenship is a key StarHub value. The Company builds strong bonds with its communities by volunteering and financially supporting a wide range of worthy causes.

This strong commitment to corporate philanthropy is important to its company culture and business philosophy. Just as StarHub works towards building bonds with its customers, it also actively reaches out to the communities it serves.

For instance, StarHub has conscientiously taken on the role of helping the less-privileged, by channeling one per cent of the revenue generated from its IDD 008 and IDD 018 services, into the StarHub IDD Charity Fund. Launched in July 2000, the StarHub IDD Charity Fund serves to directly benefit the less fortunate in society.

Over the years, StarHub has been contributing to local communities in the form of cash, assistance in-kind and time. These range from donating wheelchairs and IT equipment to various charities, to supporting the President's Challenge in 2003 and 2004. In addition, StarHub has supported Singapore's National Family Week 2004 organised by the Ministry of Community, Development and Sports, as well as Play! Singapore 2004 to raise funds for the Community Chest.

## CHARITY DRIVES FOR THE TSUNAMI DISASTER

Most recently, StarHub rallied behind the call for humanitarian aid when the tsunami swept across several Asian countries in December 2004. Just days after the tragedy struck, StarHub set in motion a series of initiatives which generated about S\$700,000 to meet the immediate needs of those afflicted.

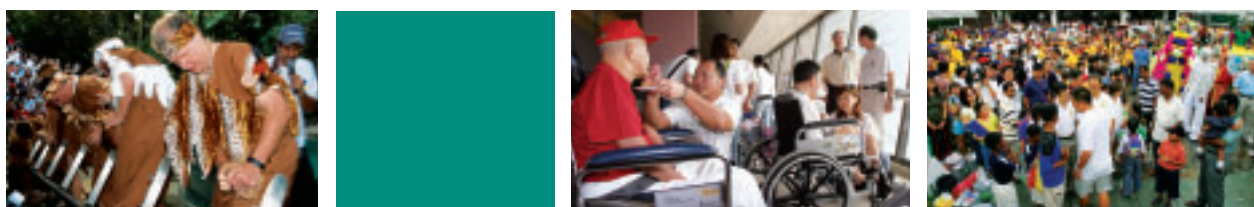
On the corporate front, the Company made a cash donation of S\$100,000 from the StarHub IDD Charity Fund to a foundation supported by the Raffles Medical Group; and another S\$100,000 to "Network Indonesia" – a business-networking organisation spearheaded by a Singapore government agency.

At the retail level, StarHub made available Singapore Red Cross donation boxes at all 50 StarHub Shops and preferred partner outlets island-wide. It also initiated a service that enabled its post-paid mobile subscribers to donate S\$10 via each SMS. In addition, all StarHub customers were given the option to convert their reward points into donations.

## LOCAL ARTS SUPPORT

Besides helping the less privileged, StarHub is also a strong supporter of the local arts scene, and firmly believes in nurturing and cultivating local artistes and production works. Singapore-based jazz duo Jeremy and Claressa Monteiro, Michael Veerapen, T'ang Quartet, and the locally produced movie "One Leg Kicking", directed by Singaporean award-winning film maker, Eric Khoo, have all benefited from StarHub's support.

StarHub was conferred the "Patron of the Arts Award" for the first time in 2002, and the "Friend of the Arts Awards" in 2003 and 2004, by the National Arts Council. StarHub is also a Founding Corporate Patron of the Esplanade – Theatres on the Bay. From 2002 to 2004, StarHub was an ardent supporter of the Singapore Arts Festival, playing an instrumental role in generating awareness of the Festival's performances among local audiences.



# Group Financial Review

## 1.1 OPERATING REVENUE

Operating revenue	Year ended 31 December				Change (%)
	S\$m	2004 %	S\$m	2003 %	
Mobile revenue	<b>712.7</b>	<b>52.6</b>	559.5	50.0	27.4
Cable TV revenue	<b>223.7</b>	<b>16.5</b>	211.4	18.9	5.8
Broadband revenue	<b>125.9</b>	<b>9.3</b>	91.7	8.2	37.3
Fixed network services revenue	<b>224.6</b>	<b>16.6</b>	212.5	19.0	5.7
Total service revenue	<b>1,286.9</b>	<b>95.0</b>	1,075.1	96.1	19.7
Sales of equipment	<b>68.3</b>	<b>5.0</b>	43.1	3.9	58.5
Total	<b>1,355.2</b>	<b>100.0</b>	1,118.2	100.0	21.2

For the year, the Group's operating revenue grew by S\$237.0 million or 21.2% to S\$1.36 billion with growth exhibited in all our four lines of business. At the service revenue level, revenue grew by 19.7% year-on-year to S\$1.29 billion.

During the year, Mobile services revenue grew 27.4% to S\$712.7 million, driven by the increase in the mobile customer base and improvement in both the pre-paid and post-paid ARPUs.

Broadband services revenue for the year increased to S\$125.9 million, which registered the strongest growth rate of 37.3%. This is on the back of an increased residential broadband customer base of 215,000 customers.

Cable TV revenue grew steadily at 5.8% driven mainly by an increase in the take-up of Digital Cable, which was introduced at the end of May 2004, as well as the increased penetration into the households.

Fixed network services revenue grew 5.7% to S\$224.6 million during the year. The increase is driven mainly by the growth in the Data and Internet services, which revenue grew 10% year-on-year.

Revenue from sales of equipment during the year increased 58.5% to S\$68.3 million, driven mainly by the higher acquisition and retention activities in the mobile line of business and higher average selling prices of the various handsets available.

In terms of revenue mix, Mobile services revenue continues to account for the largest mix at 52.6%. Broadband revenue accounted for 9.3% of the operating revenue mix, an increase from 8.2% in FY2003. Cable TV revenue and Fixed Network services revenue both registered a lower contribution to the revenue mix at 17% each.

# Group Financial Review

## 1.2 OPERATING EXPENSES

Operating expenses	Year ended 31 December 2004		Year ended 31 December 2003		Change (%)
	S\$m	%	S\$m	%	
Cost of sales	460.1	33.6	348.0	27.9	(32.2)
Other operating expenses	910.5	66.4	901.1	72.1	(1.0)
<b>Total</b>	<b>1,370.6</b>	<b>100.0</b>	<b>1,249.0</b>	<b>100.0</b>	<b>(9.7)</b>

Total operating expenses grew 9.7% during the year to S\$1.37 billion. The increase was primarily due to an increase in the variable cost of sales, which increased 32.2% as the customer base grew and business volumes expanded across all our four lines of business.

Cost of sales	Year ended 31 December 2004		Year ended 31 December 2003		Change (%)
	S\$m	%	S\$m	%	
Cost of equipment sold	155.7	33.8	106.9	30.7	(45.5)
Cost of services	131.6	28.6	119.1	34.2	(10.5)
Traffic expenses	172.9	37.6	121.9	35.0	(41.8)
<b>Total</b>	<b>460.1</b>	<b>100.0</b>	<b>348.0</b>	<b>100.0</b>	<b>(32.2)</b>

For the year, cost of sales increased 32.2% to S\$460.1 million. As a percentage of operating revenue, cost of sales increased three percentage points to 34% compared to 31% in FY2003.

Cost of equipment sold increased 45.5% year-on-year as the volume of handsets sold increased, while the 41.8% increase in traffic expenses was as a result of a 50% increase in international traffic volumes. The higher cable TV customer base and an increase in programming and content applications costs resulted in the cost of services increasing 10.5% during the year.

Other operating expenses	Year ended 31 December 2004		Year ended 31 December 2003		Change (%)
	S\$m	%	S\$m	%	
Depreciation and amortisation	339.6	37.3	333.0	37.0	(2.0)
Staff costs	192.3	21.1	188.1	20.9	(2.2)
Operating lease	120.4	13.2	123.2	13.7	2.3
Marketing and promotion	121.6	13.4	106.9	11.9	(13.7)
Allowance for doubtful debts	19.4	2.1	25.9	2.9	25.2
Repair and maintenance	52.9	5.8	53.7	6.0	1.5
Other expenses	64.3	7.1	70.2	7.8	8.4
<b>Total</b>	<b>910.5</b>	<b>100.0</b>	<b>901.1</b>	<b>100.0</b>	<b>(1.0)</b>

Overall for the year, the Group's other operating expenses increased marginally by 1.0% to S\$910.5 million. As a percentage of operating revenue, other operating expenses registered a 14 percentage points decrease to 67% from 81% a year ago, reflecting an improved operating efficiency in the business.

# Group Financial Review

## 1.2 OPERATING EXPENSES (CONT'D)

Depreciation and amortisation expenses for the year increased marginally by 1.0% as some assets that have been fully depreciated during the year offset the increase in depreciation due to annual additions in the fixed assets base.

Staff costs were managed within a marginal increase of 2.2% for the year despite increased business volume.

Marketing and promotion expenses for the year increased 13.7%, due to higher marketing and promotional activities which included the launch of Digital Cable, a new brand campaign and the celebration for achieving the “one-millionth mobile customer” milestone during the year.

The above increases were offset by decreases in other expense components in other operating expenses as described below.

Allowance for doubtful debts decreased from S\$25.9 million in FY2003 to S\$19.4 million this year due to the better collection efforts and increased payment modes to facilitate the ease of bill payments by customers.

Other expenses decreased 8.4% year-on-year due principally to lower billing & collections cost and a reduction of bad debts.

Operating lease expenses and repair & maintenance expenses were marginally lower by 2.3% and 1.5% respectively.

## 1.3 PROFITABILITY

	Year ended 31 December 2004 S\$m	2003 S\$m	Change (%)
Loss from operations	<b>(14.5)</b>	(129.8)	88.8
Loss after taxation	<b>(52.4)</b>	(45.9)	(14.2)
Net loss	<b>(52.4)</b>	(45.9)	(14.2)
EBITDA	<b>325.1</b>	203.1	60.0
EBITDA as a % of service revenue	<b>25.3%</b>	18.9%	6.4% pts

The strong growth in operating revenue and improved operating efficiencies resulted in the Group's annual EBITDA increasing significantly by 60.0% to S\$325.1 million in FY2004. As a percentage of service revenue, EBITDA margin increased to 25% compared to 19% in FY2003.

At the operating profit level, the Group registered a small loss of S\$14.5 million in FY2004. This is a reduction of S\$115.3 million or 88.8% from S\$129.8 million operating loss in FY2003.

The Group's net loss after tax for FY2004, at S\$52.4 million was 14.2% higher than previous year. This was due to a one-time non-cash tax debit adjustment of S\$15 million in the first quarter of 2004 to restate the deferred tax assets as a result of a change in the corporate income tax rate, and an IDA compensation credit of S\$90 million in the first quarter of 2003.

# Group Financial Review

## 1.4 CAPITAL EXPENDITURE AND COMMITMENTS

During the year, the Group undertook major infrastructure programmes such as the upgrading of its network to deliver digital services and installed its new 3G mobile network. It also invested in increasing capacities on its cable broadband, mobile and fixed networks to cater to the growth in the customer base and the increase in business volumes.

Capital expenditures cash outflow for the year at S\$221 million is at a level comparable to FY2003. As a percentage of operating revenue, capital expenditures cash outflow decreased to 16% compared to 20% in FY2003.

As at 31 December 2004, we had S\$154.4 million of capital expenditure commitments outstanding. These relate mainly to commitments for network capacity expansion and for 3G network rollout.

## 1.5 LIQUIDITY AND CAPITAL RESOURCES

	Year ended 31 December		
	2004	2003	Change
	S\$m	S\$m	(%)
Profit/(Loss) before tax	(28.1)	(53.5)	47.6
Net change in working capital	(7.1)	46.3	(115.2)
Non-cash items & net interest expense adjustments	373.6	271.4	37.6
Net cash provided by operating activities	338.5	264.3	28.1
Net cash used in investing activities	(219.9)	(218.9)	(0.5)
Net cash used in financing activities	(65.7)	(38.5)	(70.7)
Net change in cash and cash equivalents	52.8	6.9	667.7
Cash and cash equivalents at beginning of the year	73.8	66.9	10.3
<b>Cash and cash equivalents at end of the year</b>	<b>126.7</b>	<b>73.8</b>	<b>71.6</b>
<b>Free Cash Flow <sup>(1)</sup></b>	<b>117.9</b>	<b>43.0</b>	<b>174.4</b>

Note: (1) Free cash flow refers to net cash flow from operating activities less purchase of fixed assets in the cash flow statement

The Group generated strong operating cash flow from operations of S\$338.5 million in FY2004, an improvement of 28.1%, from FY2003. After applying the funds for the investment in capital expenditure of S\$221 million, free cash flow was S\$117.9 million, an increase of 174.4% year-on-year.

During the year, the Group made S\$66.5 million loans repayment which resulted in the Group's interest-bearing borrowings to be lower at S\$319.5 million as at 31 December 2004.

As at the end of FY2004, the Group's closing cash balance amounted to S\$126.7 million.

## 1.6 GEARING

Gross debt to EBITDA for FY2004 was 1.0x as compared to 1.9x in FY2003, while net debt to equity ratio was 0.22 compared to 0.35 last year. The improvement in these ratios was attributable to the lower debt balance, a strong cash flow and its strong operating performance in FY2004.

Note: Numbers in tables may not add up due to rounding.



# Corporate Governance

*“It seems obvious enough but bears repeating that **corporate governance is not an end in itself**. What companies have to avoid is a wooden approach to corporate governance, ticking boxes in terms of attendance, composition of committees, and so on, and focusing on processes that are easily observed from outside rather than on the quality of governance, which is less easily measured. **Whether boards are effective will ultimately depend on their substance** – whether directors have the skills, knowledge and good judgment, individually and collectively, **and whether they retain the spirit of entrepreneurship that distinguishes the successful companies from the rest...**The issue is therefore not about the existence of conflicts of interests, but how they can be best managed in the interests of all shareholders.”*

*– Tharman Shanmugaratnam, Senior Minister of State for Trade and Industry & Education, at the 28th Annual Report Award Dinner on 9 January 2002.*

## CORPORATE GOVERNANCE STATEMENT

Our principles of corporate governance reflect our heritage and belief in delivering results while building for the future. We believe firmly that integrity, excellence and commitment in our people supported by a sound system of policies, practices and internal controls are the success elements that will help us create long-term value and returns for shareholders.

We believe that integrity and professionalism are the cornerstone of our commitment to build a great company that shareholders, staff, customers, suppliers and other stakeholders can be justifiably proud of. Sound corporate governance is one element of a sound corporation. This is a necessary though not sufficient requisite for our businesses to continue their steady growth as a trusted and respected business enterprise.

Corporate governance principles and practices must remain relevant in a changing world. Just as we will be open to new ideas and practices, we will also be disciplined in discarding obsolete or ineffective practices and impractical ideas. This will be an on-going effort to remain lean, relevant and supple, as we evolve with the needs of our business and our people to build a great enterprise and deliver on our promises.

We welcome the continued efforts of the regulators, exchange and various players to continually update practices, and nurture the development and growth of a sound and fair market. The exchange exists after all for companies and businesses to raise capital and fund their growth through a public market. Fair and transparent practices and rules enable all players, companies and investors alike, to engage in an effective partnership to create and share

wealth equitably. Full and timely material disclosure is an essential element of fair trade in a thriving and dynamic market, and we recognise that transparency is at the heart of sound corporate governance. We firmly believe that good corporate governance practices form the basis of public confidence in StarHub's corporate system.

In conjunction with the Singapore Code of Corporate Governance (“Code”) which was introduced in July 2002, the SGX-ST required that with effect from 1 January 2003 that all listed companies must describe their corporate governance practices with specific reference to the Code in their annual report, as part of their continuing obligations under the SGX-ST Listing Manual. They must disclose any deviation from any aspect of the Code together with an appropriate explanation for such deviation in the annual report.

Nevertheless, it is every intent of the Code to encourage listed companies to adopt a balanced approach to the application of the principles of the Code by appreciating the underlying issues underpinning each of the principles and observing **“the spirit and not just blindly follow the letter of the Code...”**.

## CORPORATE GOVERNANCE REPORT 2004

This Report sets out how StarHub has sought to observe the spirit of the Code and effectively apply the principles of good corporate governance in a disclosure-based regime, where the accountability of the Board to its shareholders, and Management to the Board, provides the framework for achieving a mutually beneficial tripartite relationship aimed at creating and growing sustainable shareholder value.

# Corporate Governance

StarHub is committed to achieving high standards of corporate conduct and has generally complied with the principles of the Code. This Report sets out the principles of the Code in a structure that is similar to the Code.

## (A) BOARD MATTERS

### Principle 1: Board's Conduct of its Affairs

The key roles of our Board are to:

- guide the overall corporate strategy and directions of the StarHub Group;
- ensure effective management leadership of the highest quality and integrity; and
- provide oversight in the proper conduct of StarHub's businesses.

Every Director is required to act in good faith and always in the interest of all the shareholders.

The Board meets to review the key activities and business strategies of the StarHub Group. Regular Board Meetings are held quarterly to deliberate strategic matters and policies of the StarHub Group including significant acquisitions and disposals, the annual budget, review the performance of the business and approve the release of the quarterly and year-end results. Where necessary, additional Board meetings are also held to address significant transactions or issues. A total of five Board meetings were held in the financial year ended 31 December 2004. The matrix of the Board members' attendance at the aforesaid Board meetings is set out in Annex 1 of this Report. The Articles of Association provides for teleconference and videoconference Board Meetings.

The Board is supported by Board committees which are delegated specific responsibilities, as described under "Principle 4: Board Membership" of this Report. The matrix of the Board members' participation in the various Board committees is provided in Annex 1 of this Report. This reflects each Board member's additional responsibilities and special focus on the respective Board committees of StarHub.

The Board has adopted a set of internal controls, which sets out authority and approval limits for capital and operating expenditure, investments and divestments, bank borrowings and cheque signatories arrangements at Board level. Authority and approval sub-limits are also provided at Management levels to facilitate operational efficiency.

Management monitors changes to regulations and accounting standards closely. To keep pace with regulatory changes, where these changes have an important bearing on StarHub's or the Directors' obligations, Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals.

Newly-appointed Directors are given briefings by Management on the business activities of the Group and its strategic directions, as well as their statutory and other duties and responsibilities as directors.

All Directors and employees of the StarHub Group are prohibited from dealing in StarHub shares two weeks before the respective announcements of its first three quarters results, and one month before the announcement of its full year results. Restrictions are lifted from the date of the announcement of the respective results. All Directors and employees of the StarHub Group are also required to observe the insider trading laws at all times.

### Principle 2: Board Composition and Balance

An effective Board for StarHub must be constituted with a majority of non-executive Directors independent of Management, with the right core competencies and diversity of experience to enable them in their collective wisdoms to contribute effectively.

The Board comprises 11 Directors, ten of whom are non-executive Directors and independent of Management. The executive Director is Steven Terrell Clontz, who is the President & CEO. Of the ten non-executive Directors, four are independent of the principal shareholder. These four Directors are Kua Hong Pak, Teo Ek Tor, Nihal Vijaya Devadas Kaviratne and Liu Chee Ming. An additional fifth independent Director will be appointed in 2005, subject to obtaining all relevant regulatory approvals.

The Board has further determined that the Board is of an appropriate size to meet the objective of bringing a balance of expertise, skills and experience to bear on the deliberations of the various Board committees that its Directors sit on. The Board comprises business leaders with broad international experience, professionals with financial backgrounds, and members of the public sector. The composition of the Board enables Management to benefit from an outside diverse and objective perspective of issues that are brought before the Board. It also enables the Board to interact and work with Management through a robust exchange of ideas and views to help shape the strategic direction.

# Corporate Governance

This together with a clear separation of the role of the Chairman and the CEO provides a healthy professional relationship between the Board and Management, with clarity of roles and robust oversight.

Profiles of each Director are found on pages 16 and 17 of the report.

### **Principle 3: Chairman and Chief Executive Officer**

We believe there must be a clear separation of the roles and responsibilities between the Chairman and the CEO of StarHub. The Chairman and the CEO are separate persons in order to maintain an effective balance of power and responsibilities.

The Chairman is Tan Guong Ching, a non-executive Director. The Chairman leads the Board and ensures that the members of the Board work together with Management with the capability and moral authority to engage Management in constructive debate on various matters, including strategic issues and business planning processes.

The President & CEO is Steven Terrell Clontz, a Board member charged with full executive responsibility for the running of the StarHub Group's businesses and making operational decisions for the StarHub Group and implementing the StarHub Group's business directions, strategies and policies.

### **Principle 4: Board Membership**

We believe that Board renewal must be an ongoing process, to ensure good governance, and maintain relevance to the changing needs of the company and business. The President & CEO, who is also a Board member, must also subject himself to retirement and re-election by shareholders as part of the Board renewal. Nominations and election of Board members are the prerogatives and proper rights of all shareholders.

The Board is supported by key Board committees to provide an independent view of Management. These key committees are the Audit Committee ("AC"), the Executive Remuneration and Compensation Committee ("ERCC") and the Nominating Committee ("NC"). These committees are made up of independent and/or non-executive Directors. Other Board committees can be formed from time to time to look into specific areas as and when the need arises. Membership in the different Board committees are carefully managed to ensure that there is equitable distribution

of responsibilities amongst Board members, to maximise the effectiveness of the Board and foster active participation and contribution from Board members. Diversity of experiences and appropriate skills are also considered. There is a need to also ensure that there are appropriate checks and balances between the different Board committees.

The NC is responsible for identifying and selecting new directors. The NC comprises Peter Seah as Chairman, Lee Theng Kiat and Lim Ming Seong. The members of the NC (including the Chairman) are non-executive Directors independent of Management. Shareholders are also encouraged to propose suitable candidates to the NC and the Board for consideration. A matrix of the Directors' participation and attendance at the NC meetings held during the year is set out in Annex 1 of this Report.

The composition of the ERCC is identical to the NC. The ERCC is responsible for ensuring that adequate processes are in place for leadership development, talent management and succession planning, as well as maintaining proper compensation policies to motivate and retain StarHub's talent pool.

Our Articles of Association require one-third of our Directors to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("one-third rotation rule"). In other words, no Director stays in office for more than three years without being re-elected by shareholders.

In addition, a newly appointed Director is required to submit himself for retirement and re-election at the Annual General Meeting ("AGM") immediately following his appointment. Thereafter, he is subject to the one-third rotation rule.

### **Principle 5: Board Performance**

We believe that Board performance is ultimately reflected in the performance of the StarHub Group. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of StarHub and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that StarHub is ably led. The measure of a Board's performance is also tested through its ability to lend support to Management especially in times of crisis and to steer the StarHub Group in the right direction, including the sensitive but most important issue of the President & CEO succession.

# Corporate Governance

The financial indicators set out in the Code as guides for the evaluation of Directors are in our opinion more of a measure of Management's performance and hence are less applicable to Directors. In any case, such financial indicators provide a snapshot of a company's performance, and do not fully measure the sustainable long-term wealth and value creation which the company hopes to achieve.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to our Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the StarHub's business and that each Director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Informal reviews of the Board's performance are undertaken on a continual basis by the NC with inputs from the other Board members and the President & CEO. Renewals or replacement of Board members do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium term needs of StarHub and its business.

## **Principle 6: Access to Information**

We believe that the Board should be provided with timely and complete information prior to Board meetings and as and when the need arises.

Induction programmes are provided to new Board members whereby they are fully briefed on the business and performance of the StarHub Group.

Management provides adequate and timely information to the Board on the company's affairs and issues that require the Board's decision as well as monthly reports providing updates on key operational activities and financial analysis on the performance of the StarHub Group. The monthly flow of information and reports allow the Directors to make informed decisions and also to keep abreast of key challenges and opportunities between Board meetings for the StarHub Group. Frequent dialogue takes place between Management and members of the Board, and the President & CEO encourages Directors to interact directly with all members of the Management team.

The Articles of Association of StarHub provide for Directors to participate in meetings by teleconferencing or videoconferencing. Where a physical Board meeting is not possible, timely communication with members of the Board is effected through electronic means, which include electronic mail and teleconferencing. Alternatively, Management will arrange to personally meet and brief each Director before seeking the Board's approval.

The Board has separate and independent access to the senior Management and the Company Secretary at all times. The Board also has access to independent professional advice where appropriate.

Likewise, the AC also meets the external and internal auditors separately at least once during the year, without the presence of the President & CEO and other senior Management members, in order to have free and unfiltered access to information that it may require.

## **(B) REMUNERATION MATTERS**

### **Principle 7: Procedures for Developing Remuneration Policies**

### **Principle 8: Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

We believe that a framework of remuneration for the Board and key executives should not be taken in isolation. It should be linked to the development of Management and key executives to ensure that there is a continual development of talent and renewal of strong and sound leadership for the continued success of StarHub and its business. For this reason, the ERCC oversees the compensation package for Management and key executives as well as Directors.

All members of the ERCC are non-executive Directors, independent of Management. From time to time, we may co-opt an outside member into the ERCC to provide a global perspective of talent management and remuneration practices.

While the Chairman of the ERCC is not regarded as independent within the context of the definition of "independence" in the Code, he is a non-executive Director independent of Management with a clear separation of his role from Management in deliberations of the ERCC. The ERCC has access to expert professional advice on human resource matters whenever there is a need to consult

# Corporate Governance

externally. In its deliberations, the ERCC takes into consideration industry practices and norms in compensation. The President & CEO is not present during the discussions relating to his own compensation, and terms and conditions of service, and the review of his performance. However, the President & CEO will be in attendance when the ERCC discusses the policies and compensations of the senior Management team and key staff, as well as major compensation and incentive policies such as share options, stock purchase schemes, framework for bonus, staff salary and other incentive schemes.

The ERCC has been authorised by the Board to carry out, among other things, the following duties and responsibilities:

- Reviewing and establishing competitive compensation policies for key executives and Directors with focus on long term sustainability of business and long term shareholders' return;
- Reviewing major human resource management and compensation policies and practices for the rest of the employees of the StarHub Group;
- Reviewing and approving share incentives including share options and conditional performance share and restricted stock awards under the StarHub's approved share plans;
- Conducting, on an annual basis, a succession planning review of the President & CEO, all his direct reports, and key officers such as the Chief Operating Officer and the Chief Financial Officer. Potential internal and external candidates for succession are reviewed for different time horizons of immediate, medium term and longer term needs;
- Approving key appointments and reviewing succession plans for key positions; and
- Overseeing the development of leadership and management talent in the StarHub Group specifically.

The ERCC meets among its members without the presence of Management, at least once a year. A matrix of the Directors' participation and attendance at the ERCC meetings held during the year is set out in Annex 1 of this Report.

All decisions at any meeting of the ERCC shall be decided by a majority of votes of the ERCC members present and voting (the decision of the ERCC shall at all times exclude the vote, approval or recommendation of any member who has a conflict of interest in the subject matter under consideration).

The President & CEO as executive director does not receive director's fees. He leads the Management team. His compensation consists of salaries, bonuses, benefits-in-kind and share options. The details of his compensation package are found in Annex 2 of this Report.

Non-executive Directors have remuneration packages which consist of a directors' fee component pursuant to its Directors' Fee policy and a share options component pursuant to StarHub's Employee Share Option Plans 2000 and 2004. The description of the aforesaid share option plans is set out in the Directors' Report. The Directors' Fee policy is based on a scale of fees divided into basic retainer fees as director and additional fees for serving on Board committees. Directors' fees for non-executive Directors are subject to the approval of shareholders at each AGM.

The remuneration of the President & CEO and the top six key executives who are not also directors of StarHub is set out within bands of S\$250,000 in Annex 2 of this Report.

There is no employee who is an immediate family member of a director or the CEO whose remuneration exceeds S\$150,000 a year.

## (C) ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

We have always believed that we should conduct ourselves in ways that deliver maximum sustainable value to our shareholders. We promote best practices as a means to build an excellent business for our shareholders. The Board has overall accountability to shareholders for the StarHub Group's performance and ensuring that the StarHub Group is well managed and guided by its strategic objectives. Management provides the Board members with monthly business and financial reports, comparing actual performance with budget and highlighting key business indicators and major issues that are relevant to StarHub's performance, position and prospects.

Prompt compliance of statutory reporting requirements is but one way to maintain our shareholders' confidence and trust in our capability and integrity.



# Corporate Governance

## **Principle 11: Audit Committee**

The AC consists of four non-executive Directors, the majority of whom including the Chairman are independent Directors. The AC members are Kua Hong Pak as Chairman, Lim Ming Seong, Nihal Vijaya Devadas Kaviratne and Teo Ek Tor. The members bring with them invaluable managerial and professional expertise in the financial domain.

The AC has a set of Terms of Reference defining its scope of authority which includes review of the annual audit plan, internal audit process, the adequacy of internal controls, Interested Person Transactions for which there is a shareholders' mandate renewable annually. The AC has full authority to commission and review findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or violation of any law likely to have a material impact on the StarHub Group's operating results. The AC is also authorised to investigate any matter within its Terms of Reference with the full co-operation of Management.

The AC reviews and approves the quarterly, half-yearly and annual financial statements and the appointment and re-appointment of auditors before recommending them to the Board for approval.

The AC meets with the external and internal auditors, without the presence of Management, at least once during the year to review the previous financial year's results.

The AC reviews the nature and extent of non-audit services provided by the external auditors during the year to assess the external auditors' independence, and is satisfied that their independence has not been impaired by the provision of non-audit services. The external auditors, KPMG has provided a confirmation of their independence to the AC. The AC has recommended to the Board that KPMG be nominated for re-appointment as StarHub's external auditors at the next AGM.

The matrix of the Directors' participation in the AC and attendance at the AC meetings held during the year is found in Annex 1 of this Report.

## **Principle 12: Internal Controls**

### **Principle 13: Internal Audit**

We believe in the need to put in place a system of internal controls of the StarHub Group's procedures and processes to safeguard shareholders' interests and company's assets, and to manage risks.

The AC is delegated the full responsibility to review, with the external auditors, their evaluation of the effectiveness and adequacy of the system of internal accounting controls of the StarHub Group, and monitor the response to their findings and actions taken to correct any noted deficiencies. Such review is undertaken at least once a year on:

- the integrity, confidentiality and availability of critical information;
- the effectiveness and efficiency of operations;
- the safeguarding of assets; and
- the compliance with laws and regulations.

StarHub has put in place policies on proper employee behaviour and conduct which includes the observance of confidentiality obligations on our company and customer information, and the safeguarding of integrity of our systems.

During the financial year and up till 31 December 2004, the internal audit function of the StarHub Group was supported by the Group Internal Audit Department of Singapore Technologies Pte Ltd ("GIA"). GIA subscribes to and is guided by the Standards for the Professional Practice in Internal Auditing set by the Institute of Internal Auditors.

The Internal Audit planned its internal audit schedules in consultation with, but independent of Management and its plan was submitted to the AC for approval at the beginning of the financial year. The AC reviewed and approved the Internal Audit plan and the scope and results of the internal audit procedures. The AC also met with the GIA team at least once during the year without the presence of Management.

Based on the work performed by GIA during the financial year and the review undertaken by external auditors, the AC is of the opinion that there are adequate internal controls within the StarHub Group and nothing has come to the Board's attention to cause the Board to believe that the system of internal controls and risk management is inadequate.

# Corporate Governance

## **(D) COMMUNICATION WITH SHAREHOLDERS**

### **Principle 14: Communication with Shareholders**

### **Principle 15: Greater Shareholder Participation**

We believe in having regular communication with shareholders and also prompt disclosure of information to shareholders.

StarHub's Corporate Communications team manages investor relations and has arranged a series of events during the year to brief the media and investment analysts on the StarHub Group's performance.

For the release of the respective quarterly and year-end results, the announcement is first released via SGXNET together with StarHub's press release. Thereafter, the investment analysts meet with Management for a briefing within the ambit of StarHub's SGXNET announcement to ensure that there is fair and non-selective disclosure of information.

StarHub supports the Code's principle to encourage shareholder participation. A registered shareholder may appoint a proxy to attend and vote at AGMs. Voting in absentia by mail, fax or email may only be possible following careful study to ensure that integrity of information and authentication of the identity of the shareholders through the web are not compromised and following legislative changes being put in place to recognise electronic voting.

The Chairman of the AC, ERCC and NC and also the Management team are in attendance at AGMs. Hence, the shareholders would have the opportunity to direct any queries regarding the resolutions proposed to be passed or the StarHub Group in general. The external auditors are also invited to be present at the AGM to assist Directors in answering questions from shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Financial and other information (including press releases and SGXNET announcements) are made available on StarHub's website at [www.starhub.com/ir](http://www.starhub.com/ir) and this is regularly updated.

### ATTENDANCE OF DIRECTORS IN BOARD AND COMMITTEE MEETINGS HELD IN YEAR 2004

The Board held five meetings during the financial year ended 31 December 2004. Details of the attendance of Directors are as follows:

#### BOARD OF DIRECTORS

	Meeting Attendance (in %)
Tan Guong Ching	100
Steven Terrell Clontz	100
Lim Chin Beng <sup>(1)</sup>	100
Lee Theng Kiat	100
Lim Ming Seong	100
Kua Hong Pak	100
Peter Seah Lim Huat	60
Osamu Inoue <sup>(1)</sup>	100
Teo Ek Tor <sup>(2)</sup>	100
Nihal Vijaya Devadas Kaviratne <sup>(2)</sup>	100
Liu Chee Ming <sup>(2)</sup>	100
Su Guanng <sup>(3)</sup>	67
Haruhiko Yamada <sup>(1)(3)</sup>	100
Ernest Wong Yuen Weng <sup>(3)</sup>	33
Henry Lim Song Joo <sup>(3)</sup>	100
Graham Goodfellow Moore <sup>(3)</sup>	100
Alan Chan Heng Loon <sup>(3)</sup>	67

(1) Includes meetings attended by Alternate Director on Director's behalf.

(2) Appointed as Director w.e.f. 16 August 2004.

(3) Resigned as Director on 16 August 2004 pursuant to the re-composition of the Board arising from the IPO of StarHub.

The AC held five meetings during the financial year ended 31 December 2004. Details of the attendance of the AC members are as follows:

#### AUDIT COMMITTEE

	Meeting Attendance (in %)
Kua Hong Pak	100
Lim Ming Seong	100
Teo Ek Tor <sup>(2)</sup>	100
Nihal Vijaya Devadas Kaviratne <sup>(2)</sup>	100
Lim Chin Beng <sup>(3)</sup>	100
Haruhiko Yamada <sup>(1)(3)</sup>	100

(1) Includes meetings attended by Alternate Director on Director's behalf.

(2) Appointed as AC member w.e.f. 16 August 2004.

(3) Resigned as AC member on 16 August 2004 pursuant to the re-composition of the AC arising from the IPO of StarHub.

The ERCC held three meetings during the financial year ended 31 December 2004. Details of the attendance of the ERCC members are as follows:

#### EXECUTIVE REMUNERATION & COMPENSATION COMMITTEE

	Meeting Attendance (in %)
Peter Seah Lim Huat	100
Lee Theng Kiat	100
Lim Ming Seong	100
Steven Terrell Clontz <sup>(1)</sup>	100

(1) Mr Clontz was a non-voting member of the ERCC. He resigned on 16 August 2004 pursuant to the re-composition of the ERCC arising from the IPO of StarHub.

There was no meeting held by the NC during the financial year ended 31 December 2004 as the NC was only formed on 16 August 2004.

### 1 DIRECTORS' REMUNERATION

The following information relates to the annual remuneration of the non-executive Directors of StarHub for the financial year ended 31 December 2004:

Number of Non-Executive Directors in Remuneration Bands	2004	2003
\$500,000 and above	–	–
\$250,000 to \$499,999	–	–
Below \$250,000	10	13
Total	10	13

Mr Steven Terrell Clontz, the sole executive Director does not receive any director's fees for his Board directorship with StarHub.

The summary compensation table in respect of the non-executive Directors for the financial year ended 31 December 2004 is as follows. The table does not include Directors' share options. Details of the Directors' share options are disclosed in the Directors' Report.

#### NON-EXECUTIVE DIRECTORS AS AT 31 DECEMBER 2004

Name	Position Held	Directors' Fees
Tan Guong Ching <sup>(1)</sup>	Board Chairman	\$43,197
Lim Chin Beng <sup>(2)</sup>	Director	\$24,426
Lee Theng Kiat <sup>(3)</sup>	Director ERCC & NC Member	\$27,442
Lim Ming Seong <sup>(3)</sup>	Director AC, ERCC & NC Member	\$31,967
Kua Hong Pak	Director AC Chairman	\$31,967
Peter Seah Lim Huat <sup>(4)</sup>	Director ERCC & NC Chairman	\$28,951
Osamu Inoue <sup>(5)</sup>	Director	\$24,426
Teo Ek Tor <sup>(6)</sup>	Director AC Member	\$19,607
Nihal Vijaya Devadas Kaviratne <sup>(6)</sup>	Director AC Member	\$19,607
Liu Chee Ming <sup>(7)</sup>	Director	\$15,082

(1) Fees for public sector Director are payable to government agencies.

(2) Resigned as AC member on 16 August 2004, pursuant to the re-composition of the AC arising from the IPO of StarHub.

(3) Appointed as NC member on 16 August 2004.

(4) Appointed as NC Chairman on 16 August 2004. Fees are payable to Director's employer company.

(5) Fees are payable to Director's employer company.

(6) Appointed on 16 August 2004 as Director and AC member.

(7) Appointed on 16 August 2004 as Director.

# Corporate Governance

## 1 DIRECTORS' REMUNERATION (CONT'D)

NON-EXECUTIVE DIRECTORS WHO RESIGNED ON 16 AUGUST 2004, PURSUANT TO THE RE-COMPOSITION OF THE BOARD ARISING FROM THE IPO OF STARHUB

Name	Position Held	Directors' Fees
Su Guaning <sup>(1)</sup>	Director	\$9,385
Haruhiko Yamada <sup>(2)</sup>	Director AC Member	\$9,385
Ernest Wong Yuen Weng <sup>(2)</sup>	Director	\$9,385
Henry Lim Song Joo <sup>(2)</sup>	Director	\$9,385
Graham Goodfellow Moore <sup>(2)</sup>	Director	\$9,385
Alan Chan Heng Loon	Director	\$9,385

(1) Fees for public sector Director are payable to government agencies.

(2) Fees are payable to Director's employer company.



# Corporate Governance

## 2 SENIOR MANAGEMENT'S REMUNERATION

Set out in the table below is the aggregate annual compensation paid and accruing in bands of S\$250,000 (including any benefits-in-kind) for the financial year ended 31 December 2004 of the President & CEO and executive Director, and each of the top six members of the senior Management team (who are not also Directors of StarHub), for services rendered by them in all capacities to StarHub and its related corporations:

	Fixed <sup>(1)</sup> (%)	Variable <sup>(2)</sup> (%)	Benefits-in-kind <sup>(3)</sup> (%)	Remuneration bands <sup>(4)</sup> (%)	Share Options granted in 2004
<b>President &amp; CEO and Executive Director</b> Steven Terrell Clontz <sup>(5)</sup>	38	45	17	D	Refer to details in Directors' Report.
<b>SENIOR EXECUTIVES</b>					
Yong Lum Sung	65	29	6	C	70,500 <sup>(6)</sup> 70,500 <sup>(7)</sup>
Kwek Buck Chye	64	35	1	B	66,000 <sup>(6)</sup> 66,000 <sup>(7)</sup>
Michael Eugene Reynolds	51	20	29	B	66,000 <sup>(6)</sup> 66,000 <sup>(7)</sup>
David William Storrie	61	19	20	B	66,000 <sup>(6)</sup> 66,000 <sup>(7)</sup>
Chan Kin Hung	75	24	1	A	60,000 <sup>(6)</sup> 60,000 <sup>(7)</sup>
Tan Swee Lim	73	23	4	A	52,500 <sup>(6)</sup> 52,500 <sup>(7)</sup>

(1) Fixed refers to base salary earned for the financial year ended 31 December 2004.

(2) Variable refers to incentive payments pursuant to StarHub's performance bonus scheme for the financial year ended 31 December 2004.

The StarHub's performance bonus scheme is the "balanced scorecard" scheme. It is used to determine the annual performance bonuses to be paid to all StarHub's employees. Under this scheme, each of StarHub's employees is given clear objectives on his personal scorecard, which are aligned to StarHub's overall strategic objectives of growth and profitability, creating customer value, operational efficiency, excellence and optimal customer management, and developing a motivated and well trained workforce.

(3) Benefits-in-kind are stated on the basis of direct costs to StarHub, and include tax equalisation, housing and other non-cash benefits such as medical scheme and club membership.

(4) Remuneration bands:

"A" refers to remuneration between S\$250,001 and S\$500,000 p.a.

"B" refers to remuneration between S\$500,001 and S\$750,000 p.a.

"C" refers to remuneration between S\$750,001 and S\$1,000,000 p.a.

"D" refers to remuneration between S\$2,500,001 and S\$2,750,000 p.a.

(5) For Mr Clontz's employment with StarHub as the President & CEO, he receives compensation (including any benefits-in-kind) paid for by StarHub for services rendered in all capacities to StarHub and its related corporations.

(6) Exercise period is 3 April 2005 to 2 April 2014 and exercise price is S\$0.96 per share.

(7) Exercise period is 27 November 2005 to 26 November 2014 and exercise price is S\$0.985 per share.

# Corporate Governance

## INTERESTED PERSON TRANSACTIONS AND MATERIAL CONTRACTS

(pursuant to SGX-ST Listing Manual Rule 907 and Rule 1207(8))

	<b>Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000)* 1 Aug to 31 Dec 2004 S\$m</b>
<b>Transactions for the Sales of Goods &amp; Services</b>	
Pacific Internet Limited & its associates	0.3
PT Indosat Tbk & its associates	1.2
Singapore Airlines Limited & its associates	0.1
Singapore Computer Systems Limited & its associates	0.2
Singapore Technologies Pte Ltd & its associates	0.3
Singapore Telecommunications Limited & its associates	14.4
TeleChoice International Limited & its associates	0.2
Temasek Holdings (Private) Limited & its associates	0.2
	16.8
<b>Transactions for the Purchase of Goods &amp; Services</b>	
CapitaLand Limited & its associates	16.2
Global Crossing Limited & its associates	0.4
PT Indosat Tbk & its associates	3.8
Raffles Holdings Limited & its associates	0.1
Singapore Computer Systems Limited & its associates	0.6
Singapore Power Limited & its associates	10.6
Singapore Technologies Engineering Ltd & its associates	0.4
Singapore Technologies Pte Ltd & its associates	0.4
Singapore Telecommunications Limited & its associates	33.9
SNP Corporation Limited & its associates	2.0
TeleChoice International Limited & its associates	36.6
Temasek Holdings (Private) Limited & its associates	2.2
	107.2

Note:

\*StarHub Ltd was listed on the Main Board of the SGX-ST on 13 October 2004. Information relating to the value of revenues earned and expenses incurred from transactions undertaken by StarHub Ltd and its subsidiaries with the interested persons of StarHub Ltd during each of the three most recently completed financial years ended 31 December 2003 and the period from 1 January 2004 until 31 July 2004, insofar as the aggregate values of revenue earned and expenses incurred from such transactions with each group of interested persons are material in the context of the IPO of StarHub Ltd, has been disclosed in StarHub Ltd's Prospectus dated 17 September 2004.

There are no interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) entered into by StarHub Ltd and its subsidiaries for the period 1 August 2004 to 31 December 2004.

During the financial year ended 31 December 2004, there were no material contracts entered into by StarHub Ltd or any of its subsidiaries involving the interests of the President & CEO, any Director or controlling shareholder.

## Directors' Particulars

Director	Age	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding three years	
		Present Principal Directorships/Chairmanships & Appointments (as at 31 Dec 2004)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2002 to 30 Dec 2004)
Tan Guong Ching	59	Singapore Power Limited Singapore Technologies Telemedia Pte Ltd SP PowerGrid Limited SRCC Pte Ltd Singapore Technologies Aerospace Ltd STT Communications Ltd	PowerGrid Limited Singapore Technologies Engineering Ltd Techpower Communications Pte Ltd
Steven Terrell Clontz	55	Global Crossing Limited (as Executive Committee Member) InterDigital Communications Corporation	e-station Pte Ltd Southeast Asia Crossing Pte Ltd
Lim Chin Beng	73	Asian Aerospace Pte Ltd CapitalLand Ltd Pontiac Hotel Pte Ltd Pontiac Land Pte Ltd Press Foundation of Singapore Ltd RCMS Hotels Ltd RCMS Properties Pte Ltd Singapore Press Holdings Limited SPH MediaWorks Ltd (in liquidation) The Ascott Group Limited Valuair Limited Value Management Pte Ltd	Singapore Technologies Aerospace Ltd
Lee Theng Kiat	52	Equinix, Inc. Global Crossing Limited i-STT Investments Pte. Ltd. Indonesia Communications Limited PT Indosat Tbk ST Telecommunications (Beijing) Co., Ltd Singapore Technologies Telemedia Pte Ltd ST Teleport Pte Ltd STT Communications Ltd STT Crossing Ltd TeleChoice International Limited	Elipva Ltd Equinix Singapore Pte. Ltd. StarHub Cable Vision Ltd. SpiceCorp Limited

## Directors' Particulars

Director	Age	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding three years	
		Present Principal Directorships/Chairmanships & Appointments (as at 31 Dec 2004)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2002 to 30 Dec 2004)
Lim Ming Seong	58	Accuron Technologies Pte Ltd Chartered Semiconductor Manufacturing Ltd CSE Global Limited Genovate Solutions Pte Ltd Healthstats International Pte Ltd Singapore Technologies Kinetics Pte Ltd STATS ChipPAC Ltd Singapore Technologies Telemedia Pte Ltd WhiteRock Management Ltd	AMR Technologies Inc. Comstream Holdings Inc. Double Helix Pte Ltd Radyne Comstream Inc. Singapore Technologies Electronics Holdings Pte Ltd Singapore Millennium Foundation Limited Singapore Technologies Capital Services Pte Ltd Singapore Technologies Semiconductors Pte Ltd
Kua Hong Pak	61	ComfortDelGro Corporation Limited Overseas Union Enterprise Limited PSA Corporation Limited PSA International Pte Ltd Ringier Print (HK) Limited SBS Transit Ltd Temasek Holdings (Private) Limited VICOM Assessment Centre Pte Ltd VICOM Ltd	Liaoning Times Xinhua Printers Ltd Shanghai Times Sanyin Printers Co., Ltd Shendene Ltd Times Printers Private Limited Times-Ringier (HK) Limited
Peter Seah Lim Huat	59	CapitaLand Limited Chartered Semiconductor Manufacturing Ltd Global Crossing Limited Government of Singapore Investment Corporation Private Limited PSA International Pte Ltd PT Bank Internasional Indonesia Tbk PT Indosat Tbk SembCorp Industries Limited STATS ChipPAC Ltd Singapore Technologies Engineering Ltd Singapore Technologies Telemedia Pte Ltd The Siam Commercial Bank Public Company Limited, Singapore Branch	Board of Commissioners of Currency, Singapore Overseas Union Bank Limited Singapore Technologies Pte Ltd

## Directors' Particulars

Director	Age	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding three years	
		Present Principal Directorships/Chairmanships & Appointments (as at 31 Dec 2004)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2002 to 30 Dec 2004)
Osamu Inoue	56	NTT Communications Corporation NTT Europe Ltd. NTT Singapore Pte Ltd NTT Worldwide Telecommunications Corporation	NTT America, Inc.
Teo Ek Tor	52	ECS Holdings Limited Nylex (M) Bhd United Pacific Industries Limited WhiteRock Partners Pte Ltd Wywy Office Solutions Group Pte. Ltd.	PrimePartners Asset Management (HK) Limited PrimePartners Limited Summit Securities (S) Pte Ltd
Nihal Vijaya Devadas Kaviratne	61	Nil	PT Kimberley Lever Indonesia PT Technopia Lever PT Unilever Indonesia Tbk Unilever de Argentina S.A.
Liu Chee Ming	54	Access Investment Management (H.K.) Limited Brienne Investments Limited CAV-Thakral Home Entertainment LTD. China Yuchai International Ltd. Kader Holdings Company Limited Keltyhill Incorporated Odlins Holdings Limited Platinum Broking Company Limited Platinum Capital Limited Platinum Holdings Company Limited Platinum Securities Company Limited Platinum Securities Company Limited (Singapore) Rainbow City Limited	DOT Media Holdings (HK) Limited Platinum Broking (Beijing) Limited Platinum Broking (Shenzhen) Limited Platinum Property Management Limited Platinum Securities (Beijing) Limited Platinum Securities (Shenzhen) Limited Platinum Securities (Tianjin) Limited Tiye Limited



# Financial Statements

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# Directors' Report

Year ended 31 December 2004

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2004.

## DIRECTORS

The directors in office at the date of this report are as follows:

Tan Guong Ching	(Chairman)
Steven Terrell Clontz	(President and Chief Executive Officer)
Lim Chin Beng	
Lee Theng Kiat	
Lim Ming Seong	
Kua Hong Pak	
Peter Seah Lim Huat	
Osamu Inoue	
Teo Ek Tor	(Appointed on 16 August 2004)
Nihal Vijaya Devadas Kaviratne	(Appointed on 16 August 2004)
Liu Chee Ming	(Appointed on 16 August 2004)
Sio Tat Hiang	(Alternate to Peter Seah Lim Huat, appointed on 16 August 2004)
Kiyoshi Maeda	(Alternate to Osamu Inoue, appointed on 7 February 2005)
Tadashi Imachi	(Alternate to Osamu Inoue, appointed on 7 February 2005)

## CHANGE OF NAME

During the financial year, the Company was converted into a public company and changed its name from StarHub Pte Ltd to StarHub Ltd.

## DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

## SHARES IN THE COMPANY AND IN RELATED CORPORATIONS

	1 January 2004 or date of appointment	31 December 2004
<b>The Company</b>		
<i>Ordinary shares of \$0.40 each*</i>		
Steven Terrell Clontz	1,375,002	1,485,002
Lim Chin Beng	–	70,000
Lim Ming Seong	–	60,000
Peter Seah Lim Huat	–	60,000
Nihal Vijaya Devadas Kaviratne	–	60,000
Liu Chee Ming	–	60,000 <sup>+</sup>

\* At an extraordinary general meeting held on 16 August 2004, the members of the Company approved, inter alia, the consolidation of every four ordinary shares of par value \$0.10 each in the issued and fully paid share capital of the Company into one ordinary share of par value \$0.40 each ("Share Consolidation").

+ Held by a nominee on behalf of the director.

# Directors' Report

Year ended 31 December 2004

## SHARES IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004
<b>Related Corporations</b>		
<b>Singapore Telecommunications Limited</b>		
<i>Ordinary shares of \$0.15 each</i>		
Tan Guong Ching	3,620	3,362
Lim Chin Beng	1,490	1,430
Lee Theng Kiat	1,820	1,690
Lim Ming Seong	3,620	3,390
Kua Hong Pak	3,310	3,176
Peter Seah Lim Huat	3,420	3,176
Teo Ek Tor	2,520	2,340
Sio Tat Hiang	1,680	1,560
<b>Vertex Technology Fund Ltd</b>		
<i>Ordinary shares of US\$1 each</i>		
Lim Ming Seong	300 <sup>+</sup>	300 <sup>+</sup>
<b>Vertex Technology Fund (II) Ltd</b>		
<i>Ordinary shares of US\$1 each</i>		
Lee Theng Kiat	100 <sup>+</sup>	100 <sup>+</sup>
Lim Ming Seong	50 <sup>+</sup>	50 <sup>+</sup>
<i>Redeemable preference shares of US\$0.01 each</i>		
Lee Theng Kiat	100 <sup>+</sup>	100 <sup>+</sup>
Lim Ming Seong	50 <sup>+</sup>	50 <sup>+</sup>
<b>Singapore Airlines Limited</b>		
<i>Ordinary shares of \$0.50 each</i>		
Tan Guong Ching	2,000	2,000
<b>Asia Pacific Mobile Telecommunications (Singapore) Pte Ltd</b>		
<i>Ordinary shares of \$1 each</i> <i>(held in trust for Sunburst Technologies Investments Pte Ltd)</i>		
Lee Theng Kiat	1	1

<sup>+</sup> Held by a nominee on behalf of the director.

# Directors' Report

Year ended 31 December 2004

## SHARES IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004
<b>Related Corporations</b>		
<b>i-STT Investments Pte Ltd</b>		
<i>Ordinary shares of \$1 each</i>		
<i>(held in trust for STT Communications Ltd)</i>		
Lee Theng Kiat	1	1
<b>Raffles Holdings Limited</b>		
<i>Ordinary shares of \$0.50 each</i>		
Tan Guong Ching	2,000	2,000
Lee Theng Kiat	8,000	–
Lim Ming Seong	12,000	12,000
<b>Chartered Semiconductor Manufacturing Ltd</b>		
<i>Ordinary shares of \$0.26 each</i>		
Tan Guong Ching	15,000	15,000
<b>SMRT Corporation Ltd</b>		
<i>Ordinary shares of \$0.10 each</i>		
Tan Guong Ching	11,000	11,000
<b>STT Communications Ltd</b>		
<i>Ordinary shares of \$0.50 each</i>		
Lee Theng Kiat	6,000,000	–
Sio Tat Hiang	3,000,000	–
<b>SembCorp Industries Limited</b>		
<i>Ordinary shares of \$0.25 each</i>		
Lim Ming Seong	91,551	91,551
<b>CapitaLand Limited</b>		
<i>Ordinary shares of \$1 each</i>		
Lim Ming Seong	13,250	13,250
Peter Seah Lim Huat	113,000	113,000
<b>CapitaCommercial Trust Management Limited</b>		
<i>Unit holdings in CapitaCommercial Trust</i>		
Lim Ming Seong	–	2,650
Peter Seah Lim Huat	–	22,600
<b>CapitaMall Trust Management Limited</b>		
<i>Unit holdings in CapitaMall Trust</i>		
Lim Ming Seong	11,000	12,100
Peter Seah Lim Huat	55,000	60,500

# Directors' Report

Year ended 31 December 2004

## SHARES IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004
<b>Related Corporations</b>		
<b>Neptune Orient Lines Ltd</b>		
<i>Ordinary shares of \$1 each</i>		
Tan Guong Ching	10,000	–
<b>TeleChoice International Limited</b>		
<i>Ordinary shares of \$0.02 each</i>		
Steven Terrell Clontz	–	120,000
Lim Ming Seong	–	60,000
Peter Seah Lim Huat	–	50,000
<b>SembCorp Logistics Ltd</b>		
<i>Ordinary shares of \$0.25 each</i>		
Lee Theng Kiat	–	20,000
Teo Ek Tor	16,000	16,000

## OPTIONS IN THE COMPANY AND IN RELATED CORPORATIONS

	1 January 2004 or date of appointment	31 December 2004	Exercise Price \$	Exercisable Period
<b>The Company</b>				
<i>Options to subscribe for ordinary shares of \$0.40 each</i>				
Steven Terrell Clontz	1,375,002	1,375,002	0.40 to 0.56	1.1.2002 to 16.6.2010
	1,375,002	1,375,002	0.48 to 0.68	1.1.2003 to 16.6.2010
	1,375,002	1,375,002	0.56 to 0.84	1.1.2004 to 16.6.2010
	916,668	916,668	0.68 to 0.84	1.1.2005 to 16.6.2010
	458,334	458,334	0.84	1.1.2006 to 16.6.2010
Lim Chin Beng	87,500	87,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.5.2004 to 30.5.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	–	18,750	0.96	3.4.2005 to 2.4.2009
	–	18,750	0.985	27.11.2005 to 26.11.2009
Lee Theng Kiat	87,500	87,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.5.2004 to 30.5.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	–	18,750	0.96	3.4.2005 to 2.4.2009
	–	18,750	0.985	27.11.2005 to 26.11.2009



# Directors' Report

Year ended 31 December 2004

## OPTIONS IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004	Exercise Price \$	Exercisable Period
<b>The Company</b>				
<i>Options to subscribe for ordinary shares of \$0.40 each</i>				
Lim Ming Seong	62,500	62,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.5.2004 to 30.5.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	–	18,750	0.96	3.4.2005 to 2.4.2009
	–	18,750	0.985	27.11.2005 to 26.11.2009
Peter Seah Lim Huat	37,500	37,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.5.2004 to 30.5.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	–	18,750	0.96	3.4.2005 to 2.4.2009
	–	18,750	0.985	27.11.2005 to 26.11.2009
Teo Ek Tor	–	18,750	0.985	27.11.2005 to 26.11.2009
Nihal Vijaya Devadas Kaviratne	–	18,750	0.985	27.11.2005 to 26.11.2009
Liu Chee Ming	–	18,750	0.985	27.11.2005 to 26.11.2009
<b>Related Corporations</b>				
<b>Chartered Semiconductor Manufacturing Ltd</b>				
<i>Options to subscribe for ordinary shares of \$0.26 each</i>				
Lim Ming Seong	58,609	58,609	4.05	28.3.2002 to 28.3.2006
	58,609	58,609	4.26	15.8.2002 to 15.8.2006
	58,609	58,609	3.46	22.2.2003 to 22.2.2007
	58,609	58,609	1.86	30.8.2003 to 30.8.2007
	45,000	45,000	0.72	28.2.2004 to 28.2.2008
	45,000	45,000	1.10	29.8.2004 to 29.8.2008
	–	90,000	1.70	27.2.2005 to 27.2.2009
Peter Seah Lim Huat	23,443	23,443	3.46	22.2.2003 to 22.2.2007
	46,887	46,887	1.86	30.8.2003 to 30.8.2007
	40,000	40,000	0.72	28.2.2004 to 28.2.2008
	45,000	45,000	1.10	29.8.2004 to 29.8.2008
	–	85,000	1.70	27.2.2005 to 27.2.2009
<b>STT Communications Ltd</b>				
<i>Options to subscribe for ordinary shares of \$0.50 each</i>				
Lee Theng Kiat	1,200,000	1,200,000	1.42	19.9.2001 to 18.9.2010
	400,000	400,000	0.92	28.4.2002 to 27.4.2011
	800,000	800,000	0.50	24.11.2002 to 23.11.2011
	1,500,000	1,500,000	0.50	29.6.2003 to 28.6.2012
	2,000,000	2,000,000	0.57	30.7.2004 to 29.7.2013
	–	3,000,000	1.08	29.7.2005 to 28.7.2014

# Directors' Report

Year ended 31 December 2004

## OPTIONS IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004	Exercise Price \$	Exercisable Period
<b>Related Corporations</b>				
<b>STT Communications Ltd</b>				
Options to subscribe for ordinary shares of \$0.50 each				
Lim Ming Seong	25,000	25,000	0.92	28.4.2002 to 27.4.2011
	50,000	50,000	0.50	24.11.2002 to 23.11.2011
	100,000	100,000	0.50	29.6.2003 to 28.6.2007
	150,000	150,000	0.57	30.7.2004 to 29.7.2008
	–	200,000	1.08	29.7.2005 to 27.7.2009
Peter Seah Lim Huat	8,000	8,000	0.50	29.6.2003 to 28.6.2012
	39,000	39,000	0.57	30.7.2004 to 29.7.2013
	–	130,000	1.08	29.7.2005 to 28.7.2014
Sio Tat Hiang	600,000	600,000	1.42	19.9.2001 to 18.9.2010
	150,000	150,000	0.92	28.4.2002 to 27.4.2011
	300,000	300,000	0.50	24.11.2002 to 23.11.2011
	600,000	600,000	0.50	29.6.2003 to 28.6.2012
	700,000	700,000	0.57	30.7.2004 to 29.7.2013
	–	1,300,000	1.08	29.7.2005 to 28.7.2014
Jean F. H. P. Mandeville (Resigned on 31 January 2005)	500,000	500,000	0.50	2.7.2003 to 29.7.2012
	700,000	700,000	0.57	30.7.2004 to 29.7.2013
	–	1,500,000	1.08	29.7.2005 to 28.7.2014
<b>Singapore Technologies Engineering Ltd</b>				
Options to subscribe for ordinary shares of \$0.10 each				
Lim Chin Beng	35,000	35,000	2.72	20.2.2002 to 19.2.2006
	27,000	27,000	2.29	8.2.2003 to 7.2.2007
	13,500	13,500	1.79	7.2.2004 to 6.2.2008
	13,500	13,500	1.86	12.8.2004 to 11.8.2008
	–	13,500	2.09	10.2.2005 to 9.2.2009
	–	13,500	2.12	11.8.2005 to 10.8.2009
Lim Ming Seong	15,000	15,000	2.29	8.2.2003 to 7.2.2007
	7,500	7,500	1.79	7.2.2004 to 6.2.2008
	7,500	7,500	1.86	12.8.2004 to 11.8.2008
	–	7,500	2.09	10.2.2005 to 9.2.2009
	–	7,500	2.12	11.8.2005 to 10.8.2009

# Directors' Report

Year ended 31 December 2004

## OPTIONS IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004	Exercise Price \$	Exercisable Period
<b>Related Corporations</b>				
<b>Singapore Technologies Engineering Ltd</b>				
<i>Options to subscribe for ordinary shares of \$0.10 each</i>				
Peter Seah Lim Huat	89,000	89,000	1.92	13.8.2003 to 12.8.2007
	44,500	44,500	1.79	7.2.2004 to 6.2.2008
	40,500	40,500	1.86	12.8.2004 to 11.8.2008
	–	44,500	2.09	10.2.2005 to 9.2.2009
	–	44,500	2.12	11.8.2005 to 10.8.2009
<b>SembCorp Industries Limited</b>				
<i>Options to subscribe for ordinary shares of \$0.25 each</i>				
Peter Seah Lim Huat	140,000	140,000	1.99	27.6.2001 to 26.6.2005
	140,000	140,000	1.55	20.4.2002 to 19.4.2006
	70,000	70,000	1.59	8.5.2003 to 7.5.2007
	70,000	70,000	0.98	18.10.2003 to 17.10.2007
	70,000	70,000	1.14	3.6.2004 to 2.6.2008
	70,000	70,000	1.29	19.11.2004 to 18.11.2008
	–	70,000	1.35	18.5.2005 to 17.5.2009
	–	70,000	1.52	23.11.2005 to 22.11.2009
<b>CapitaLand Limited</b>				
<i>Options to subscribe for ordinary shares of \$1 each</i>				
Lim Chin Beng	140,010	140,010	2.10	12.6.2001 to 11.6.2005
	120,000	120,000	2.02	19.6.2002 to 18.6.2006
	90,000	90,000	1.32	11.5.2003 to 10.5.2007
	120,000	158,400	1.00	1.3.2004 to 28.2.2008
	–	130,000	1.33	28.2.2005 to 27.2.2009
Peter Seah Lim Huat	90,000	90,000	1.32	11.5.2003 to 10.5.2007
	90,000	118,800	1.00	1.3.2004 to 28.2.2008
	–	90,000	1.33	28.2.2005 to 27.2.2009
<b>The Ascott Group Limited</b>				
<i>Options to subscribe for ordinary shares of \$0.20 each</i>				
Lim Chin Beng	200,000	200,000	0.37	21.12.2001 to 20.12.2005
	200,000	200,000	0.32	30.6.2002 to 29.6.2006
	200,000	200,000	0.353	5.5.2003 to 4.5.2007
	200,000	200,000	0.321	10.5.2004 to 9.5.2008
	–	100,000	0.418	1.3.2005 to 28.2.2009
Lim Ming Seong	12,000	12,000	0.32	30.6.2002 to 31.12.2006

# Directors' Report

Year ended 31 December 2004

## OPTIONS IN THE COMPANY AND IN RELATED CORPORATIONS (continued)

	1 January 2004 or date of appointment	31 December 2004	Exercise Price \$	Exercisable Period
<b>Related Corporations</b>				
<b>The Ascott Group Limited</b>				
<i>Options to subscribe for ordinary shares of \$0.20 each</i>				
Peter Seah Lim Huat	12,000	12,000	0.353	5.5.2003 to 30.12.2006
	30,000	30,000	0.321	10.5.2004 to 30.12.2006
	–	32,000	0.418	31.12.2004 to 28.2.2009
<b>Global Crossing Limited</b>				
<i>Options to subscribe for common stocks of US\$0.01 each</i>				
Steven Terrell Clontz	–	12,000	US\$10.16	12.1.2005 to 12.1.2014
Lee Theng Kiat	–	222,000	US\$10.16	12.1.2005 to 12.1.2014
Lim Ming Seong	–	11,000	US\$10.16	12.1.2005 to 12.1.2014
Peter Seah Lim Huat	–	40,000	US\$10.16	12.1.2005 to 12.1.2014
Jean F. H. P. Mandeville (Resigned on 31 January 2005)	–	78,000	US\$10.16	12.1.2005 to 12.1.2014
<b>PT Indosat Tbk</b>				
<i>Options to subscribe for common shares of Rp 100 each</i>				
Lee Theng Kiat	27,000	135,000	Rp 1567.44	1.8.2004 to 31.7.2005
	–	135,000	Rp 3702.60	1.8.2005 to 31.7.2006
Peter Seah Lim Huat	–	150,000	Rp 1567.44	1.8.2004 to 31.7.2005
	–	150,000	Rp 3702.60	1.8.2005 to 31.7.2006
	1 January 2004 or date of appointment	31 December 2004		Vesting period
<b>Global Crossing Limited</b>				
<i>Restricted common stock units of par value US\$0.01</i>				
Steven Terrell Clontz	–	5,000		8.3.2005 to 8.3.2009
Lee Theng Kiat	–	5,000		8.3.2005 to 8.3.2009
Peter Seah Lim Huat	–	7,500		8.3.2005 to 8.3.2009
Jean F. H. P. Mandeville (Resigned on 31 January 2005)	–	5,000		8.3.2005 to 8.3.2009

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of its related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

There were no changes in the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2005.

# Directors' Report

Year ended 31 December 2004

## **OPTIONS IN THE COMPANY AND IN RELATED CORPORATIONS (continued)**

Except as disclosed under the "Share Options" section of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Except as disclosed in this report, since the end of the last financial year, no director 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 he is a member or with a company in which he has a substantial financial interest.

## **EQUITY COMPENSATION BENEFITS**

The StarHub Share Option Plan 2004, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan (collectively referred to as the "Plans") were approved and adopted by its members at an Extraordinary General Meeting of the Company ("EGM") held on 16 August 2004.

At the EGM, the StarHub Pte Ltd Share Option Plan ("StarHub Share Option Plan 2000") was terminated without prejudice to the rights of optionholders holding options which have been granted and accepted under it prior to its termination.

The Plans and the StarHub Share Option Plan 2000 are administered by the Company's Executive Resource and Compensation Committee ("ERCC") comprising three directors, namely Peter Seah Lim Huat (Chairman), Lee Theng Kiat and Lim Ming Seong.

The Company designates Singapore Technologies Telemedia Pte Ltd as its parent company for purposes of the Plans.

Other information regarding the Plans and the StarHub Share Option Plan 2000 is set out below:

- (a) Options granted under the StarHub Share Option Plan 2004 and the StarHub Share Option Plan 2000 (collectively, the "Share Option Plans")
  - (i) The eligible participants of the StarHub Share Option Plan 2004 are:
    - (1) employees (including executive directors) and non-executive directors of the Company and its subsidiaries ("Group"); and
    - (2) employees (including executive directors) and non-executive directors of the Company's parent company and its subsidiaries ("Parent Group") and the Company's associated companies, of whom in the opinion of the ERCC have contributed or will contribute to the success of the Group.
  - (ii) Under the StarHub Share Option Plan 2004, the exercise price for each ordinary share in respect of which an option is exercisable shall be determined by the ERCC in its absolute discretion on the date of grant to be either:
    - (1) a price which is equal to the volume-weighted average price for the Company's shares on the Singapore Exchange Securities Trading Limited over the three consecutive trading days immediately preceding the date of grant of that option (the "Market Price"), or such higher price as may be determined by the ERCC in its absolute discretion; or
    - (2) a price which is set, at the absolute discretion of the ERCC, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

Under the StarHub Share Option Plan 2000, the exercise price for each ordinary share in respect of which an option is exercisable was determined by the ERCC in its absolute discretion on the date of grant.

The exercise price in respect of an option granted under the Share Option Plans shall in no event be less than the nominal value of the Company's ordinary shares.



# Directors' Report

Year ended 31 December 2004

## EQUITY COMPENSATION BENEFITS (continued)

(iii) The following options were granted by the Company under the Share Option Plans during the financial year:

Date of grant	Number of employees granted	Exercise period	Exercise price per share	Number of options granted	Average fair value of options
<b>StarHub Share Option Plan 2000</b>					
2.4.2004	2,525	3.4.2005 to 2.4.2014	\$0.96	9,262,938	\$0.24
2.4.2004	6	3.4.2005 to 2.4.2009	\$0.96	112,500	\$0.24
Total				9,375,438	
<b>StarHub Share Option Plan 2004</b>					
26.11.2004	2,090	27.11.2005 to 26.11.2014	\$0.985	8,968,881	\$0.23
26.11.2004	7	27.11.2005 to 26.11.2009	\$0.985	131,250	\$0.23
Total				9,100,131	

(iv) Details of options granted to directors of the Company under the Share Option Plans are as follows:

Name of director	Options granted during financial year \$	Aggregate options granted and accepted since commencement of the Share Option Plans to end of financial year \$	Aggregate options exercised since commencement of the Share Option Plans to end of financial year \$	Aggregate options outstanding as at end of financial year \$
<b>StarHub Share Option Plan 2000</b>				
Tan Guong Ching <sup>@</sup>	37,500	–	–	–
Steven Terrell Clontz	–	6,875,010	1,375,002	5,500,008
Lim Chin Beng	18,750	143,750	–	143,750
Lee Theng Kiat	18,750	143,750	–	143,750
Lim Ming Seong	18,750	118,750	–	118,750
Kua Hong Pak	18,750	–	–	–
Peter Seah Lim Huat	18,750	93,750	–	93,750
Osamu Inoue	18,750	–	–	–

# Directors' Report

Year ended 31 December 2004

## EQUITY COMPENSATION BENEFITS (continued)

Name of director	Options granted during financial year \$	Aggregate options granted and accepted since commencement of the Share Option Plans to end of financial year \$	Aggregate options exercised since commencement of the Share Option Plans to end of financial year \$	Aggregate options outstanding as at end of financial year \$
<b>StarHub Share Option Plan 2004</b>				
Tan Guong Ching <sup>@</sup>	37,500	–	–	–
Lim Chin Beng	18,750	18,750	–	18,750
Lee Theng Kiat	18,750	18,750	–	18,750
Lim Ming Seong	18,750	18,750	–	18,750
Kua Hong Pak	18,750	–	–	–
Peter Seah Lim Huat	18,750	18,750	–	18,750
Osamu Inoue	18,750	–	–	–
Teo Ek Tor	18,750	18,750	–	18,750
Nihal Vijaya Devadas Kaviratne	18,750	18,750	–	18,750
Liu Chee Ming	18,750	18,750	–	18,750

<sup>@</sup> Mr Tan is precluded under the terms of his employment from acquiring the Company's shares.

- (v) As at financial year end, no options have been granted to controlling shareholders of the Company or its associates or to directors or employees of the Parent Group, and no participant of the Share Option Plans has been granted 5% or more of the total number of options available under the aforesaid plans.
- (vi) No options had been offered at a discount during the financial year.
- (vii) The options granted by the Company do not entitle the optionholders, by virtue of such holding, to any rights to participate in any share issue of any other company.
- (viii) During the financial year, a total of 84,929,304 and 1,566,461 ordinary shares of \$0.10 and \$0.40 each fully paid in the Company were issued pursuant to the exercise of options under the Share Option Plans at exercise prices of between \$0.48 and \$0.88 per share.

# Directors' Report

Year ended 31 December 2004

## EQUITY COMPENSATION BENEFITS (continued)

(vix) At the end of the financial year, unissued shares of the Company under the Share Option Plans are as follows:

Number of optionholders	Exercise period	Number of unissued shares of \$0.40 each	Exercise price per share of \$0.40 each
36	17.6.2001 to 16.6.2010	368,505	0.480
1	1.1.2002 to 16.6.2010	458,334	0.400
1	1.1.2002 to 16.6.2010	458,334	0.480
1	1.1.2002 to 16.6.2010	458,334	0.560
1	1.1.2003 to 16.6.2010	458,334	0.480
1	1.1.2003 to 16.6.2010	458,334	0.560
1	1.1.2003 to 16.6.2010	458,334	0.680
1	1.1.2004 to 16.6.2010	458,334	0.560
1	1.1.2004 to 16.6.2010	458,334	0.680
1	1.1.2004 to 16.6.2010	458,334	0.840
1	1.1.2005 to 16.6.2010	458,334	0.680
1	1.1.2005 to 16.6.2010	458,334	0.840
1	1.1.2006 to 16.6.2010	458,334	0.840
14	3.10.2001 to 2.10.2010	38,000	0.480
151	28.4.2002 to 27.4.2011	423,533	0.880
954	27.10.2002 to 26.10.2011	1,479,957	0.880
1,156	27.4.2003 to 26.4.2012	1,281,875	0.880
559	29.11.2002 to 29.11.2012	5,192,135	0.680
1,968	30.11.2003 to 29.11.2012	10,121,928	0.880
4	30.11.2003 to 29.11.2007	275,000	0.880
1,948	31.5.2004 to 30.5.2013	6,810,391	0.880
4	31.5.2004 to 30.5.2008	75,000	0.880
2,150	29.11.2004 to 28.11.2013	8,392,592	0.880
4	29.11.2004 to 28.11.2008	75,000	0.880
2,307	3.4.2005 to 2.4.2014	8,591,691	0.960
4	3.4.2005 to 2.4.2009	75,000	0.960
2,086	27.11.2005 to 26.11.2014	8,941,506	0.985
7	27.11.2005 to 26.11.2009	131,250	0.985
<b>Total</b>		<b>57,773,371</b>	

All information relating to options in the above tables have been adjusted to give effect to the Share Consolidation.

Except as disclosed in this report, there were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.

# Directors' Report

Year ended 31 December 2004

## **EQUITY COMPENSATION BENEFITS (continued)**

### (b) StarHub Performance Share Plan and Restricted Stock Plan

- (i) The StarHub Performance Share Plan and the StarHub Restricted Stock Plan were implemented with the objectives of motivating senior executives to strive for superior performance and sustaining long-term growth for the Group.
- (ii) The following persons shall be eligible to participate in the aforesaid plans at the absolute discretion of the ERCC:
- (1) employees (including executive directors) and non-executive directors of the Group;
  - (2) employees (including executive directors) and non-executive directors of the Parent Group who meet the relevant age and rank criteria and whose services have been seconded to a company within the Group and who shall be regarded as an employee of the Group for the purposes of the StarHub Performance Share Plan and StarHub Restricted Stock Plan; and
  - (3) employees and non-executive directors of the Company's associated companies, who in the opinion of the ERCC, have contributed or will contribute to the success of the Group.
- (iii) Under the StarHub Performance Share Plan, awards are granted. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets. Awards are released once the ERCC is satisfied that the prescribed performance targets have been achieved. There are no vesting periods beyond the performance achievement periods.
- (iv) Under the StarHub Restricted Stock Plan, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards). No minimum vesting periods are prescribed under the StarHub Restricted Stock Plan and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the StarHub Performance Share Plan in that an extended vesting period is imposed beyond the performance target completion date.
- (v) Since the commencement of the StarHub Performance Share Plan and the StarHub Restricted Stock Plan, there has been no grant of awards under the aforesaid plans to participants.

## **PROFORMA FINANCIAL EFFECT UNDER FRS 102**

Strictly for information purposes only, proforma loss after taxation and minority interests would have been as follows had the Group accounted for the fair value of the options granted under FRS 102 - Share-based Payment:

<b>Group</b>	<b>Year ended 31 December 2004 \$'000</b>
Loss after taxation and minority interests:	
As reported	52,443
Proforma financial effect	2,442
	<hr/> 54,885 <hr/>

# Directors' Report

Year ended 31 December 2004

## AUDIT COMMITTEE

The members of the Audit Committee as at the date of this report are as follows:

Kua Hong Pak, independent non-executive director (Chairman)

Lim Ming Seong, non-executive director

Teo Ek Tor, independent non-executive director

Nihal Vijaya Devadas Kaviratne, independent non-executive director

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee has also reviewed the following:

- (1) assistance provided by the Company's officers to the internal and external auditors;
- (2) financial statements of the Company and its subsidiaries prior to their submission to the directors of the Company for adoption; and
- (3) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and its subsidiaries and the Company's compliance with the review procedures of such transactions.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

## AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



**Tan Guong Ching**

Director



**Steven Terrell Clontz**

Director

Singapore

23 February 2005



# Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 90 to 129 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and of the results and changes in equity of the Group and of the Company and of the cash flows of the Group for the year ended on that date; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



**Tan Guong Ching**

*Director*



**Steven Terrell Clontz**

*Director*

Singapore

23 February 2005

# Report of the Auditors to the Members of StarHub Ltd

We have audited the accompanying financial statements of StarHub Ltd for the year ended 31 December 2004 as set out on pages 90 to 129. 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:

- (a) the consolidated financial statements of the Group and the balance sheet, profit and loss statement and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



**KPMG**

*Certified Public Accountants*

Singapore

23 February 2005

# Balance Sheets

As at 31 December 2004

	Notes	2004 \$'000	Group 2003 \$'000	2004 \$'000	Company 2003 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	3	919,739	975,905	282,809	328,062
Intangible assets	4	337,829	388,161	17,293	46,776
Investments in subsidiaries	5	–	–	1,040,083	1,041,531
Deferred tax assets	6	140,493	164,297	125,662	117,896
Trade receivables	7	1,037	1,321	–	–
Amounts due from subsidiaries	8	–	–	400,819	518,779
		<b>1,399,098</b>	1,529,684	<b>1,866,666</b>	2,053,044
<b>Current assets</b>					
Inventories	9	6,351	5,984	3,704	3,475
Trade receivables	7	89,030	87,120	56,872	57,290
Other receivables, deposits and prepayments	10	103,494	71,423	36,569	21,043
Balances with related parties	8	18,078	18,099	243,977	127,771
Cash and bank balances	11	126,653	73,818	119,415	53,162
		<b>343,606</b>	256,444	<b>460,537</b>	262,741
Less:					
<b>Current liabilities</b>					
Trade payables and accruals		288,071	239,939	164,678	127,584
Other payables	12	177,912	147,410	95,643	65,909
Balances with related parties	8	61,104	82,269	81,923	73,281
Interest-bearing borrowings	13	73,527	30,966	–	–
Provisions	14	12,058	6,098	4,944	1,312
		<b>612,672</b>	506,682	<b>347,188</b>	268,086
<b>Net current assets/(liabilities)</b>		<b>(269,066)</b>	(250,238)	<b>113,349</b>	(5,345)
<b>Non-current liabilities</b>					
Interest-bearing borrowings	13	(246,000)	(355,528)	–	–
Deferred income	15	(25,666)	(29,906)	–	(381)
		<b>(271,666)</b>	(385,434)	–	(381)
<b>Minority interests</b>		–	(624)	–	–
<b>Net assets</b>		<b>858,366</b>	893,388	<b>1,980,015</b>	2,047,318
<b>Share capital</b>					
Share capital	16	847,163	838,043	847,163	838,043
<b>Reserves</b>	17	<b>11,203</b>	55,345	<b>1,132,852</b>	1,209,275
<b>Shareholders' funds</b>		<b>858,366</b>	893,388	<b>1,980,015</b>	2,047,318

The accompanying notes form an integral part of these financial statements.

# Profit and Loss Accounts

Year ended 31 December 2004

	Notes	2004 \$'000	Group 2003 \$'000	2004 \$'000	Company 2003 \$'000
Operating revenue	19	<b>1,355,205</b>	1,118,193	<b>490,820</b>	404,138
Operating expenses	20	<b>(1,370,606)</b>	(1,249,047)	<b>(687,916)</b>	(596,668)
Other operating income	21	<b>920</b>	1,017	<b>104,619</b>	105,428
<b>Loss on operating activities</b>		<b>(14,481)</b>	(129,837)	<b>(92,477)</b>	(87,102)
Deferred compensation	15	–	90,166	–	90,166
<b>Profit/(Loss) before interest and taxation</b>		<b>(14,481)</b>	(39,671)	<b>(92,477)</b>	3,064
Net finance income/(charges)	22	<b>(13,568)</b>	(13,824)	<b>573</b>	415
<b>Profit/(Loss) before taxation</b>		<b>(28,049)</b>	(53,495)	<b>(91,904)</b>	3,479
Taxation – credit/(charge)	23	<b>(24,390)</b>	7,585	<b>7,180</b>	20,002
<b>Profit/(Loss) after taxation</b>		<b>(52,439)</b>	(45,910)	<b>(84,724)</b>	23,481
Minority interests		<b>(4)</b>	(17)	–	–
<b>Profit/(Loss) attributable to shareholders</b>		<b>(52,443)</b>	(45,927)	<b>(84,724)</b>	23,481
<b>Loss per share (in cents)</b>	24				
Basic		<b>(2.49)</b>	(2.19)		
Diluted		<b>(2.49)</b>	(2.19)		
<b>EBITDA (unaudited)</b>	25	<b>325,126</b>	203,149		

The accompanying notes form an integral part of these financial statements.

# Statements of Changes in Equity

Year ended 31 December 2004

	Notes	2004 \$'000	Group 2003 \$'000	2004 \$'000	Company 2003 \$'000
<b>Share Capital</b>					
Balance at 1 January		<b>838,043</b>	836,659	<b>838,043</b>	836,659
Issue of shares under:					
– StarHub Share Option Plan	18	<b>9,120</b>	1,384	<b>9,120</b>	1,384
Balance at 31 December		<b>847,163</b>	838,043	<b>847,163</b>	838,043
<b>Share Premium</b>					
Balance at 1 January		<b>1,654</b>	596	<b>1,654</b>	596
Issue of shares under:					
– StarHub Share Option Plan	18	<b>8,301</b>	1,058	<b>8,301</b>	1,058
Balance at 31 December		<b>9,955</b>	1,654	<b>9,955</b>	1,654
<b>Goodwill Written Off</b>					
Balance at 1 January		<b>(276,290)</b>	(276,290)	–	–
Movement during the year		–	–	–	–
Balance at 31 December		<b>(276,290)</b>	(276,290)	–	–
<b>Merger Reserve</b>					
Balance at 1 January		<b>213,509</b>	213,509	–	–
Movement during the year		–	–	–	–
Balance at 31 December		<b>213,509</b>	213,509	–	–
<b>Capital Reserve</b>					
Balance at 1 January		<b>191,925</b>	191,925	<b>718,822</b>	718,822
Movement during the year		–	–	–	–
Balance at 31 December		<b>191,925</b>	191,925	<b>718,822</b>	718,822
<b>Retained Profits/(Accumulated Losses)</b>					
Balance at 1 January		<b>(75,453)</b>	(29,526)	<b>488,799</b>	465,318
Net profit/(loss) for the year		<b>(52,443)</b>	(45,927)	<b>(84,724)</b>	23,481
Balance at 31 December		<b>(127,896)</b>	(75,453)	<b>404,075</b>	488,799
<b>Total Capital and Reserves</b>		<b>858,366</b>	893,388	<b>1,980,015</b>	2,047,318

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2004

	2004 \$'000	2003 \$'000
<b>Operating activities</b>		
Loss before taxation	(28,049)	(53,495)
Adjustments for:		
Provision for charity fund	582	516
Provision for loyalty programme	11,830	7,056
Accretion of deferred compensation	–	(90,166)
Depreciation and amortisation (net of asset grant)	339,607	332,986
Loss on disposal/write-off of property, plant and equipment	7,981	7,227
Interest expense	14,362	13,977
Interest income	(794)	(153)
Operating cash flow before working capital changes	345,519	217,948
Changes in working capital:		
Inventories	(367)	(1,593)
Trade receivables	(1,626)	10,963
Other receivables, deposits and prepayments	(31,974)	(6,325)
Trade payables, accruals and other payables	48,061	9,487
Related corporations balances (trade)	(21,144)	33,797
<b>Net cash inflow from operating activities</b>	<b>338,469</b>	<b>264,277</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment and intangible assets	569	2,229
Purchase of property, plant and equipment and intangible assets	(220,557)	(221,311)
Interest received	697	187
Net cash outflow from liquidation of subsidiary	(628)	–
<b>Net cash outflow from investing activities</b>	<b>(219,919)</b>	<b>(218,895)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	17,421	2,442
Repayment of finance lease liabilities	(466)	(1,070)
Interest paid	(16,242)	(14,239)
Grants received	72	367
Proceeds from loans	36,000	99,000
Repayment of loans	(102,500)	(125,000)
<b>Net cash outflow from financing activities</b>	<b>(65,715)</b>	<b>(38,500)</b>
<b>Net increase in cash and cash equivalents</b>	<b>52,835</b>	<b>6,882</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>73,818</b>	<b>66,936</b>
<b>Cash and cash equivalents at end of the year (note 11)</b>	<b>126,653</b>	<b>73,818</b>

## Significant non-cash transactions

During the financial year ended 31 December 2004, the Group entered into capacity swap transactions to exchange network capacity with a carrying amount of \$2,876,000 with other operators. The period of exchanges ranges from 2 years to 15 years.

The accompanying notes form an integral part of these financial statements.



# Notes to the Financial Statements

Year ended 31 December 2004

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 23 February 2005.

## 1 DOMICILE AND ACTIVITIES

StarHub Ltd ("StarHub" or the "Company") is incorporated in the Republic of Singapore with its registered office at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469.

The Company was previously known as StarHub Pte Ltd until 16 August 2004, on which date it changed its name and assumed its current name.

The principal activities of the Company are those relating to the operation and provision of telecommunications services and other businesses relating to the info-communications industry. The principal activities of the subsidiaries are set out in note 5 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (the "Group").

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG").

The financial statements, which are expressed in Singapore dollars, are prepared on the historical cost basis.

### 2.2 Consolidation

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. Subsidiaries are consolidated with the Company in the Group's financial statements.

Acquisitions of subsidiaries from related corporations controlled by the ultimate holding company, Temasek Holdings (Private) Limited ("Temasek"), are accounted for as reconstructions of businesses under common control using the historical cost method similar to the "pooling of interest" method.

Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. The consolidated financial statements include the results of operations, and the assets and liabilities, of the pooled enterprises as part of the Group for the whole of the current and preceding periods.

To the extent that the par value the shares issued in consideration for these transactions exceeds the par value of the shares held by the related corporations, the difference is recognised as a merger reserve in the Group's financial statements.

Where a subsidiary is acquired from a related corporation in a share swap and relief from the share premium requirements of the Companies Act, Chapter 50 is applied, the excess of the fair value of the Company's shares issued over their par value for the portion acquired from an unrelated party is recognised as a capital reserve by the Group and the Company.

All other acquisitions with unrelated parties are accounted for under the purchase method.

# Notes to the Financial Statements

Year ended 31 December 2004

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation (continued)

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the year and accounted for under the purchase method are included from the effective date of acquisition or up to the effective date of disposal.

Goodwill and fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition of foreign subsidiaries are determined and are translated using exchange rates at the date of acquisition.

Assets and liabilities of foreign subsidiaries are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date. Income, expenses and cash flows are translated at average rates prevailing during the period. Translation differences are recorded as a separate component of shareholders' equity.

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains are eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment, in which case they are recognised immediately in the profit and loss account.

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement in Group reserves is included in the calculation of the profit or loss on disposal.

### 2.3 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes direct labour and an appropriate proportion of overheads.

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 Group. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

Depreciation is provided on the straight-line basis so as to write off the items of property, plant and equipment over their estimated useful lives as follows:

Leasehold improvements	–	Shorter of lease term or 5 years
Network equipment	–	2 years to 15 years
Office equipment, computers and furniture and fittings	–	2 years to 5 years
Motor vehicles	–	5 years

No depreciation is provided on freehold property.

No depreciation is provided in respect of property, plant and equipment under construction which has not been put to use.

# Notes to the Financial Statements

Year ended 31 December 2004

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Intangible Assets

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 acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is amortised in the profit and loss account using the straight-line method over its estimated useful life of not more than 20 years.

Goodwill arising on acquisitions of subsidiaries that occurred prior to 1 January 2001 were written-off against reserves and has not been retrospectively capitalised and amortised.

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions prior to 1 January 2001, the goodwill written-off against reserves.

Licence costs incurred to operate and provide telecommunications services are amortised over the period of the licence using the straight-line method, commencing from the effective date of the licence.

Other intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Expenditure on capitalised intangible assets after their acquisition is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date the asset is available for use. The estimated useful lives of intangible assets are as follows:

Computer software licences and system	–	2 years to 5 years
Telecommunications licence	–	20 years
Goodwill	–	15 years

### 2.5 Impairment

The carrying amounts of the Group's and the Company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

The recoverable amount is the greater of the asset's net selling price and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account.

# Notes to the Financial Statements

Year ended 31 December 2004

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.5 Impairment (continued)**

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

### **2.6 Inventories**

Inventories comprise goods held for resale and reserved telephone numbers. Inventories are valued at the lower of cost and net realisable value. The cost for goods held for resale is determined on the first-in first-out basis. Reserved telephone numbers are stated at cost and accounted for using the specific identification basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

### **2.7 Trade and Other Receivables**

Trade and other receivables (including balances with related parties) are stated at their cost less allowance for doubtful receivables.

Allowance for doubtful receivable is provided primarily on an analysis of payment histories and future expectations of customer payments. Allowances made are based on historical write-off patterns and the aging of accounts receivables. Bad debts are written off when incurred.

### **2.8 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

### **2.9 Trade and Other Payables**

Trade and other payables (including balances with related parties) are stated at cost.

### **2.10 Interest-Bearing Loans and Borrowings**

Interest-bearing bank loans and borrowings are stated at cost.

### **2.11 Employee Benefits**

Contributions to defined contribution plans are recognised as an expense in the profit and loss account when incurred.

The Company do not record any compensation cost or obligation to reflect the benefit received by employees when options are granted under the Company's employee share option plans. When the options are exercised, equity is increased by the amount of the cash proceeds received from optionholders.

### **2.12 Finance Leases**

Finance leases are those leasing agreements that give rights and obligations approximating to ownership. Assets financed under such leases are treated as if they had been purchased outright at the present value of the minimum lease payments and the corresponding lease commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account over the period of the lease so as to achieve a constant rate of interest on the remaining balance of the liability.

# Notes to the Financial Statements

Year ended 31 December 2004

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.13 Provisions

A provision is recognised in the balance sheet when the Company and the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for charity fund is recognised in relation to the Company's and the Group's commitment to donate a portion of its revenue to charity organisations when the underlying revenue is earned.

A provision for loyalty programme is recognised when the services qualifying for rewards points granted to customers have been rendered.

### 2.14 Revenue Recognition

Revenue of the Group comprises fees earned from telecommunications services, broadband access, cable television and related advertising space and sale of equipment. 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. Revenue is recognised in the profit and loss account as follows:

- Revenue from telecommunications and cable television services and advertising space is recognised at the time such services are rendered. Revenue billed in advance of the rendering of services is deferred and presented in the balance sheet as unearned revenue.
- Revenue from sales of prepaid and phone cards for which services have not been rendered is deferred and presented in the balance sheet as unearned revenue. Upon the expiry of prepaid and phone cards, any unutilised value of the cards is taken to the profit and loss account.
- Revenue from sales of equipment is recognised upon delivery and acceptance of the equipment sold.
- Revenue from bundled products and services is recognised based on values allocated to the individual elements of the bundled products and services in accordance to the earning process of each element.
- Interest income is recognised on a time-apportioned basis taking into account the principal outstanding at the applicable rate.

### 2.15 Finance Costs

Interest expense and similar charges are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

### 2.16 Government Grants

Government grants received, which are designated for the purchase of property, plant and equipment, are accredited to the profit and loss account on a straight-line basis over the estimated useful lives of the related assets, so as to match the related depreciation expense.

Government grants received, which are designated for operating expenditure, are recognised on a systematic basis in the profit and loss account over the periods necessary to match the related cost which they are intended to compensate.

# Notes to the Financial Statements

Year ended 31 December 2004

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *2.17 Marketing and Promotions*

Advertising costs are expensed when incurred. The direct costs of acquiring customers, including commission and promotion expenses, are recognised in the profit and loss account when incurred.

### *2.18 Operating Leases*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

### *2.19 Deferred Compensation*

Compensation received from the Infocomm Development Authority of Singapore for economic losses to the Company for the withdrawal of its undertakings on the timetable for the issue of additional public basic telephone services licences was recognised as income over the three-year period to 31 March 2003 over which the Company was required to complete their roll out of the fixed-line service network under the terms of the licence held by the Company.

### *2.20 Related Parties*

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### *2.21 Income Tax*

Income tax for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case such tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred 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. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### *2.22 Dividends*

Dividends on ordinary shares are recognised as a liability in the year in which they are declared.



# Notes to the Financial Statements

Year ended 31 December 2004

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

### 2.24 Derivative Financial Instruments

The Group uses interest rate swaps and forward foreign exchange contracts to hedge its exposure to interest rate risks and foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis to the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions.

### 2.25 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products and services which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business segments. The Group operates primarily in Singapore. The business segments are based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses, interest income and interest expenses and related assets and liabilities.

Segment capital expenditure comprises additions to property, plant and equipment and intangible assets.

The Group comprises the following business segments:

- Telecommunications services: Provision of telecommunications services, international call services, retail sales, sales of customer premise equipment and other telecommunication related services.
- Cable TV and broadband services: Provision of subscription television and broadband access services.
- Others: Provision of internet and interactive multi-media services and other miscellaneous services.

# Notes to the Financial Statements

Year ended 31 December 2004

## 3 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements \$'000	Freehold property \$'000	Network equipment \$'000	Office equipment, computers and furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2004	46,340	1,657	1,794,794	89,907	8,616	73,226	2,014,540
Additions	199	-	34,696	3,492	249	197,443	236,079
Transfers	864	-	107,415	8,098	-	(116,377)	-
Disposals	(12)	-	(1,983)	(1,820)	(109)	(14)	(3,938)
Write-offs	(672)	-	(10,971)	(1,408)	(53)	(9,767)	(22,871)
At 31 December 2004	46,719	1,657	1,923,951	98,269	8,703	144,511	2,223,810

### Accumulated depreciation and impairment losses

At 1 January 2004	36,244	-	931,547	53,606	7,214	10,024	1,038,635
Charge for the year	4,661	-	261,667	16,537	837	-	283,702
Transfers	(84)	-	602	(385)	-	(133)	-
Disposals	(7)	-	(1,771)	(1,629)	(58)	(7)	(3,472)
Write-offs	(592)	-	(10,266)	(10,266)	(1,293)	(2,591)	(14,794)
At 31 December 2004	40,222	-	1,181,779	66,836	7,941	7,293	1,304,071

### Carrying amount

At 31 December 2004	6,497	1,657	742,172	31,433	762	137,218	919,739
At 31 December 2003	10,096	1,657	863,247	36,301	1,402	63,202	975,905

	2004 \$'000	2003 \$'000
<b>Amounts capitalised during the year:</b>		
- Staff costs	4,713	4,906
- Operating lease expense	29	198

# Notes to the Financial Statements

Year ended 31 December 2004

## 3 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold improvements \$'000	Network equipment \$'000	Office equipment, computers and furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>						
At 1 January 2004	28,759	582,299	62,937	3,335	41,416	718,746
Additions	116	2,115	1,491	-	78,997	82,719
Transfers	864	46,381	7,488	-	(54,733)	-
Disposals	(12)	-	(1,814)	(109)	(14)	(1,949)
Write-offs	(556)	-	(315)	-	(6,891)	(7,762)
At 31 December 2004	29,171	630,795	69,787	3,226	58,775	791,754
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2004	19,778	323,674	37,244	2,544	7,444	390,684
Charge for the year	3,738	104,356	12,023	522	-	120,639
Transfers	-	145	-	-	(145)	-
Disposals	(7)	-	(1,620)	(58)	(7)	(1,692)
Write-offs	(474)	-	(212)	-	-	(686)
At 31 December 2004	23,035	428,175	47,435	3,008	7,292	508,945
<b>Carrying amount</b>						
At 31 December 2004	6,136	202,620	22,352	218	51,483	282,809
At 31 December 2003	8,981	258,625	25,693	791	33,972	328,062

# Notes to the Financial Statements

Year ended 31 December 2004

## 4 INTANGIBLE ASSETS

Group	Telecommunications licence \$'000	Software \$'000	Software in development \$'000	Goodwill \$'000	Total \$'000
<b>Cost</b>					
At 1 January 2004	97,087	160,698	2,551	267,801	528,137
Additions	-	8,206	2,072	-	10,278
Transfers	-	2,258	(2,258)	-	-
Disposals	-	(61)	-	-	(61)
At 31 December 2004	97,087	171,101	2,365	267,801	538,354
<b>Accumulated amortisation</b>					
At 1 January 2004	12,528	100,668	-	26,780	139,976
Charge for the year	4,698	38,052	-	17,853	60,603
Disposals	-	(54)	-	-	(54)
At 31 December 2004	17,226	138,666	-	44,633	200,525
<b>Carrying amount</b>					
At 31 December 2004	79,861	32,435	2,365	223,168	337,829
At 31 December 2003	84,559	60,030	2,551	241,021	388,161
				2004 \$'000	2003 \$'000
<b>Amounts capitalised during the year:</b>					
- Staff costs				3,836	3,750
- Operating lease expense				3	384

As at 31 December 2004, the remaining amortisation period for the goodwill is twelve and a half years.

# Notes to the Financial Statements

Year ended 31 December 2004

## 4 INTANGIBLE ASSETS (continued)

<b>Company</b>	<b>Software \$'000</b>	<b>Software in development \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>			
At 1 January 2004	131,990	2,551	134,541
Additions	3,762	1,290	5,052
Transfers	2,240	(2,240)	–
Disposals	(30)	–	(30)
At 31 December 2004	137,962	1,601	139,563
<b>Accumulated amortisation</b>			
At 1 January 2004	87,765	–	87,765
Charge for the year	34,528	–	34,528
Disposals	(23)	–	(23)
At 31 December 2004	122,270	–	122,270
<b>Carrying amount</b>			
At 31 December 2004	15,692	1,601	17,293
At 31 December 2003	44,225	2,551	46,776
		<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Amounts capitalised during the year:</b>			
– Staff costs		3,836	3,750
– Operating lease expense		3	384

# Notes to the Financial Statements

Year ended 31 December 2004

## 5 INVESTMENTS IN SUBSIDIARIES

Company	2004 \$'000	2003 \$'000
Investments in subsidiaries	1,069,000	1,072,220
Less:		
Allowance for impairment losses		
Balance at 1 January	30,689	30,689
Allowance utilised on liquidation of a subsidiary	(1,772)	–
Balance at 31 December	28,917	30,689
	1,040,083	1,041,531

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation/ business	Effective equity interest held by the Group	
			2004 %	2003 %
StarHub Cable Vision Ltd. <sup>(1)</sup> ("SCV")	Provision of subscription television and broadband access services	Singapore	100	100
StarHub Mobile Pte Ltd <sup>(1)</sup>	Provision of mobile telephone services	Singapore	100	100
StarHub Internet Pte Ltd <sup>(1)</sup>	Provision and operation of internet services	Singapore	100	100
e-station Pte Ltd	Liquidated on 15 September 2004	Singapore	–	70
StarHub Shop Pte Ltd <sup>(2)</sup>	Dormant	Singapore	100	100
StarHub, Inc. <sup>(2)</sup>	Dormant	United States	100	100
StarHub (Hong Kong) Limited <sup>(2)</sup>	Dormant	Hong Kong	100	100

(1) Audited by KPMG Singapore.

(2) Not required to be audited by laws of their respective countries of incorporation.



# Notes to the Financial Statements

Year ended 31 December 2004

## 6 DEFERRED TAX ASSETS

Recognised deferred tax assets are attributable to the following:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Property, plant and equipment and intangible assets	<b>132,604</b>	146,694	<b>122,910</b>	105,467
Receivables	<b>5,174</b>	5,030	<b>2,282</b>	2,239
Inventories	<b>293</b>	436	<b>292</b>	243
Provisions	<b>908</b>	124	<b>178</b>	124
Tax losses carried forward	<b>1,514</b>	12,013	–	9,823
<b>Tax assets</b>	<b>140,493</b>	164,297	<b>125,662</b>	117,896

In relation to a deferred tax benefit of \$748,000 (2003: \$823,000) recognised by the Group on a tax loss of \$3,740,000 (2003: \$3,740,000), utilisation is subject to the determination by the Comptroller of Income Tax that there has been no substantial change in the ultimate shareholders of the company for the purpose of section 37 of the Income Tax Act, Chapter 134 ("Income Tax Act").

The Group has recognised a deferred tax asset relating to the telecommunications and internet services businesses, after considering the projections of income which it expects to earn in future years, based on business plans approved by the Board of Directors, and the licensing environment expected to prevail in that period.

The utilisation of all deferred tax assets, recognised and unrecognised, is subject to the requirements of sections 23 and 37 of the Income Tax Act.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Temporary differences (relating mainly to property, plant and equipment and intangible assets)	<b>486,648</b>	322,360	–	–
Unutilised capital allowances	<b>34,269</b>	45,700	–	–
Tax losses	<b>210,548</b>	208,899	<b>141,580</b>	141,580
	<b>731,465</b>	576,959	<b>141,580</b>	141,580
<b>Deferred tax assets</b>	<b>146,293</b>	126,931	<b>28,316</b>	31,148

# Notes to the Financial Statements

Year ended 31 December 2004

## 6 DEFERRED TAX ASSETS (continued)

The Company and the Group have tax losses prior to the commercial commencement of telecommunications services by the Company. The utilisation of these unrecognised tax losses is subject to the agreement with the Comptroller of Income Tax on the date of the commencement of operations by the Company.

The Group has not recognised its other deferred tax assets, comprising principally the temporary differences and unutilised tax losses relating to a subsidiary, as the Group does not expect to recover these potential deferred tax assets in the near future. The Group reassesses the recovery of these potential deferred tax assets annually.

The deferred tax assets of \$12.9 million (2003: \$14.2 million) of SCV arising from tax losses carried forward is subject to the determination by the Comptroller of Income Tax that there has been no substantial change in the ultimate shareholders of the Company arising from the acquisition of SCV by the Company in 2002.

## 7 TRADE RECEIVABLES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables	<b>164,838</b>	178,967	<b>121,953</b>	139,160
Allowance for doubtful receivables	<b>(74,771)</b>	(90,526)	<b>(65,081)</b>	(81,870)
	<b>90,067</b>	88,441	<b>56,872</b>	57,290
Receivable:				
Within 12 months	<b>89,030</b>	87,120	<b>56,872</b>	57,290
After 12 months	<b>1,037</b>	1,321	–	–
	<b>90,067</b>	88,441	<b>56,872</b>	57,290

The trade receivables of the Company include amounts billed under a combined billing arrangement to customers for services provided by subsidiaries.

# Notes to the Financial Statements

Year ended 31 December 2004

## 8 BALANCES WITH RELATED PARTIES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Non-current:</b>				
Amounts due from subsidiaries (non-trade)	–	–	<b>403,336</b>	522,150
Allowance for doubtful receivables	–	–	<b>(2,517)</b>	(3,371)
	–	–	<b>400,819</b>	518,779
<b>Current:</b>				
<b>Loan to a subsidiary</b>	–	–	<b>180,500</b>	67,000
<b>Amounts due from (trade):</b>				
– Subsidiaries	–	–	<b>46,614</b>	47,579
– Immediate holding company	<b>2,317</b>	518	<b>2,292</b>	503
– Related corporations	<b>15,761</b>	17,581	<b>14,571</b>	12,689
	<b>18,078</b>	18,099	<b>243,977</b>	127,771
<b>Amounts due to (trade):</b>				
– Subsidiaries	–	–	<b>32,926</b>	32,403
– Related corporations	<b>61,104</b>	82,269	<b>48,997</b>	40,878
	<b>61,104</b>	82,269	<b>81,923</b>	73,281

The non-current non-trade balances with subsidiaries are unsecured and interest free, and are not expected to be repaid within the next twelve months.

The loan to the subsidiary is unsecured and bore rates of interest ranging from 0.80% to 1.48% (2003: 0.80% to 1.20%) per annum during the year.

The immediate holding company of the Company is STT Communications Ltd. The ultimate holding company of the Company is Temasek Holdings (Private) Limited. These companies are incorporated in the Republic of Singapore.

# Notes to the Financial Statements

Year ended 31 December 2004

## 9 INVENTORIES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Inventories, at cost	<b>8,660</b>	7,194	<b>5,166</b>	4,581
Allowance for obsolescence	<b>(2,309)</b>	(1,210)	<b>(1,462)</b>	(1,106)
	<b>6,351</b>	5,984	<b>3,704</b>	3,475

## 10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Accrued revenue	<b>44,915</b>	39,463	<b>20,157</b>	10,315
Deposits	<b>4,148</b>	4,909	<b>3,125</b>	3,217
Prepayments	<b>50,701</b>	25,027	<b>13,105</b>	7,392
Other receivables	<b>3,730</b>	2,024	<b>182</b>	119
	<b>103,494</b>	71,423	<b>36,569</b>	21,043

## 11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fixed deposits	<b>113,864</b>	70,508	<b>109,263</b>	52,548
Cash at bank and in hand	<b>12,789</b>	3,310	<b>10,152</b>	614
	<b>126,653</b>	73,818	<b>119,415</b>	53,162

## 12 OTHER PAYABLES

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current portion of deferred income	15	<b>4,231</b>	4,631	<b>380</b>	652
Property, plant and equipment vendors		<b>91,570</b>	65,770	<b>76,987</b>	44,037
Unearned revenue		<b>73,945</b>	70,003	<b>15,362</b>	18,929
Deposits from customers		<b>8,166</b>	7,006	<b>2,914</b>	2,291
		<b>177,912</b>	147,410	<b>95,643</b>	65,909

# Notes to the Financial Statements

Year ended 31 December 2004

## 13 INTEREST-BEARING BORROWINGS

	Notes	2004 \$'000	Group 2003 \$'000
Finance leases	(a)	27	494
Floating rate loans	(b)	319,500	350,000
Revolving credit loans	(c)	–	36,000
		<b>319,527</b>	<b>386,494</b>
Current portion			
– Finance leases		27	466
– Floating rate loans		73,500	30,500
		<b>73,527</b>	<b>30,966</b>
Non-current portion			
– Finance leases		–	28
– Floating rate loans		246,000	319,500
– Revolving credit loans		–	36,000
		<b>246,000</b>	<b>355,528</b>
<b>Total</b>		<b>319,527</b>	<b>386,494</b>
Repayable:			
Within 1 year		73,527	30,966
After 1 year but within 5 years		236,000	325,528
After 5 years		10,000	30,000
		<b>319,527</b>	<b>386,494</b>

(a) The Group had obligations under finance leases that are repayable as follows:

	Payments \$'000	Interest \$'000	Principal \$'000
<b>2004</b>			
Repayable:			
Within 1 year	30	3	27
<b>2003</b>			
Repayable:			
Within 1 year	596	130	466
After 1 year but within 5 years	30	2	28
	626	132	494

# Notes to the Financial Statements

Year ended 31 December 2004

## 13 INTEREST-BEARING BORROWINGS (continued)

(b) These floating rate loans bore interest at rates ranging from 1.46% to 2.43% (2003: 1.46% to 1.84%) per annum during the year and are repayable in instalments by 2010.

(c) The revolving credit loans bore interest at rates ranging from 1.31% to 1.61% (2003: 1.38% to 1.92%) per annum during the year and are fully repaid during the financial year ended 31 December 2004.

## 14 PROVISIONS

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Charity Fund</b>				
Balance at 1 January	562	687	562	687
Provision made	582	516	582	516
Provision utilised	(294)	(641)	(294)	(641)
Balance at 31 December	850	562	850	562
<b>Loyalty Programme</b>				
Balance at 1 January	5,536	2,809	750	–
Provision made	11,830	7,056	53	10
Provision recharged to subsidiary	–	–	5,256	995
Provision utilised	(6,158)	(4,329)	(1,965)	(255)
Balance at 31 December	11,208	5,536	4,094	750
<b>Total</b>	<b>12,058</b>	<b>6,098</b>	<b>4,944</b>	<b>1,312</b>

The provision for charity fund relates to the Company's and the Group's commitment to donate a portion of its revenue to charity organisations when the underlying revenue is earned.

The provision for the loyalty programme relates to reward points granted to customers and is recognised when the services qualifying for rewards points granted to customers have been rendered.

# Notes to the Financial Statements

Year ended 31 December 2004

## 15 DEFERRED INCOME

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Deferred grants</b>				
Balance at 1 January	34,537	46,119	1,033	2,479
Amount received and receivable	72	367	-	-
Amount accreted to the profit and loss account	(4,712)	(11,949)	(653)	(1,446)
Balance at 31 December	29,897	34,537	380	1,033
<b>Deferred compensation</b>	1,082,000	1,082,000	1,082,000	1,082,000
Less:				
Amount accreted to the profit and loss account				
- retained earnings	(1,082,000)	(991,834)	(1,082,000)	(991,834)
- current year	-	(90,166)	-	(90,166)
	-	-	-	-
<b>Total</b>	29,897	34,537	380	1,033
Deferred grants to be accreted:				
Current (note 12)	4,231	4,631	380	652
Non-Current				
- After 1 year but within 5 years	15,403	15,792	-	381
- After 5 years	10,263	14,114	-	-
	25,666	29,906	-	381
<b>Total</b>	29,897	34,537	380	1,033

Deferred compensation relates to the unaccrued portion of compensation received from the Infocomm Development Authority of Singapore ("IDA") upon the acceleration of the issue of additional public basic telephone services licences by IDA. See Note 2.19.



# Notes to the Financial Statements

Year ended 31 December 2004

## 16 SHARE CAPITAL

Company	2004		2003	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<b>Authorised:</b>				
Ordinary shares				
– par value (\$)		<b>\$0.40</b>		\$0.10
– number in issue at 31 December	<b>5,000,000</b>	<b>2,000,000</b>	20,000,000	2,000,000
<b>Issued and fully paid:</b>				
At 1 January				
– shares of \$0.10 each	<b>8,380,432</b>	<b>838,043</b>	8,366,588	836,659
Issue of ordinary shares of \$0.10 each for cash pursuant to the exercise of options under the StarHub Share Option Plan 2000	<b>84,929</b>	<b>8,493</b>	13,844	1,384
Capitalisation of share premium account in bonus issue of 598 ordinary shares of par value \$0.10 each	<b>1</b>	–	–	–
Consolidation of four ordinary shares of \$0.10 each into one ordinary shares of \$0.40 each	<b>(6,349,021)</b>	–	–	–
Issue of ordinary shares of \$0.40 each for cash pursuant to the exercise of options under the StarHub Share Option Plan 2000	<b>1,566</b>	<b>627</b>	–	–
At 31 December				
– shares of \$0.10 each	–	–	8,380,432	838,043
– shares of \$0.40 each	<b>2,117,907</b>	<b>847,163</b>	–	–

# Notes to the Financial Statements

Year ended 31 December 2004

## 17 RESERVES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Merger reserve	213,509	213,509	–	–
Capital reserve	191,925	191,925	718,822	718,822
Share premium	9,955	1,654	9,955	1,654
Goodwill written off	(276,290)	(276,290)	–	–
Retained profits/ (Accumulated losses)	(127,896)	(75,453)	404,075	488,799
	11,203	55,345	1,132,852	1,209,275

The merger reserve comprises reserve arising from the acquisition of a subsidiary, StarHub Cable Vision Ltd. on 2 July 2002.

In accordance with the merger relief provisions of Section 69(B) of the Companies Act, Chapter 50, the capital reserve comprises reserve arising from the excess of the fair value of the Company's shares issued as consideration for the acquisition of SCV over its par value.

The share premium is not available for distribution as dividends.

The goodwill written off represents the excess of consideration paid on the acquisition of subsidiaries prior to 1 January 2001 over the share of the fair value of net assets acquired.

## 18 EQUITY COMPENSATION BENEFITS

The StarHub Share Option Plan 2004, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan (collectively referred to as the "Plans") were approved and adopted by its members at an Extraordinary General Meeting of the Company ("EGM") held on 16 August 2004.

At the EGM, the StarHub Pte Ltd Share Option Plan ("StarHub Share Option Plan 2000") was terminated without prejudice to the rights of optionholders holding options which have been granted and accepted under it prior to its termination.

The Plans and the StarHub Share Option Plan 2000 are administered by the Company's Executive Resource and Compensation Committee ("ERCC").

Other information regarding the Plans and the StarHub Share Option Plan 2000 is set out below:

(a) *Options granted under the StarHub Share Option Plan 2004 and the StarHub Share Option Plan 2000 (collectively, the "Share Option Plans")*

- (i) Under the StarHub Share Option Plan 2004, the exercise price for each ordinary share in respect of which an option is exercisable shall be determined by the ERCC in its absolute discretion on the date of grant to be either:
  - (1) a price which is equal to the volume-weighted average price for the Company's shares on the Singapore Exchange Securities Trading Limited over the three consecutive trading days immediately preceding the date of grant of that option (the "Market Price"), or such higher price as may be determined by the ERCC in its absolute discretion; or
  - (2) a price which is set, at the absolute discretion of the ERCC, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

# Notes to the Financial Statements

Year ended 31 December 2004

## 18 EQUITY COMPENSATION BENEFITS (continued)

(ii) Under the StarHub Share Option Plan 2000, the exercise price for each ordinary share in respect of which an option is exercisable was determined by the ERCC in its absolute discretion on the date of grant.

(iii) The exercise price in respect of an option granted under the Share Option Plans shall in no event be less than the nominal value of the Company's ordinary shares.

### (b) StarHub Performance Share Plan and Restricted Stock Plan

(i) The StarHub Performance Share Plan and the StarHub Restricted Stock Plan were implemented with the objectives of motivating senior executives to strive for superior performance and sustaining long-term growth for the Group.

(ii) Under the StarHub Performance Share Plan, awards are granted. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets.

(iii) Under the StarHub Restricted Stock Plan, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards).

(iv) Since the commencement of the StarHub Performance Share Plan and the StarHub Restricted Stock Plan, there has been no grant of awards under the aforesaid plans to participants.

Movements of share options outstanding under the Share Option Plans are as follows:

Date of grant of options	Exercise price \$	1 January 2004 or date of grant	Options exercised	Options cancelled/lapsed	31 December 2004	Exercisable Period	
						From	To
16.06.2000	0.48	2,676,250	2,294,494	13,251	368,505	17.06.2001	16.06.2010
16.06.2000	0.40	458,334	–	–	458,334	01.01.2002	16.06.2010
16.06.2000	0.48	458,334	–	–	458,334	01.01.2002	16.06.2010
16.06.2000	0.56	458,334	–	–	458,334	01.01.2002	16.06.2010
16.06.2000	0.48	458,334	–	–	458,334	01.01.2003	16.06.2010
16.06.2000	0.56	458,334	–	–	458,334	01.01.2003	16.06.2010
16.06.2000	0.68	458,334	–	–	458,334	01.01.2003	16.06.2010
16.06.2000	0.56	458,334	–	–	458,334	01.01.2004	16.06.2010
16.06.2000	0.68	458,334	–	–	458,334	01.01.2004	16.06.2010
16.06.2000	0.84	458,334	–	–	458,334	01.01.2004	16.06.2010
16.06.2000	0.68	458,334	–	–	458,334	01.01.2005	16.06.2010
16.06.2000	0.84	458,334	–	–	458,334	01.01.2005	16.06.2010
16.06.2000	0.84	458,334	–	–	458,334	01.01.2006	16.06.2010
02.10.2000	0.48	406,000	362,000	6,000	38,000	03.10.2001	02.10.2010
27.04.2001	0.88	3,292,192	2,799,409	69,250	423,533	28.04.2002	27.04.2011
26.10.2001	0.88	2,944,563	1,349,605	115,001	1,479,957	27.10.2002	26.10.2011
Balance brought forward		14,819,013	6,805,508	203,502	7,810,003		

# Notes to the Financial Statements

Year ended 31 December 2004

## 18 EQUITY COMPENSATION BENEFITS (continued)

Date of grant of options	Exercise price \$	1 January 2004 or date of grant	Options exercised	Options cancelled/lapsed	31 December 2004	Exercisable Period	
						From	To
Balance carried forward		14,819,013	6,805,508	203,502	7,810,003		
26.04.2002	0.88	2,862,250	1,404,500	175,875	1,281,875	27.04.2003	26.04.2012
29.11.2002	0.68	13,363,625	7,897,153	274,337	5,192,135	29.11.2002	29.11.2012
29.11.2002	0.88	16,151,000	4,680,821	1,348,251	10,121,928	30.11.2003	29.11.2012
29.11.2002	0.88	337,500	20,833	41,667	275,000	30.11.2003	29.11.2007
30.05.2003	0.88	9,414,550	1,646,437	957,722	6,810,391	31.05.2004	30.05.2013
30.05.2003	0.88	93,750	6,250	12,500	75,000	31.05.2004	30.05.2008
28.11.2003	0.88	9,747,750	337,287	1,017,871	8,392,592	29.11.2004	28.11.2013
28.11.2003	0.88	112,500	-	37,500	75,000	29.11.2004	28.11.2008
02.04.2004	0.96	9,262,938	-	671,247	8,591,691	03.04.2005	02.04.2014
02.04.2004	0.96	112,500	-	37,500	75,000	03.04.2005	02.04.2009
26.11.2004	0.985	8,968,881	-	27,375	8,941,506	27.11.2005	26.11.2014
26.11.2004	0.985	131,250	-	-	131,250	27.11.2005	26.11.2009
		85,377,507	22,798,789	4,805,347	57,773,371		

Details of share options exercised are as follows:

Date of grant of options	Exercise price \$	Options exercised	Proceeds on option exercised credited to share capital \$'000	Proceeds on option exercised credited to share premium \$'000
16.06.2000	0.48	2,294,494	918	184
02.10.2000	0.48	362,000	145	29
27.04.2001	0.88	2,799,409	1,120	1,343
26.10.2001	0.88	1,349,605	540	648
26.04.2002	0.88	1,404,500	561	675
29.11.2002	0.68 to 0.88	12,598,807	5,039	4,467
30.05.2003	0.88	1,652,687	662	793
28.11.2003	0.88	337,287	135	162
		22,798,789	9,120	8,301

# Notes to the Financial Statements

Year ended 31 December 2004

## 18 EQUITY COMPENSATION BENEFITS (continued)

Details of share options exercisable are as follows:

Date of grant of options	Exercise price \$	Options	Options	Exercisable Period	
		exercisable 31 December 2003	exercisable 31 December 2004	From	To
16.06.2000	0.48	2,676,250	368,505	17.06.2001	16.06.2010
16.06.2000	0.40 to 0.56	1,375,002	1,375,002	01.01.2002	16.06.2010
16.06.2000	0.48 to 0.68	1,375,002	1,375,002	01.01.2003	16.06.2010
16.06.2000	0.56 to 0.84	-	1,375,002	01.01.2004	16.06.2010
02.10.2000	0.48	406,000	38,000	03.10.2001	02.10.2010
27.04.2001	0.88	1,954,609	423,533	28.04.2002	27.04.2011
26.10.2001	0.88	1,881,854	1,479,957	27.10.2002	26.10.2011
26.04.2002	0.88	844,750	356,250	27.04.2003	26.04.2012
29.11.2002	0.68	9,962,438	5,192,135	29.11.2002	29.11.2012
29.11.2002	0.88	5,098,583	5,230,719	30.11.2003	29.11.2012
29.11.2002	0.88	112,500	183,332	30.11.2003	29.11.2007
30.05.2003	0.88	-	1,241,263	31.05.2004	30.05.2013
30.05.2003	0.88	-	25,000	31.05.2004	30.05.2008
28.11.2003	0.88	-	2,585,333	29.11.2004	28.11.2013
28.11.2003	0.88	-	25,000	29.11.2004	28.11.2008
		25,686,988	21,274,033		

Pursuant to the share consolidation exercise described in note 16, every four existing options outstanding at the date of termination were consolidated into one option outstanding. All options information in these tables have been adjusted for the consolidation, such that the numbers and exercise prices of options relating to \$0.40 shares are re-presented as their equivalent numbers and exercise prices as they apply to shares of par value \$0.10 each.

## 19 OPERATING REVENUE

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Mobile revenue	<b>712,729</b>	559,495	-	-
Cable television revenue	<b>223,685</b>	211,411	-	-
Cable broadband	<b>125,913</b>	91,688	-	-
Fixed network services	<b>224,573</b>	212,516	<b>314,314</b>	282,554
Sale of equipment	<b>68,305</b>	43,083	<b>176,506</b>	121,584
	<b>1,355,205</b>	1,118,193	<b>490,820</b>	404,138

# Notes to the Financial Statements

Year ended 31 December 2004

## 20 OPERATING EXPENSES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cost of equipment sold	<b>155,652</b>	106,948	<b>150,896</b>	102,272
Cost of services	<b>131,567</b>	119,082	<b>15,520</b>	20,067
Traffic expenses	<b>172,870</b>	121,944	<b>95,608</b>	67,618
Depreciation and amortisation	<b>339,607</b>	332,986	<b>154,514</b>	144,253
Marketing and promotion	<b>121,615</b>	106,932	<b>15,410</b>	16,545
Staff costs	<b>192,272</b>	188,114	<b>133,603</b>	117,834
Allowance for doubtful receivables	<b>19,392</b>	25,914	<b>2,367</b>	11,790
Repairs and maintenance	<b>52,914</b>	53,722	<b>26,544</b>	35,101
Operating leases	<b>120,431</b>	123,214	<b>52,839</b>	45,213
Other expenses	<b>64,286</b>	70,191	<b>40,615</b>	35,975
	<b>1,370,606</b>	1,249,047	<b>687,916</b>	596,668

	Group		Company	
	2004	2003	2004	2003
Number of employees as at 31 December	<b>2,702</b>	2,755	<b>1,654</b>	1,558

Depreciation and amortisation expense comprises the following:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Depreciation of property, plant and equipment	<b>283,702</b>	290,444	<b>120,639</b>	116,545
Accretion of asset grants to the profit and loss account	<b>(4,698)</b>	(11,129)	<b>(653)</b>	(652)
	<b>279,004</b>	279,315	<b>119,986</b>	115,893
Amortisation of intangible assets	<b>60,603</b>	53,671	<b>34,528</b>	28,360
Total	<b>339,607</b>	332,986	<b>154,514</b>	144,253

Included in staff costs of the Group and the Company are contributions made to defined contribution plans of \$16,946,000 (2003: \$17,771,000) and \$11,033,000 (2003: \$10,324,000), respectively.

# Notes to the Financial Statements

Year ended 31 December 2004

## 20 OPERATING EXPENSES (continued)

Directors' remuneration is recognised in the following line items in the profit and loss accounts:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Directors' fees included in staff costs	323	208	323	208
Other remuneration included in staff costs	2,683	2,008	2,683	2,008
	<b>3,006</b>	2,216	<b>3,006</b>	2,216

Included in other expenses are the following:

Non-audit fees paid to auditors of the company	187	203	122	94
Exchange gain	(858)	(1,173)	(350)	(427)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	(94)	499	174	1,129
Property, plant and equipment and intangible assets written off	8,077	6,728	7,074	124

## 21 OTHER OPERATING INCOME

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Gain on liquidation of subsidiary	–	–	16	–
Government grants	920	1,017	905	990
Corporate recharges from subsidiaries	–	–	103,698	104,438
	<b>920</b>	1,017	<b>104,619</b>	105,428

## 22 NET FINANCE INCOME/(CHARGES)

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest income				
– bank deposits	794	153	715	111
– subsidiaries	–	–	1,221	496
	<b>794</b>	153	<b>1,936</b>	607
Less:				
Interest on borrowings				
– banks	14,232	13,813	1,363	184
– finance lease creditors	130	156	–	–
– related corporations	–	8	–	8
	<b>14,362</b>	13,977	<b>1,363</b>	192
Net finance income/(charges)	<b>(13,568)</b>	(13,824)	<b>573</b>	415



# Notes to the Financial Statements

Year ended 31 December 2004

## 23 TAXATION

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current tax</b>				
– results of current year	<b>66,556</b>	45,199	<b>14,921</b>	13,833
– tax savings arising from utilisation of tax assets recognised	<b>(60,870)</b>	(45,199)	<b>(14,921)</b>	(13,833)
– tax savings arising from tax assets previously not recognised	<b>(5,686)</b>	–	–	–
– under/(over) provision in prior year	<b>586</b>	(50)	<b>586</b>	(50)
	<b>586</b>	(50)	<b>586</b>	(50)
<b>Deferred tax</b>				
– Origination and reversal of temporary differences	<b>(834)</b>	(36,796)	<b>(27,414)</b>	(31,897)
– Under recognition of deferred tax assets in prior year	<b>(84)</b>	(2,781)	<b>(528)</b>	(1,888)
– Change in tax rate	<b>14,936</b>	–	<b>10,718</b>	–
– Benefit of tax losses utilised	<b>9,786</b>	32,042	<b>9,458</b>	13,833
	<b>23,804</b>	(7,535)	<b>(7,766)</b>	(19,952)
Total income tax (credit)/charge in profit and loss account	<b>24,390</b>	(7,585)	<b>(7,180)</b>	(20,002)
<b>Reconciliation of effective tax rate</b>				
Profit/(Loss) before taxation	<b>(28,049)</b>	(53,495)	<b>(91,904)</b>	3,479
Income tax using Singapore tax rate of 20% (2003: 22%)	<b>(5,610)</b>	(11,768)	<b>(18,381)</b>	765
Non-deductible expenses	<b>5,108</b>	5,884	<b>425</b>	264
Tax losses not recognised as deferred tax assets	–	636	–	–
Other deductible temporary differences not recognised as deferred tax asset	<b>15,918</b>	22,565	–	–
Recognition of deferred tax assets previously not recognised	<b>(5,686)</b>	–	–	–
Under recognition of deferred tax assets in prior year	<b>(84)</b>	(2,781)	<b>(528)</b>	(1,888)
Under/(over) provision of current taxation in prior year	<b>586</b>	(50)	<b>586</b>	(50)
Deferred compensation and other income not taxable	<b>(778)</b>	(22,071)	–	(19,093)
Change in tax rate	<b>14,936</b>	–	<b>10,718</b>	–
Total income tax (credit)/charge in profit and loss account	<b>24,390</b>	(7,585)	<b>(7,180)</b>	(20,002)

The Singapore income tax rate was reduced from 22% to 20% with effect from the financial year ended 31 December 2004.

# Notes to the Financial Statements

Year ended 31 December 2004

## 24 LOSS PER SHARE

	Group	
	2004 \$'000	2003 \$'000
Basic loss per share is based on:		
Net loss for the year	<b>(52,443)</b>	(45,927)

	Number of shares	
	2004 '000	2003 '000
Weighted average number of shares (after consolidation of four \$0.10 shares into one \$0.40 share):		
– Outstanding during the year	<b>2,095,108</b>	2,091,647
– Issued under share option plans	<b>14,838</b>	1,494
	<b>2,109,946</b>	2,093,141

Basic loss per share is calculated by dividing the Group's loss attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

The Group has excluded all outstanding share options from the calculation of diluted loss per share as such options are anti-dilutive for the financial years ended 31 December 2003 and 2004.

## 25 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (UNAUDITED)

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is a supplementary indicator of performance used by the Group. The measurement of EBITDA is not covered by FRS. Where other companies use a similar term, it may be measured differently from how the Group measures it. The Group defines EBITDA as follows:

	Group	
	2004 \$'000	2003 \$'000
Loss before taxation	<b>(28,049)</b>	(53,495)
Adjustments for:		
Compensation from IDA	–	(90,166)
Depreciation and amortisation	<b>339,607</b>	332,986
Interest income	<b>(794)</b>	(153)
Interest on borrowings	<b>14,362</b>	13,977
<b>EBITDA</b>	<b>325,126</b>	203,149

# Notes to the Financial Statements

Year ended 31 December 2004

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company uses staff seconded by its shareholders and related corporations and reimburses its shareholders and related corporations at rates approximating actual employment costs.

The Company has given a related corporation a right of first refusal to provide ducting facilities to the Company for 17 years from 1 April 1999.

The Company has entered into contractual agreements on behalf of its subsidiaries, and recharges its subsidiaries based on terms agreed between the parties involved.

In the normal course of business, the Group purchases and sells info-communications services to related companies. The related party transactions are carried out on terms negotiated between the parties which are intended to reflect competitive terms.

Other than disclosed above and elsewhere in the financial statements, significant transactions of the Group with related parties during the financial year were as follows:

	2004 \$'000	Group	2003 \$'000
<b>Related Corporations</b>			
Sales	<b>77,468</b>		88,448
Purchase of property, plant and equipment	<b>22,082</b>		8,721
Rental expenses	<b>91,854</b>		105,001
Purchase of services	<b>86,021</b>		75,761
Purchase of inventories	<b>105,503</b>		86,637

## 27 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The Group operates primarily in Singapore.

The Group comprises the following business segments:

- Telecommunications – Provision of telecommunications services, international call services, retail sales, sales of customer premise equipment and other telecommunication related services.
- Cable TV and Broadband – Provision of subscription television and broadband access services.
- Others – Provision of internet and interactive multi-media services and other miscellaneous services.

# Notes to the Financial Statements

Year ended 31 December 2004

## 27 SEGMENT REPORTING (continued)

	Telecommunications	Cable TV and Broadband	Others	Elimination	Total
2004	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and expenses</b>					
Revenue	996,471	349,598	9,136	-	1,355,205
Inter-segment revenue	36,682	1,011	1,644	(39,337)	-
<b>Total revenue</b>	<b>1,033,153</b>	<b>350,609</b>	<b>10,780</b>	<b>(39,337)</b>	<b>1,355,205</b>
<b>Segment results</b>	<b>31,229</b>	<b>(33,250)</b>	<b>5,393</b>	<b>-</b>	<b>3,372</b>
Amortisation of goodwill					(17,853)
Interest income					794
Interest on borrowings					(14,362)
<b>Loss before taxation</b>					<b>(28,049)</b>
Taxation					(24,390)
<b>Minority interests</b>					<b>(4)</b>
<b>Net loss for the year</b>					<b>(52,443)</b>
<b>Assets and liabilities</b>					
Segment assets	975,861	471,079	8,473	(76,370)	1,379,043
Loan receivable	180,500	-	22,000	(202,500)	-
Allocated assets					1,379,043
Unallocated assets					363,661
<b>Total assets</b>					<b>1,742,704</b>
Segment liabilities	416,339	222,592	2,250	(76,370)	564,811
Interest-bearing borrowings	-	522,027	-	(202,500)	319,527
<b>Total liabilities</b>					<b>884,338</b>
<b>Other segment information</b>					
Capital expenditure	191,095	57,010	628	(2,376)	246,357
Depreciation	208,946	73,379	1,377	-	283,702
Amortisation (excluding goodwill)	39,235	3,508	7	-	42,750
Provisions	5,891	6,606	(85)	-	12,412

# Notes to the Financial Statements

Year ended 31 December 2004

## 27 SEGMENT REPORTING (continued)

2003	Telecommunications \$'000	Cable TV and Broadband \$'000	Others \$'000	Elimination \$'000	Total \$'000
<b>Revenue and expenses</b>					
Revenue	795,448	303,099	19,646	–	1,118,193
Inter-segment revenue	27,095	165	17,038	(44,298)	–
<b>Total revenue</b>	<b>822,543</b>	<b>303,264</b>	<b>36,684</b>	<b>(44,298)</b>	<b>1,118,193</b>
<b>Segment results</b>	(38,730)	(83,432)	10,178	–	(111,984)
Amortisation of goodwill					(17,853)
Deferred compensation					90,166
Interest income					153
Interest on borrowings					(13,977)
<b>Loss before taxation</b>					(53,495)
Taxation					7,585
Minority interests					(17)
<b>Net loss for the year</b>					(45,927)
<b>Assets and liabilities</b>					
Segment assets	947,390	481,446	30,944	(78,970)	1,380,810
Loan receivable	67,000	–	–	(67,000)	–
Allocated assets					1,380,810
Unallocated assets					405,318
<b>Total assets</b>					<b>1,786,128</b>
Segment liabilities	324,468	253,899	6,225	(78,970)	505,622
Interest-bearing borrowings	–	453,494	–	(67,000)	386,494
<b>Total liabilities</b>					<b>892,116</b>
<b>Other segment information</b>					
Capital expenditure	99,009	66,444	231	(1,608)	164,076
Depreciation	198,689	89,278	2,477	–	290,444
Amortisation (excluding goodwill)	33,096	2,714	8	–	35,818
Provisions	1,523	6,176	(127)	–	7,572

# Notes to the Financial Statements

Year ended 31 December 2004

## 28 FINANCIAL INSTRUMENTS

### (a) *Financial risk management objectives and policies*

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group has written risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy, and has established processes to monitor and control the hedging of transactions in a timely and accurate manner.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's accounting policy in relation to derivative financial instruments is set out in note 2.24.

### (b) *Credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on corporate customers requiring credit over a certain amount. Identification documents are obtained from retail customers. Deposits are obtained for certain categories of higher-risk customers.

At the balance sheet date, there were no significant concentrations of credit risk other than for \$126.7 million of cash with six banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### (c) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The Group adopts a policy of ensuring that at least 50 percent of its exposure to changes in interest rates on bank loans is on a fixed rate basis. Interest rate swaps, denominated in Singapore dollars, have been entered into to achieve this purpose. The swaps mature over the next six years and have fixed interest rates ranging from 1.67% to 4.96% per annum.

### (d) *Foreign currency risk*

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than Singapore dollars. The currency giving rise to this risk is primarily the US dollar.

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk on forecasted payment obligations.

In respect of other monetary liabilities held in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level by buying foreign currencies at spot rates where necessary to address any shortfalls.

### (e) *Sensitivity analysis*

The Group believes that short-term fluctuations in interest rates and currency exchange rates do not significantly affect the Group's earnings.

# Notes to the Financial Statements

Year ended 31 December 2004

## 28 FINANCIAL INSTRUMENTS (continued)

### (f) Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Group	Effective interest rate %	Total carrying value \$'000	Repricing periods within 1 year \$'000	Repricing periods 1 to 5 years \$'000	Repricing periods after 5 years \$'000
<b>2004</b>					
<b>Financial assets</b>					
Short-term deposits	1.22	113,864	113,864	-	-
<b>Financial liabilities</b>					
Unsecured bank loans					
- Floating rate loans <sup>(i)</sup>	3.67	319,500	319,500	-	-
- Floating rate loans		-	-	-	-
- Revolving credit loans		-	-	-	-
Finance lease liabilities	2.47	27	-	-	-
Total		319,527	319,500	-	-
Interest rate swaps <sup>(iii)</sup>		(325,000)	(95,000)	(200,000)	(30,000)
<b>2003</b>					
<b>Financial assets</b>					
Short-term deposits	0.3 to 0.4	70,508	70,508	-	-
<b>Financial liabilities</b>					
Unsecured bank loans					
- Floating rate loans <sup>(i)</sup>	3.63	325,000	325,000	-	-
- Floating rate loans	1.56	25,000	25,000	-	-
- Revolving credit loans	1.58	36,000	36,000	-	-
Finance lease liabilities	2.47	494	-	-	-
Total		386,494	386,000	-	-
Interest rate swaps <sup>(iii)</sup>		(325,000)	-	(295,000)	(30,000)

(i) The effective interest rate has been adjusted for the effect of interest rate swaps

(ii) Notional principal amounts



# Notes to the Financial Statements

Year ended 31 December 2004

## 28 FINANCIAL INSTRUMENTS (continued)

Company	Effective	2004	Effective	2003
	interest rate	Repricing	interest rate	Repricing
	%	within 1 year	%	within 1 year
		\$'000		\$'000
<b>Financial assets</b>				
Loan to a subsidiary	1.42	180,500	1.06	67,000
Short-term deposits	1.23	109,264	0.3	52,548
		<b>289,764</b>		<b>119,548</b>

### (g) Fair values

#### Recognised financial instruments

The fair values of financial assets and liabilities of the Group and the Company approximate their carrying values.

#### Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects amounts which the Group and the Company expect to pay or receive to terminate the contracts or replace the contracts at their current market rates at the balance sheet date.

The notional amount and net fair value, being the difference between the contracted rate and the market rate at the balance sheet date, applied to the notional amount, of financial instruments not recognised in the balance sheet are:

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Forward foreign exchange contracts				
– Notional amount	–	14,425	–	6,869
– Net fair value	–	(137)	–	(66)
Interest rate swaps				
– Notional amount	325,000	325,000	–	–
– Net fair value	(4,057)	(4,304)	–	–

# Notes to the Financial Statements

Year ended 31 December 2004

## 29 COMMITMENTS

### (a) Capital expenditure

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Contracted but not provided for in the financial statements	<b>154,363</b>	193,770	<b>124,405</b>	165,011

Included in the capital expenditure contracted by the Company is an amount of approximately \$72,329,000 (2003: \$105,878,000) which has been entered into on behalf of a subsidiary.

### (b) Operating leases

Future minimum lease payments under non-cancellable operating leases with terms of more than one year are as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Payable:				
– Within 1 year	<b>79,312</b>	66,861	<b>41,948</b>	37,346
– Within 2 to 5 years	<b>254,183</b>	233,560	<b>126,471</b>	113,480
– After 5 years	<b>402,992</b>	451,649	<b>191,266</b>	217,498
	<b>736,487</b>	752,070	<b>359,685</b>	368,324

Included in the operating lease commitment of the Company is \$10,984,000 (2003: \$11,341,000) which is contracted on behalf of a subsidiary.

### (c) Foreign exchange contracts

At balance sheet date, the Group and the Company have outstanding forward foreign exchange contracts which are entered into to hedge forecasted purchases denominated in foreign currencies:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Forward foreign exchange contracts	–	14,425	–	6,869

### (d) Interest rate swap

At balance sheet date, the Group has outstanding interest rate swap contracts which have been entered into to hedge floating rate interest obligations by swapping them for fixed rate interest obligations:

	Group	
	2004 \$'000	2003 \$'000
Interest rate swap contracts	<b>325,000</b>	325,000

# Notes to the Financial Statements

Year ended 31 December 2004

## **30 CONTINGENCIES**

The Group has counter-indemnified banks which have issued performance guarantees amounting to \$39,696,000 (2003: \$40,516,000) to third parties in respect of certain telecommunications services.

In an action commenced in the Singapore courts, Singapore Telecommunications Limited ("SingTel") is seeking damages from StarHub Cable Vision Ltd. for alleged breach of a network lease agreement the terms of which SingTel claims include a prohibition of SCV transmitting cable services to certain buildings. SingTel has not quantified the amount of its claim. While the Group believes, based on legal advice received, that it has reasonable defences, there is no basis to make a reliable estimate of the outcome of this claim. The trial commenced on 13 September 2004 and ended on 1 October 2004. Legal submissions were filed into court on 17 November 2004 and the respective replies of each party were filed on 8 December 2004. We anticipate judgment in early 2005.

## **31 COMPARATIVE INFORMATION**

Certain comparatives in the financial statement have been changed from the previous year to conform with the current year's presentation.

## **32 SUBSEQUENT EVENT**

Subsequent to the balance sheet date, the Group revised the estimated useful lives of certain network equipment from 5 years to 8 years. This has the effect of decreasing the annual depreciation expense by approximately \$70 million in 2005.

# Shareholding Information

as at 10 March 2005

Authorised share capital	:	S\$2,000,000,000
Issued and fully paid-up capital	:	S\$848,021,113
Class of shares	:	Ordinary share of par value S\$0.40 each
Voting rights	:	One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of shareholders	%	No. of shares	%
1 – 999	302	3.87	133,548	0.01
1,000 – 10,000	6,379	81.76	25,791,518	1.22
10,001 – 1,000,000	1,105	14.16	45,888,307	2.16
1,000,001 and above	16	0.21	2,048,239,409	96.61
Total	7,802	100.00	2,120,052,782	100.00

## SUBSTANTIAL SHAREHOLDERS

	Number of Shares		
	Direct Interest	Deemed Interest	%
Temasek Holdings (Private) Limited	–	1,343,867,079 <sup>(1)</sup>	63.39
Singapore Technologies Telemedia Pte Ltd	–	1,053,002,142 <sup>(2)</sup>	49.67
STT Communications Ltd	1,053,002,142	–	49.67
MediaCorp Pte. Ltd.	290,739,937	–	13.71
NTT Communications Corporation	–	218,260,650 <sup>(3)</sup>	10.30
NTT Investment Singapore Pte. Ltd.	218,260,650	–	10.30

### Notes:

(1) Temasek Holdings (Private) Limited is deemed to have an interest in 1,343,867,079 shares of StarHub held by MediaCorp Pte. Ltd., STT Communications Ltd, SNP Corporation Ltd, DBS group of companies, Singapore Technologies Marine Ltd and Visiontech Investment Pte Ltd.

(2) Singapore Technologies Telemedia Pte Ltd is deemed to have an interest in 1,053,002,142 shares held by STT Communications Ltd.

(3) NTT Communications Corporation is deemed to have an interest in 218,260,650 shares held by NTT Investment Singapore Pte. Ltd..

# Shareholding Information

as at 10 March 2005

## TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	STT Communications Ltd	1,053,002,142	49.67
2	MediaCorp Pte. Ltd.	290,739,937	13.71
3	NTT Investment Singapore Pte. Ltd.	218,260,650	10.30
4	Raffles Nominees Pte Ltd	196,400,681	9.26
5	Citibank Nominees Singapore Pte Ltd	77,207,717	3.64
6	DBS Nominees Pte Ltd	72,853,296	3.44
7	HSBC (Singapore) Nominees Pte Ltd	54,872,300	2.59
8	Morgan Stanley Asia (Singapore) Pte Ltd	33,229,000	1.57
9	Singapore Press Holdings Limited	16,432,465	0.77
10	United Overseas Bank Nominees Pte Ltd	16,259,219	0.77
11	DB Nominees (S) Pte Ltd	7,634,000	0.36
12	Nomura Singapore Limited	3,202,000	0.15
13	ING Nominees (Singapore) Pte Ltd	3,058,000	0.14
14	Macquarie Securities (S) Pte Ltd	2,153,000	0.10
15	Steven Terrell Clontz	1,535,002	0.07
16	The Asia Life Assurance Society Ltd – PAR Fund	1,400,000	0.07
17	Fung Kai Hung	900,000	0.05
18	RBC (Asia) Ltd	899,000	0.04
19	Kim Eng Securities Pte. Ltd.	836,000	0.04
20	OCBC Securities Private Ltd	832,000	0.04
Total		2,051,706,409	96.78

## SHAREHOLDING HELD IN HANDS OF THE PUBLIC

Based on the information available to StarHub as at 10 March 2005, approximately 26.23% of the issued ordinary shares of StarHub was held by the public. Accordingly, StarHub has complied with Rule 723 of the SGX-ST Listing Manual.

# StarHub Ltd

Company Registration No. 199802208C

## Notice of Seventh Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at Meritus Mandarin Singapore, Mandarin Ballroom 1, 6th Floor – South Tower, 333 Orchard Road, Singapore 238867 on 26 April 2005 at 9.00 a.m. for the following purposes:

### ORDINARY BUSINESS

- 1 To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2004 and the Auditors' Report therein. **Resolution 1**
  
- 2 To re-appoint Mr Lim Chin Beng, who will retire under Section 153(6) of the Companies Act, Cap. 50 of Singapore as a Director of the Company, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **Resolution 2**
  
- 3 To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:
  - (a) Mr Tan Guong Ching **Resolution 3**
  - (b) Mr Lee Theng Kiat **Resolution 4**
  - (c) Mr Kua Hong Pak **Resolution 5**
  - (d) Mr Lim Ming Seong **Resolution 6**
  - (e) Mr Steven Terrell Clontz **Resolution 7**
  - (f) Mr Peter Seah Lim Huat **Resolution 8**
  
- 4 To re-elect the following Directors, each of whom will retire pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:
  - (a) Mr Teo Ek Tor (*independent member of Audit Committee*) **Resolution 9**
  - (b) Mr Nihal Vijaya Devadas Kaviratne (*independent member of Audit Committee*) **Resolution 10**
  - (c) Mr Liu Chee Ming **Resolution 11**
  
- 5 To approve the sum of S\$322,982 as Directors' Fees for the year ended 31 December 2004 (2003: S\$208,027). **Resolution 12**
  
- 6 To re-appoint KPMG as Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 13**

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

- 7 That:
  - (a) approval be and is hereby given, for the purposes of Chapter 9 ("Chapter 9") of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Letter to Shareholders dated 8 April 2005 (the "Letter") with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
  
  - (b) the approval given in paragraph (a) above (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

# Notice of Seventh Annual General Meeting

## **SPECIAL BUSINESS (continued)**

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient, desirable, necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

8 That authority be and is hereby given to the Directors to:

## **Resolution 15**

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (ii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

9 That authority be and is hereby given to the Directors to issue from time to time such number of ordinary shares of S\$0.40 each in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the StarHub Pte Ltd Share Option Plan.

## **Resolution 16**



# Notice of Seventh Annual General Meeting

## **SPECIAL BUSINESS (continued)**

10 That approval be and is hereby given to the Directors to:

### **Resolution 17**

- (a) offer and grant options in accordance with the provisions of the StarHub Share Option Plan 2004 (the "Share Option Plan") and/or to grant awards in accordance with the provisions of the StarHub Performance Share Plan (the "Performance Share Plan") and/or the StarHub Restricted Stock Plan (the "Restricted Stock Plan") (the Share Option Plan, the Performance Share Plan and the Restricted Stock Plan, together the "Share Plans"); and
- (b) allot and issue from time to time such number of ordinary shares of S\$0.40 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Share Option Plan and/or such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Stock Plan,

provided that the aggregate number of ordinary shares to be issued pursuant to the StarHub Pte Ltd Share Option Plan and the Share Plans shall not exceed 15% of the total issued share capital of the Company from time to time.

11 To transact such other business as may be transacted at an Annual General Meeting of the Company.

## **BY ORDER OF THE BOARD**



**Veronica LAI Kwai-Yi**

Company Secretary

Singapore, 8 April 2005

### **Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the registered office of the Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 (Attn: Company Secretary) not less than 48 hours before the time appointed for the Annual General Meeting.

### **Explanatory Notes :**

#### **Resolution 14**

Resolution 14 is to modify and renew the mandate to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Rule 904(2) of the Listing Manual of the SGX-ST, in their ordinary course of businesses, to enter into categories of transactions with specified classes of the Company's interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms. Please see the Letter to Shareholders dated 8 April 2005 for details.

#### **Resolution 15**

Resolution 15 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the issued share capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that Resolution 15 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 15 is passed, and (b) any subsequent consolidation or subdivision of shares.

#### **Resolution 16**

Resolution 16 is to empower the Directors to issue ordinary shares in the capital of the Company pursuant to the exercise of options granted under the StarHub Pte Ltd Share Option Plan.

#### **Resolution 17**

Resolution 17 is to empower the Directors to offer and grant offers and/or grant awards and to issue shares in the capital of the Company pursuant to the StarHub Share Option Plan 2004, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan (collectively, the "Share Plans") provided that the aggregate number of shares issued pursuant to the StarHub Pte Ltd Share Option Plan and the Share Plans shall not exceed 15% of the issued share capital of the Company for the time being. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on 16 August 2004. The grant of options and awards under the respective Share Plans will be made in accordance with their respective provisions.

# StarHub Ltd

Company Registration No. 199802208C

## Letter to Shareholders

### Board of Directors

Tan Guong Ching (Chairman)  
Steven Terrell Clontz (President and Chief Executive Officer)  
Lim Chin Beng  
Lee Theng Kiat  
Lim Ming Seong  
Kua Hong Pak  
Peter Seah Lim Huat  
Osamu Inoue  
Teo Ek Tor  
Nihal Vijaya Devadas Kaviratne  
Liu Chee Ming  
Sio Tat Hiang (Alternate Director)  
Kiyoshi Maeda (Alternate Director)  
Tadashi Imachi (Alternate Director)

### Registered Office:

51 Cuppage Road  
#07-00 StarHub Centre  
Singapore 229469

8 April 2005

To: The Shareholders of StarHub Ltd

Dear Sir/Madam

### PROPOSED MODIFICATIONS TO AND RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 1 Background. We refer to:

- (i) the Notice of Annual General Meeting of StarHub Ltd (the "Company") dated 8 April 2005 (the "Notice"), accompanying the Annual Report 2005, convening the Seventh Annual General Meeting ("AGM") of the Company to be held on 26 April 2005; and
- (ii) Ordinary Resolution 14 under the heading "Special Business" set out in the Notice.

**2 Existing Shareholders' Mandate.** At an Extraordinary General Meeting of the Company held on 16 August 2004 (the "2004 EGM"), Shareholders had approved, *inter alia*, a general mandate (the "Shareholders' Mandate") to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" (together, the "EAR Group") within the meaning of Rule 904(2) of the listing manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), in their ordinary course of businesses, to enter into categories of transactions (the "Interested Person Transactions") with specified classes of the Company's interested persons (the "Interested Persons"), provided that such transactions are entered into on an arm's length basis and on normal commercial terms. Particulars of the Shareholders' Mandate were set out in the Company's Prospectus dated 17 September 2004 issued in connection with the initial public offering of the Company.

The Shareholders' Mandate was expressed to take effect until the conclusion of the next annual general meeting of the Company (being the Seventh AGM which is scheduled to be held on 26 April 2005). Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the Seventh AGM, to take effect until the conclusion of the Eighth AGM of the Company.

# Letter to Shareholders

### **3 Proposed Modifications to the Shareholders' Mandate.**

The Shareholders' Mandate, as approved at the 2004 EGM, provided for Interested Person Transactions being carried out between the EAR Group and Interested Persons which included separate categories of Interested Persons classified as (i) Temasek Holdings (Private) Limited ("Temasek") and its associates (excluding Singapore Technologies Pte Ltd ("STPL") and its associates) (the "Temasek Group") and (ii) STPL and its associates (the "STPL Group"). At the time of the adoption of the Shareholders' Mandate at the 2004 EGM, STPL was a controlling shareholder of the Company having a deemed interest in 1,053,002,142 ordinary shares of S\$0.40 each in the capital of the Company (the "Shares") representing approximately 49.76% of the issued share capital of the Company held by its wholly-owned subsidiary, STT Communications Ltd ("STT Communications"). Temasek, being the holding company of STPL, was also deemed through STPL to have an interest in such Shares.

On 31 December 2004, as a result of a restructuring exercise involving STPL, substantially all the shares in listed and unlisted companies and other assets held by STPL were transferred to Temasek. The shares which were transferred to Temasek included all of the shares in the capital of the holding company of STT Communications, Singapore Technologies Telemedia Pte Ltd, held by STPL. Accordingly, with effect from 31 December 2004, STPL ceased to have any deemed interest in Shares held by STT Communications and ceased to be a controlling shareholder of the Company.

It is therefore proposed that the Shareholders' Mandate be modified to delete references to STPL and the STPL Group. Other than such modifications, the particulars of the Interested Person Transactions in respect of which the Shareholders' Mandate is sought to be renewed remain unchanged.

**4 The Appendix.** Details of the Shareholders' Mandate as modified, including the rationale for and the benefits to the Company, the review procedures for determining transaction prices with Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter. The proposed modifications are marked for the Shareholders' ease of reference.

**5 Audit Committee Statement.** The Audit Committee of the Company, comprising Messrs Kua Hong Pak, Lim Ming Seong, Teo Ek Tor and Nihal Vijaya Devadas Kaviratne, confirms that:

- (i) the methods or procedures for determining the transaction prices under the Shareholders' Mandate, as modified, have not changed since the 2004 EGM; and
- (ii) the methods or procedures referred to in sub-paragraph (i) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

**6 Directors' and Substantial Shareholders' Interests.** As at 10 March 2005, the latest practicable date prior to the printing of this Letter, the interests of the Directors and the substantial shareholders of the Company in Shares are as follows:

## Letter to Shareholders

Directors	Number of Shares				Number of Shares comprised in outstanding share options granted by the Company
	Direct Interest	%	Deemed Interest	%	
Steven Terrell Clontz	1,535,002	0.07	–	–	5,500,008
Lim Chin Beng	60,000	0.003	10,000 <sup>(1)</sup>	nm <sup>(3)</sup>	162,500
Lee Theng Kiat	–	–	–	–	162,500
Lim Ming Seong	60,000	0.003	–	–	137,500
Peter Seah Lim Huat	60,000	0.003	–	–	112,500
Teo Ek Tor	–	–	–	–	18,750
Nihal Vijaya Devadas Kaviratne	60,000	0.003	–	–	18,750
Liu Chee Ming	–	–	60,000 <sup>(2)</sup>	0.003	18,750

Notes:

(1) Lim Chin Beng is deemed to have an interest in the 10,000 Shares held by his son.

(2) The 60,000 Shares are held by a nominee on behalf of Liu Chee Ming.

(3) Percentage not meaningful.

Substantial Shareholders	Number of Shares		
	Direct Interest	Deemed Interest	%
Temasek Holdings (Private) Limited	–	1,343,867,079 <sup>(1)</sup>	63.39
Singapore Technologies Telemedia Pte Ltd	–	1,053,002,142 <sup>(2)</sup>	49.67
STT Communications Ltd	1,053,002,142	–	49.67
MediaCorp Pte. Ltd.	290,739,937	–	13.71
NTT Communications Corporation	–	218,260,650 <sup>(3)</sup>	10.30
NTT Investment Singapore Pte. Ltd.	218,260,650	–	10.30

Notes:

(1) Temasek Holdings (Private) Limited is deemed to have an interest in 1,343,867,079 Shares held by MediaCorp Pte. Ltd., STT Communications Ltd, SNP Corporation Ltd, DBS group of companies, Singapore Technologies Marine Ltd and Visiontech Investment Pte Ltd.

(2) Singapore Technologies Telemedia Pte Ltd is deemed to have an interest in 1,053,002,142 Shares held by STT Communications Ltd.

(3) NTT Communications Corporation is deemed to have an interest in 218,260,650 Shares held by NTT Investment Singapore Pte. Ltd..

**7 Absention from Voting.** Messrs Tan Guong Ching, Lim Chin Beng, Lee Theng Kiat, Lim Ming Seong, Kua Hong Pak, Peter Seah Lim Huat and Sio Tat Hiang, who hold directorships and/or executive positions in the Temasek Group of companies, will abstain from voting their Shares, if any, in respect of Ordinary Resolution 14, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the Shareholders' Mandate at the Seventh AGM.

Temasek and STT Communications, and their respective associates, being Mandated Interested Persons (as described in paragraph 3 of the Appendix to this Letter), will also abstain from voting, and will procure that their respective associates will abstain from voting, their Shares, if any, in respect of Ordinary Resolution 14, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the Shareholders' Mandate at the Seventh AGM.

## Letter to Shareholders

**8 Directors' Recommendation.** The Directors who are considered independent for the purposes of the proposed modifications to, and renewal of, the Shareholders' Mandate are Messrs Teo Ek Tor, Nihal Vijaya Devadas Kaviratne and Liu Chee Ming (the "Independent Directors"). The Independent Directors are of the opinion that the entry into of the Interested Person Transactions between the EAR Group (as described in paragraph 2 of the Appendix to this Letter) and the Mandated Interested Persons (as described in paragraph 3 of the Appendix to this Letter) in the ordinary course of business will be entered into to enhance the efficiency of the EAR Group, and are in the best interests of the Company.

For the reasons set out in paragraphs 4 and 5 of the Appendix to this Letter, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 14, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the Shareholders' Mandate at the Seventh AGM.

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

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

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

Yours faithfully



**Tan Guong Ching**  
Chairman  
StarHub Ltd

# The Appendix

## The Shareholders' Mandate

### 1 CHAPTER 9 OF THE LISTING MANUAL

- 1.1 Chapter 9 of the listing manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and therefore are excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("NTA")) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:
- (i) 5% of the listed company's latest audited consolidated NTA; or
  - (ii) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3 Based on the latest audited consolidated accounts of StarHub Ltd ("StarHub") and its subsidiaries (the "StarHub Group") for the financial year ended 31 December 2004, the consolidated NTA of the StarHub Group was S\$635,199,000. In relation to StarHub, for the purposes of Chapter 9, in the current financial year and until such time that the consolidated audited accounts of the StarHub Group for the year ending 31 December 2005 are published, 5% of the latest audited consolidated NTA of the StarHub Group would be S\$31,760,000.
- 1.4 Chapter 9 of the Listing Manual permits a listed company (for example, StarHub), however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of its day-to-day operations) which may be carried out with the listed company's interested persons.
- 1.5 Under the Listing Manual:
- (i) an "entity at risk" means:
    - (a) the listed company;
    - (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
    - (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "listed group"), or the listed group and its interested person(s), has control over the associated company;
  - (ii) an "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

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

## 2 ENTITIES AT RISK

For the purposes of the Shareholders’ Mandate, an “entity at risk” means:

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

(together, the “EAR Group”).

## 3 CLASSES OF MANDATED INTERESTED PERSONS

The Shareholders’ Mandate will apply to the EAR Group’s transactions with Temasek Holdings (Private) Limited (“Temasek”) and its associates (excluding Singapore Technologies Pte Ltd (“STPL”) and its associates (the “STPL Group”)) (the “Mandated Interested Persons” or the “Temasek Group” and each, a “Mandated Interested Person”).

Transactions with Mandated Interested Persons which do not fall within the ambit of the Shareholders’ Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

## 4 CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The transactions with the Mandated Interested Persons which will be covered by the Shareholders’ Mandate and the benefits to be derived therefrom are as follows:

### (a) General Transactions

This category relates to general transactions (“General Transactions”) by the EAR Group relating to the provision to, or obtaining from, Mandated Interested Persons of products and services in the normal course of business of the EAR Group or which are necessary for the day-to-day operations of the EAR Group (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of the EAR Group’s day-to-day operations) comprising the following:

- (1) provision and obtaining of info-communications, broadcasting and fixed network services (including mobile, cable TV and broadband Internet), equipment, infrastructure, network, applications, products and content;
- (2) sale and procurement of info-communications and broadcasting devices, accessories and pre-paid cards for distribution and trade;

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- (3) provision and obtaining of professional, consultancy, sub-contracting or outsourcing services;
- (4) provision and obtaining of after-sales services;
- (5) provision and obtaining of warehousing, logistics, packing, handling, transportation and freight services;
- (6) obtaining licences to provide or resell info-communications and broadcasting services;
- (7) provision, obtaining, repair, maintenance and operation of info-communications and broadcasting equipment, infrastructure, network and applications;
- (8) provision and obtaining of bill collection services;
- (9) engaging dealers to sell info-communications and broadcasting products (including pre-paid cards, SIM cards, calling cards and mobile handsets) and services;
- (10) provision and obtaining of printing, advertisement and marketing related services;
- (11) provision and obtaining of lease and/or rental of properties and equipment;
- (12) obtaining of utilities services;
- (13) obtaining of insurance and insurance related services;
- (14) obtaining of professional, administrative and support services including finance and treasury, business development, management information systems, human resource, corporate communications (including investor relations), taxation, internal audit, legal, corporate secretarial services and any other professional services; and
- (15) provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (14) above.

The transactions set out in sub-paragraphs (1) to (14) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (15) will be those which are necessary for the day-to-day operations of the EAR Group.

The EAR Group will benefit from having access to competitive quotes from the different companies in the different industries within the Temasek Group and the STPL Group in addition to obtaining quotes from, or transacting with, non-interested persons.

## **(b) Treasury Transactions**

Treasury transactions ("Treasury Transactions") comprise:

- (1) the placement of funds with any Mandated Interested Person;
- (2) the borrowing of funds from any Mandated Interested Person;
- (3) the entry into with any Mandated Interested Person of forex, swaps and options transactions for hedging purpose; and
- (4) the subscription of debt securities and/or preference shares issued by any Mandated Interested Person and the issue of debt securities and/or preference shares to any Mandated Interested Person and the buying from, or the selling to, any Mandated Interested Person of debt securities and/or preference shares.

The EAR Group can benefit from obtaining competitive rates or quotes from Mandated Interested Persons in an expedient manner in addition to third party financial institutions. By transacting directly with a Mandated Interested Person, the EAR Group may also eliminate margins which third party intermediaries might ordinarily be expected to earn.



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## 5 RATIONALE FOR AND BENEFITS OF THE SHAREHOLDERS' MANDATE

- 5.1 The transactions with Mandated Interested Persons are entered into or to be entered into by the EAR Group in its ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. The Directors of the Company ("Directors") are of the view that it will be beneficial to the EAR Group to transact or continue to transact with the Mandated Interested Persons.
- 5.2 The Directors believe that the EAR Group will be able to benefit from its transactions with the Temasek Group ~~and the STPL Group~~. The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential interested person transactions with the Mandated Interested Persons arise, thereby reducing substantially, the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.
- 5.3 The Shareholders' Mandate is intended to facilitate transactions in the EAR Group's normal course of business which are transacted from time to time with the Mandated Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of StarHub and its minority shareholders.
- 5.4 Disclosure will be made in the format required by the Listing Manual of the aggregate value of interested person transactions conducted pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders' Mandate is in force.

## 6 REVIEW PROCEDURES FOR TRANSACTIONS WITH THE MANDATED INTERESTED PERSONS

The EAR Group has established the following procedures to ensure that the interested person transactions are undertaken on an arm's length basis and on normal commercial terms.

### General Transactions

#### Review Procedures

In general, there are procedures established by the EAR Group to ensure that the General Transactions with Mandated Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Mandated Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been implemented.

(i) *Provision of services or the sale of products*

The review procedures are:

- (1) all contracts entered into or transactions with Mandated Interested Persons are to be carried out at the prevailing market rates or prices of the services or products to be provided, on terms which are no more favourable to the Mandated Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/process/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and

## The Appendix

(2) where the prevailing market rates or prices are not available due to the nature of services to be provided or the products to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Mandated Interested Persons will be determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Mandated Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account. A senior officer authorised by the EAR Group's management who does not have any conflict of interests, whether direct or indirect, in relation to the transaction, will determine whether the price and terms offered by the Mandated Interested Person are fair and reasonable.

(ii) *Obtaining of services or purchasing of products*

The review procedures are:

- (1) all purchases made by the EAR Group, including purchases from Mandated Interested Persons will be governed by internal control procedures which detail matters such as the constitution of internal approving authorities, their approval limits, the number of vendors from whom bids are to be obtained and the review procedures. The guiding principle is to objectively obtain the best goods and/or services on the best terms through competitive quotations, if appropriate. In determining whether the price and terms offered by the Mandated Interested Persons are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account. A senior officer authorised by the EAR Group's management who does not have any conflict of interests, whether direct or indirect, in relation to the transaction, will determine whether the price and terms offered by the Mandated Interested Person are fair and reasonable; and
- (2) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), a senior officer authorised by the EAR Group's management who does not have any conflict of interests, whether direct or indirect, in relation to the transaction, will determine whether the price and terms offered by the Mandated Interested Person are fair and reasonable.

**Threshold limits**

In addition to the review procedures, General Transactions entered into by the EAR Group are monitored as individual transactions equal to or exceeding S\$100,000 in value will require the prior approval of the relevant approving authority in the EAR Group who does not have any conflict of interests, whether direct or indirect, in relation to the transaction to be approved. In particular:

- (i) individual transactions equal to or exceeding 3% but less than 5% of the StarHub Group's consolidated NTA in value (based on the latest audited consolidated accounts of the StarHub Group) will be reviewed and approved by any two of the Directors; and
- (ii) individual transactions equal to or exceeding 5% of the StarHub Group's consolidated NTA in value (based on the latest audited consolidated accounts of the StarHub Group) will be reviewed and approved by StarHub's audit committee (the "Audit Committee").

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## **Treasury Transactions**

### **Review Procedures**

*Placements.* Prior to the placement with any Mandated Interested Person by the EAR Group of its funds, StarHub will require that quotations be obtained from such company and at least two of the principal bankers of the EAR Group for rates for deposits with such bankers of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with such company, provided that the interest rate quoted is not less than the highest of the rates quoted by such principal bankers.

*Borrowings.* Prior to borrowing funds from any Mandated Interested Person by the EAR Group, StarHub will require that quotations be obtained from such company and at least two of the principal bankers of the EAR Group for rates of loans from such bankers of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will borrow funds from such company, provided that the interest rate quoted is not more than the lowest of the rates quoted by such principal bankers.

*Forex, Swaps and Options.* Prior to entering into forex, swaps and options transactions with any Mandated Interested Person by the EAR Group, StarHub will require that rate quotations be obtained from such company and at least two of the principal bankers of the EAR Group. The EAR Group will only enter into such forex, swaps and options transactions with such company, provided that such rates quoted are no less favourable than the rates quoted by such bankers.

*Debt Securities and Preference Shares.* Prior to the subscription of debt securities and preference shares issued by, or purchase of debt securities or preference shares from, Mandated Interested Persons, the EAR Group will only enter into the subscription or purchase of such debt securities or preference shares issued, provided that the price(s) at which the EAR Group subscribes for or purchases such debt securities or preference shares will not be higher than the price(s) at which such debt securities or preference shares are subscribed for or purchased by third parties.

Prior to the issue or sale to Mandated Interested Persons of debt securities or preference shares, the EAR Group will only issue or sell such debt securities or preference shares to Mandated Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares will not be lower than the price(s) at which such debt securities or preference shares are issued or sold to third parties. The EAR Group will also comply with all applicable laws and regulations in connection with the issue or sale of such debt securities or preference shares to Mandated Interested Persons.

For the purpose of the Shareholders' Mandate, any preference shares to be subscribed or purchased from Mandated Interested Persons or to be issued or sold to Mandated Interested Persons, will not carry any voting rights, except in the circumstances set out in Sections 180(2)(a), (b) and (c) of the Companies Act, Cap. 50 of Singapore.

### **Threshold limits**

In addition to the review procedures, the EAR Group will monitor the Treasury Transactions entered into by the EAR Group as follows:

*Placement and Debt Securities and Preference Shares.* Where the aggregate value of funds placed with, and debt securities or preference shares subscribed which are issued by, or purchased from the same Mandated Interested Person shall at any time exceed an amount equivalent to 25% of the consolidated shareholders' funds of the StarHub Group (based on the StarHub Group's latest audited accounts), each subsequent placement of funds with, or subscription or purchase of debt securities or preference shares issued by, the same Mandated Interested Person shall require the prior approval of the Audit Committee.

Placements of funds with, and subscription of debt securities issued by, or purchased from, the same Mandated Interested Person which do not in the aggregate exceed the respective limits set out above will not require the prior approval of the Audit Committee and shall be reviewed on a quarterly basis by the Audit Committee.

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*Borrowings and Debt Securities and Preference Shares.* Where the aggregate value of funds borrowed from, and debt securities or preference shares issued or sold to, the same Mandated Interested Person shall at any time exceed an amount equivalent to 25% of the consolidated shareholders' funds of the StarHub Group (based on the StarHub Group's latest audited accounts), each subsequent borrowing of funds from and debt securities or preference shares issued or sold to, the same Mandated Interested Person shall require the prior approval of the Audit Committee.

Borrowing of funds from and debt securities or preference shares issued or sold to, the same Mandated Interested Person which do not in the aggregate exceed the respective limits set out above will not require the prior approval of the Audit Committee and shall be reviewed on a quarterly basis by the Audit Committee.

*Forex, Swaps and Options.* Where the aggregate of the principal amount of all forex, swaps and options transactions entered into with the same Mandated Interested Person exceeds at any one time the equivalent of 25% of the consolidated shareholders' fund of the StarHub Group (based on the StarHub Group's latest audited accounts), each subsequent forex, swap and options transaction entered into with the same Mandated Interested Person shall require the prior approval of the Audit Committee.

Entry into of forex, swaps and options transactions with the same Mandated Interested Person where the principal amounts thereof do not in the aggregate exceed the limit set out above will not require the prior approval of the Audit Committee and shall be reviewed on a quarterly basis by the Audit Committee.

Transactions falling within the above categories, if any, will be reviewed at least quarterly by the Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account.

## **Other Review Procedures**

The EAR Group has also implemented the following procedures for the identification of Mandated Interested Persons and the recording of all the EAR Group's interested person transactions:

- (i) StarHub will maintain a register of all transactions carried out with Mandated Interested Persons, whether mandated or non-mandated. StarHub's internal audit plan will incorporate a review of all interested person transactions whether mandated or non-mandated; and
- (ii) on a quarterly basis, StarHub's internal auditors will submit a report to the Audit Committee of all recorded interested person transactions, and the basis of such transactions, entered into by the EAR Group.

In addition, the Audit Committee will include the review of the EAR Group's interested person transactions as part of its standard procedures while examining the adequacy of the EAR Group's internal controls.

In the event that a member of StarHub's Board of Directors, a member of the Audit Committee or an authorised reviewing officer (where applicable) has a conflict of interests in relation to any interested person transaction, he will abstain from reviewing that particular transaction. In such instances, an alternative approving authority will be responsible for reviewing the transaction. StarHub's Board of Directors will also ensure that all disclosure requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into pursuant to the Shareholders' Mandate.

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The Audit Committee shall review the internal audit reports to ascertain whether the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, the Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the EAR Group and the Mandated Interested Persons are conducted on normal commercial terms. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are not sufficient to ensure that these interested person transactions will be on normal commercial terms and will not be prejudicial to StarHub and its minority shareholders, StarHub will (pursuant to Rule 920(1)(b)(iv) and (vii) of the Listing Manual) revert to shareholders for a fresh mandate based on new guidelines and procedures for transactions with Mandated Interested Persons.

StarHub's Board of Directors shall have overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within StarHub as they deem appropriate.

## **7 AUDIT COMMITTEE'S STATEMENTS**

- 7.1 The Audit Committee (currently comprising Messrs Kua Hong Pak, Lim Ming Seong, Teo Ek Tor and Nihal Vijaya Devadas Kaviratne) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for interested person transactions with the EAR Group, as well as the reviews to be made periodically by the Audit Committee (with internal audit assistance) in relation thereto, are sufficient to ensure that such interested person transactions will be made with the relevant class of Mandated Interested Persons in accordance with normal commercial terms, and are hence not prejudicial to StarHub and its minority shareholders.
- 7.2 If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the interested person transactions will be on normal commercial terms and will not be prejudicial to the interests of StarHub and its minority shareholders, StarHub will revert to its shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Mandated Interested Persons.

# PROXY FORM

## Seventh Annual General Meeting

### STARHUB LTD

Incorporated in the Republic of Singapore

#### IMPORTANT :

- 1 For investors who have used their CPF monies to buy StarHub Ltd's shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
- 2 This Proxy Form is not valid for use by CPF investors for all intents and purposes if used or purported to be used by them.

I/We \_\_\_\_\_ NRIC/Passport/Co. Reg. No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of STARHUB LTD (the "Company") hereby appoint :

Name	Address	NRIC/Passport Number	Proportion of Shareholding (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Tuesday, 26 April 2005 at 9.00 a.m. at Meritus Mandarin Singapore, Mandarin Ballroom 1, 6th Floor – South Tower, 333 Orchard Road, Singapore 238867 and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1	To receive and adopt the Reports of Directors and Auditors and Audited Accounts		
2	To re-appoint Mr Lim Chin Beng as Director		
3	To re-elect Mr Tan Guong Ching as Director		
4	To re-elect Mr Lee Theng Kiat as Director		
5	To re-elect Mr Kua Hong Pak as Director		
6	To re-elect Mr Lim Ming Seong as Director		
7	To re-elect Mr Steven Terrell Clontz as Director		
8	To re-elect Mr Peter Seah Lim Huat as Director		
9	To re-elect Mr Teo Ek Tor as Director		
10	To re-elect Mr Nihal Vijaya Devadas Kaviratne as Director		
11	To re-elect Mr Liu Chee Ming as Director		
12	To approve Directors' Fees		
13	To re-appoint KPMG as Auditors and to authorise the Directors to fix their remuneration		
	<b>Special Business</b>		
14	To approve the modification and renewal of the Shareholders' Mandate		
15	To authorise Directors to allot and issue shares		
16	To authorise Directors to issue and allot shares pursuant to exercise of options granted under the StarHub Pte Ltd Share Option Plan.		
17	To authorise Directors to offer/grant options and/or grant awards and allot shares pursuant to the StarHub Ltd Share Option Plan 2004, the Performance Share Plan and the Restricted Stock Plan		

Dated this \_\_\_\_\_ day of April 2005.

**Total Number of Shares Held**

--

\_\_\_\_\_  
Signature(s) or Common Seal of members

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**Affix  
Postage  
Stamp**

**StarHub Ltd**  
51 Cuppage Road  
#07-00 StarHub Centre  
Singapore 229469

Attn: Company Secretary

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**Notes:**

- 1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you only have shares registered in your name in the Register of Members, you should insert that number of shares. However, if you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members.
- 2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy. A proxy need not be a member of the Company.
- 3 The instrument appointing a proxy or proxies must be deposited at the registered office of Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 (Attn: Company Secretary), not less than 48 hours before the time appointed for the Annual General Meeting.
- 4 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 5 A corporation, which is a member, may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
- 6 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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# Corporate Information

## BOARD OF DIRECTORS

TAN Guong Ching (Chairman)  
Steven Terrell CLONTZ (President & CEO)  
LIM Chin Beng  
LEE Theng Kiat  
LIM Ming Seong  
KUA Hong Pak  
Peter SEAH Lim Huat  
Osamu INOUE  
TEO Ek Tor  
Nihal Vijaya Devadas KAVIRATNE  
LIU Chee Ming

## AUDIT COMMITTEE

KUA Hong Pak (Chairman)  
LIM Ming Seong  
TEO Ek Tor  
Nihal Vijaya Devadas KAVIRATNE

## EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

Peter SEAH Lim Huat (Chairman)  
LEE Theng Kiat  
LIM Ming Seong

## NOMINATING COMMITTEE

Peter SEAH Lim Huat (Chairman)  
LEE Theng Kiat  
LIM Ming Seong

## COMPANY SECRETARIES

Veronica LAI Kwai-Yi  
KONG Pooi Foong

## REGISTERED ADDRESS

51 Cuppage Road  
#07-00 StarHub Centre  
Singapore 229469  
Tel: (65) 6825 5000  
Fax: (65) 6721 5000

## REGISTRATION NO.

199802208C

## SHARE REGISTRAR

M & C Services Private Limited  
138 Robinson Road  
#17-00 The Corporate Office  
Singapore 068906

## AUDITORS

KPMG  
Certified Public Accountants  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581  
Partner-in-charge: THAM Sai Choy  
(appointed w.e.f. 1 April 1999)

## PRINCIPAL BANKERS

Citibank, N.A.  
Malayan Banking Berhad  
Oversea-Chinese Banking Corporation Limited  
Sumitomo Mitsui Banking Corporation  
The Hongkong and Shanghai Banking Corporation Limited  
United Overseas Bank Limited

## SUBSIDIARIES

StarHub Mobile Pte Ltd  
StarHub Cable Vision Ltd.  
StarHub Internet Pte Ltd  
StarHub Online Pte Ltd  
StarHub Shop Pte Ltd  
StarHub, Inc.  
StarHub (Hong Kong) Limited

## INVESTOR RELATIONS

For enquiries on the Group's business performance,  
contact the Investor Relations team at  
email: [ir@starhub.com](mailto:ir@starhub.com)

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**STARHUB LTD**

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[www.starhub.com](http://www.starhub.com)