

Annual Report 2005

Integrated power of...

# Hubbing



# Hubbing's quadruple power play

**Power Play 1: Mobile**

**Power Play 2: Cable TV**

**Power Play 3: Broadband**

**Power Play 4: Fixed Network**

**StarHub's 'quadruple play' of service offerings makes it a fully integrated info-communications and entertainment company.**

**Hubbing – the bundling and packaging of service offerings to give greater value and convenience to customers – is what makes StarHub unique and gives it an edge over the competition.**

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## Advantages of Hubbing

### Power advantage 1:

Power pull

Four platforms, one seamless Hubbing experience – the pull factor that draws more customers with bundling, rewards and discounts, resulting in strong revenue and market share growth.

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### Power advantage 2:

Power generator

Not only did Hubbing retain and increase the number of customers, it also generated higher spending in every home, with the greatest growth in triple-service households.

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### Power advantage 3:

Power performance

Hubbing produces strong results through StarHub's proficient performance in operating leverage and cost efficiency. We build value in the Company for our shareholders.

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### Mobile

The fastest growing mobile operator in Singapore since April 2000, StarHub provides many innovative features like free incoming local calls, per second billing, airtime rollover and free IDD 018 calls to selected destinations.



### Cable TV

As the sole provider of cable TV services to residential and corporate customers, we offer up to 83 channels digitally, as well as 20 Demand TV and 12 Karaoke TV channels.

### Cost efficiency

By promoting a suite of services in a bundled package instead of individual services, we save on the cost of advertising and promotions.

### Less churn

The more StarHub services a customer subscribes, the greater his loyalty is to the Company.

### Cross selling

By upselling to our existing customer base using our centralised retention and rewards programmes, we spend less retaining or acquiring customers.

## The Hub



### Fixed Network

StarHub's Fixed Network extends more than 2,000 fibre kilometres and directly connects over 800 commercial buildings in Singapore. The division targets wholesale and corporate customers with services like data, voice and backhaul connections, and supplies the bandwidth and connectivity internally to StarHub's mobile, cable TV and broadband businesses.

### Increased ARPU

There is a correlation between Hubbing and increased Average Revenue Per User (ARPU). For example, a mobile customer's ARPU in a triple-service household is 7% higher than that in a mobile-only household.



### Broadband

StarHub Online offers 'always on' MaxOnline cable broadband Internet connection with speeds of up to 30 Mbps. We have simple subscription plans at flat rates, an uncomplicated 'cash-and-carry' programme and easy set-up for home networking. We also provide Digital Voice, a residential cable telephony service.

# Hubbing in action

Customers are loyal when they are happy. The way to ensure that is to offer more services and whenever possible, at a lower price. This is where the unique power of hubbing plays a key role.

As the only fully-integrated info-communications and entertainment provider, StarHub offers Mobile, Cable TV, Broadband and Fixed Network services to the customer under one roof. Each platform not only has more services but also services that work and converge with other platforms. Welcome to the dynamic power of Hubbing.

## Hubbing in motion

Whether it is sports, music or movies, Hubbing's seamless services have you covered. Watch English Premier League (EPL) matches 'live' on cable or catch the highlights (complete with video and commentary) on your mobile phone. Or groove to MTV on cable and download the latest tracks from StarHub's ;Play Music Portal.

## Hubbing benefits

With everything under one roof, customers enjoy greater convenience and perks. They can now call one number for all their StarHub products and services, get discounts for their Mobile, Cable TV and MaxOnline bills and benefit from the StarHub Rewards loyalty programme.

### Key Hubbing benefits to customers

Hubbing gives more value and convenience to customers by creating a single source for all their info-communications and entertainment needs:

- Access to a 'quadruple play' of services unmatched by competitors, with its position as the sole provider of Cable TV
- Access to a complete range of lifestyle interests, from sports to movies to music and fashion through Hubbing
- StarHub's one-stop customer service and sales and single Rewards and Recognition programme for more discounts and loyalty

### Key Hubbing benefits to StarHub

Hubbing gives StarHub the power to provide services across different product lines, thereby increasing customer loyalty and reducing churn.

- Customer churn occurs when customers switch between service providers. Customers who reap the benefits of Hubbing show more loyalty, which reduces churn
- StarHub capitalises on cost efficiency by keeping customers happy since it is more expensive to sign a new customer than to retain one. Marketing cost is also kept low when advertising promotes a suite of services rather than individual ones
- With a wider range of services offered, we see ARPU increase for dual- and triple-service households



# Power pull



# Power Advantage 1: Hubbing is the power pull factor

### Integrated strategy

Hubbing is the pull factor that drives revenue and margins. With its choice of device and infrastructure platforms – Mobile, Cable TV, Broadband and Fixed Network – StarHub offers customers breadth and depth of service. This ‘quadruple play’ is the powerful advantage that gives a boost to the already strong growth of revenue and EBITDA margin expansion.

### Strong growth in Hubbing households

2004 to 2005 saw a 6% increase in the total number of households with at least one StarHub service to 711,000. The greatest surge was in triple-service households where growth reached 38% or 107,000, accounting for 15% of the total number of households with StarHub. This is in line with StarHub’s key strategy to retain customers and drive spending.

### Expansion of customer base

StarHub’s customer base for Mobile, Cable TV and Broadband expanded. Even in a highly-saturated market (98% mobile penetration rate), there was a 20% growth in mobile customer base in 2005. Broadband increased by 29% while the customer base for Cable TV went up by 9%. Consistent quarterly growth in customer base has led all three lines of business since 2004.

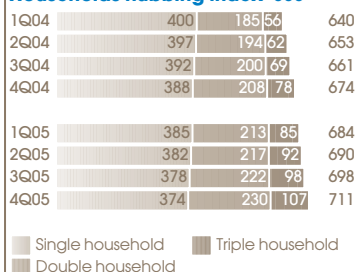
### Five-year summary revenue \$m



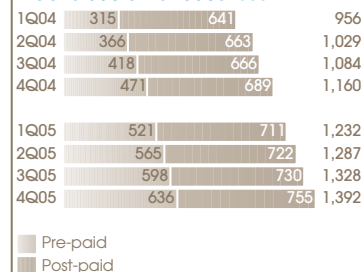
### EBITDA margin %



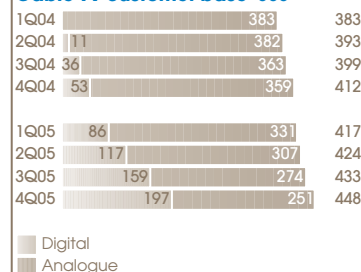
### Households hubbing index '000



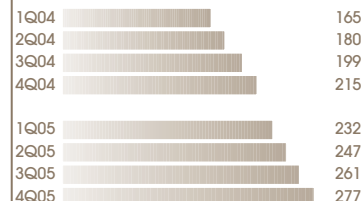
### Mobile customer base '000



### Cable TV customer base '000



### Broadband customer base '000



# Power generator



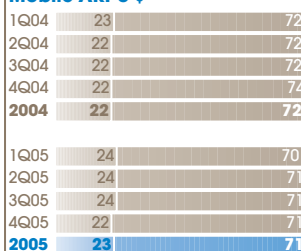
## Power Advantage 2:

# Generating a steady increase in household spending

### Consistently high Mobile ARPU

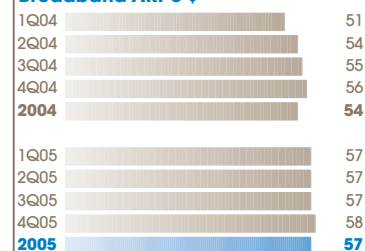
Mobile services' ARPU held firm and remained consistently high by industry standards despite a very competitive and saturated market. Our ARPU remains one of the highest in the market at \$71 for post-paid and \$23 for pre-paid.

#### Mobile ARPU \$



■ Pre-paid      ■ Pre-paid  
■ Post-paid     ■ Post-paid

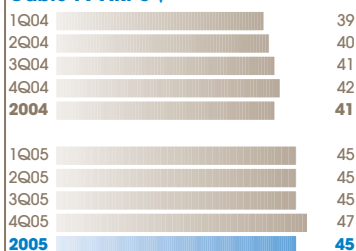
#### Broadband ARPU \$



### High Cable TV ARPU

The ARPU of a digital customer is higher than an analogue customer. StarHub has been encouraging the switch from analogue to digital, which has contributed to the increase in ARPU since Digital Cable was launched in 2004.

#### Cable TV ARPU \$



### Higher take-up of premium broadband plans

Residential broadband plans with high download speeds are preferred by an increasing number of customers even though they are priced at a premium. From 2004 to 2005, the average ARPU for residential broadband rose by 6% from \$54 to \$57, due mainly to customers upgrading to higher-tier plans.



# Power performance





## Power Advantage 3:

# High performance through effective financial management

### Growth in earnings per share

With a steady momentum, StarHub registered positive earnings per share since the first quarter of 2005 and continued to improve over the remaining three quarters.

### Sustainable growth in quarterly dividends

Setting a policy to pay quarterly dividends, StarHub is committed to returning surplus cash to our shareholders. A total of nine cents per share for the year, subject to approval, will be issued.

### Sustainable growth in free cash flow

Since 2001, StarHub has registered strong performances. We generated powerful free cash flow of \$257m in 2005, a 118% jump from the year before.

### Higher operating profits

Leveraging on enhanced operating efficiency, StarHub constantly seeks ways to do things better, faster and at a lower cost. Registering our first profitable year with improved operations in 2005, StarHub's operating profit marks a remarkable jump from a deficit of \$17m in 2004 to \$256m in 2005.

### EPS (Basic) cents



### Dividend cents



### Free cash flow \$m



### Profit from operations \$m



## StarHub at a Glance

# A well balanced info-communications and entertainment company



StarHub

**Group**

StarHub is a fully integrated info-communications and entertainment company

**Group description**

StarHub's 'quadruple' play offers services across Mobile, Cable TV, Broadband and Fixed Network platforms. It operates a nationwide mobile 3G GSM, a HFC network for cable TV and broadband, plus a 2,000 km fibre network for corporate services

**Key facts**

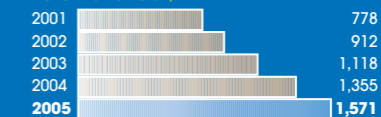
- Incorporated in May 1998, commercially launched in April 2000, listed on SGX-ST in October 2004
- Singapore's youngest but fastest growing info-communications and entertainment provider

**Revenue by business division**

StarHub's revenue increased 16% to \$1.57 billion and it delivered a maiden profit of \$221.4 million

**Revenue Mix**

■ Mobile 52%  
■ Cable TV 17%  
■ Fixed Network 14%  
■ Broadband 11%  
■ Sale of Equipment 6%

**Total revenue \$m****Growth**

StarHub's revenue increased by 16% to \$1.57 billion

## +16%

**Mobile**

StarHub Mobile is the second largest mobile service provider in Singapore with a 33% market share

**Business description**

StarHub offers diverse mobile services including local and IDD calls, 3G video calls, international roaming, Green pre-paid card, BlackBerry® and Duality push mail, mobile Internet plus the exclusive i-mode® services

**Key facts**

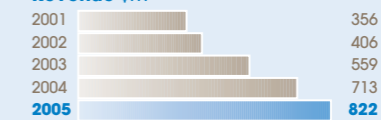
- First operator to launch cost-saving features such as free incoming local calls, selected free IDD 018 calls and per second billing
- Fastest growing operator, achieving No. 2 spot in early 2005

**Net additions**

StarHub grew its customer base fastest, securing 59% of net additions to register a 20% increase. Post-paid and pre-paid customers increased 10% and 35% respectively. GPRS traffic grew 55% while MMS volume grew 45%

**Post-paid and pre-paid customers**

■ Post-paid 54%  
■ Pre-paid 46%

**Revenue \$m****Growth**

Mobile customers grew by 20%

## +20%

**Cable TV**

StarHub carries quality international news, movies, entertainment, sports, education plus seven free-to-air channels

**Business description**

StarHub is promoting our digital services which offers more channels and greater interactivity. In addition to residential cable TV, we also offer a selection of channels for corporate customers via wireless Digital Terrestrial Television technology

**Key facts**

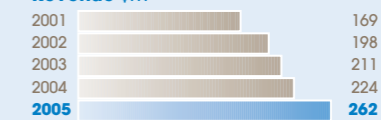
- Singapore's only pay-TV service provider
- 83 channels, plus 12 Karaoke TV and 20 Demand TV channels
- Announced the launch of digital video recorder which is synched with our electronic programme guide

**Market penetration**

40% of households in Singapore are StarHub Cable TV customers. This is an increase of 2.7 points, driven by a 9% customer growth. The number of digital customers grew almost four-fold to 197,000, representing 44% of the total base

**Analogue and digital customers**

■ Analogue 56%  
■ Digital 44%

**Revenue \$m****Growth**

Cable TV customers grew by 9%

## +9%

**Broadband**

StarHub is the leading residential broadband provider in Singapore, with a 51% household market share

**Business description**

Offers the highest residential broadband service in Singapore – download speeds of 30 Mbps. Other plans include the 2 Mbps, 6.5 Mbps, and the FlexiSurf pay-as-you-use service. StarHub also provides Wi-Fi access in various public hotspots

**Key facts**

- Cable broadband offers higher download speeds vis-a-vis rival ADSL technology
- 'Always-on' access and plug-and-play ease of use
- MaxOnline customers get value-added services like free residential telephony

**Market share**

Broadband is StarHub's fastest growing business – revenue increased 41%, driven by a 29% customer growth. Market share increased 3.6 points to 51%. With the upcoming DOCSIS® 3.0 network, StarHub can offer even faster speeds

**Residential broadband market share**

■ StarHub 51%  
■ Competitors 49%

**Revenue \$m****Growth**

Broadband revenue increased by 41%

## +41%

**Fixed Network**

StarHub provides a range of fixed network offerings including voice, data and Internet services

**Business description**

Services include domestic leased lines, IPLC, ATM, business broadband, IP transit, IP telephony, retail and wholesale IDD. Fixed Network also shoulders the connectivity needs of Mobile, Cable TV and Broadband to improve cost efficiency

**Key facts**

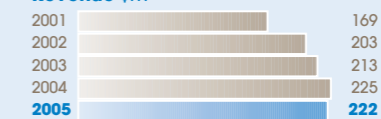
- StarHub's Fixed Network extends over 2,000 fibre kilometres in Singapore
- Directly connected to over 800 commercial buildings
- Data & Internet revenue on the rise

**New development**

Data & Internet revenue increased 11% while voice declined 19%. Overall, Fixed Network revenue dipped 1%. StarHub launched value services like the Home2Office for business customers. We also halved the cost of 2 Mbps leased lines

**Fixed Network revenue mix**

■ Data & Internet 66%  
■ Voice 34%

**Revenue \$m****Growth**

Data & Internet revenue increased by 11%

## +11%

## Financial Highlights

### Key financial trends

In \$m	2001	2002	2003	2004	2005
Operating revenue	778	912	1,118	1,355	1,571
Service revenue	745	877	1,075	1,287	1,483
Mobile	356	406	559	713	822
Cable TV	169	198	211	224	262
Broadband	52	70	92	126	177
Fixed Network	169	203	213	225	222
Profit/(Loss)					
From operations	(382)	(268)	(131)	(17)	256
Before tax <sup>(1)</sup>	(28)	82	(54)	(30)	248
Attributable to shareholders	54	103	(47)	(55)	221
EBITDA <sup>(2)</sup>	(134)	46	202	323	460
EBITDA as a % of service revenue	(18%)	5%	19%	25%	31%
Free cash flow	(522)	(173)	43	118	257
Per share (cents)					
Earnings/(Loss) – Basic	2.8	5.1	(2.2)	(2.6)	10.4
Net asset	29.7	44.8	42.6	40.5	45.7

### Current year performance

In \$m	2004	2005
Operating revenue	1,355	1,571
– 1st half	655	757
– 2nd half	701	813
Profit/(Loss) attributable to shareholders	(55)	221
– 1st half	(47)	83
– 2nd half	(8)	138
EBITDA <sup>(2)</sup>	323	460
Free cash flow	118	257

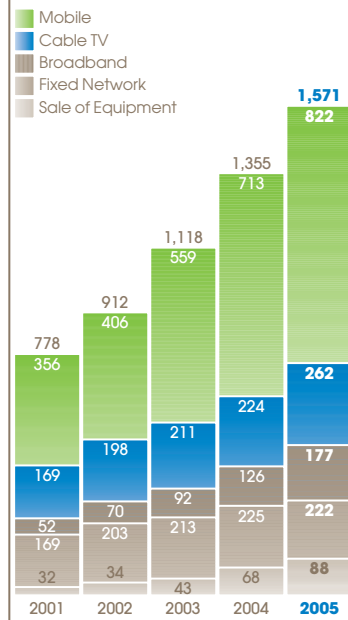
Certain figures in FY2002 – FY2004 have been restated due to adoption of FRS102 – Share-based Payments.

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

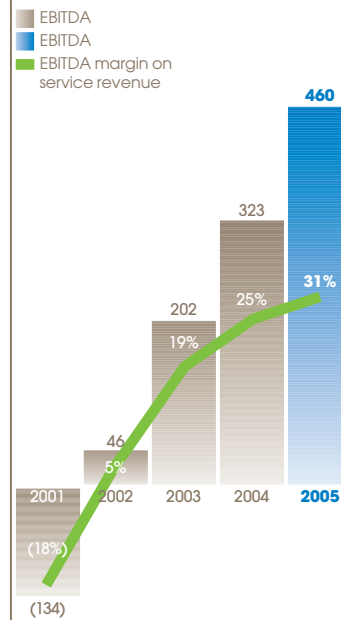
<sup>(2)</sup> EBITDA is defined as profit from operations adding back depreciation, amortisation and accretion of asset grant.

**Key financial trends**

**Operating revenue \$m**

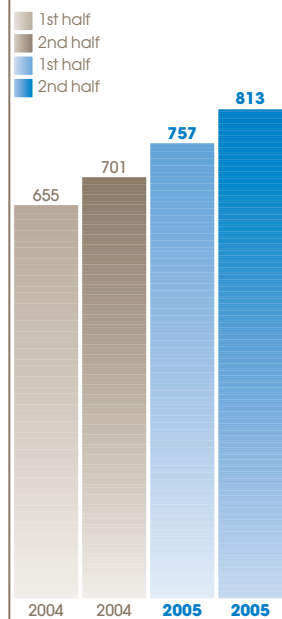


**EBITDA \$m**

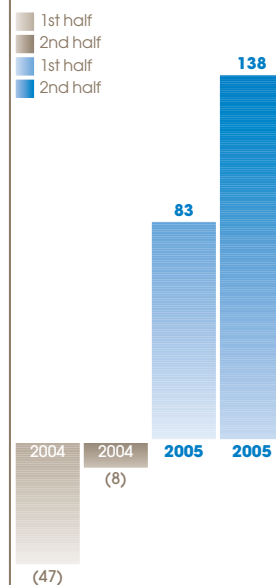


**Current year performance**

**Operating revenue \$m**



**Profit/(Loss) attributable to shareholders \$m**



## Chairman's Message

# Leaping to profitability

'2005 was a watershed year as we turned profitable for the first time since our commercial launch in April 2000. We started the year strong, registering our first-ever profitable quarter, and continued to deliver positive earnings in the next three quarters.'

Our Chairman, Tan Guong Ching



**Dear Shareholders,**

If there were two words to best describe StarHub's performance in 2005 – they would be 'profitable growth.' This was a watershed year, as we turned profitable for the first time since our commercial launch in April 2000. StarHub continued to register double-digit growth in Group revenue and all three strategic lines of business – Mobile, Cable TV and Broadband. This was achieved through customer growth and healthy ARPU.

We started the year strongly, registering our first-ever profitable quarter in the first quarter and continued to deliver positive earnings throughout the remaining three quarters. As a result, our profits from operations for the full year soared from a deficit of \$16.7 million in 2004 to a \$256.3 million gain in 2005. Correspondingly, net profits after tax leapt by \$276.1 million to \$221.4 million, compared to a loss of \$54.7 million for 2004. Earnings before interest, tax, depreciation and amortisation (EBITDA) also recorded solid growth, rising 43% to hit a new high of \$460.1 million. EBITDA margin, which is the ratio of EBITDA to service revenue, went up substantially, rising six percentage points to hit 31% for 2005.

This profitability inflection point was achieved through steady increases in revenue, reductions in operating expenses, improved operating efficiency and a robust capital structure.

**Continued strong revenue growth**

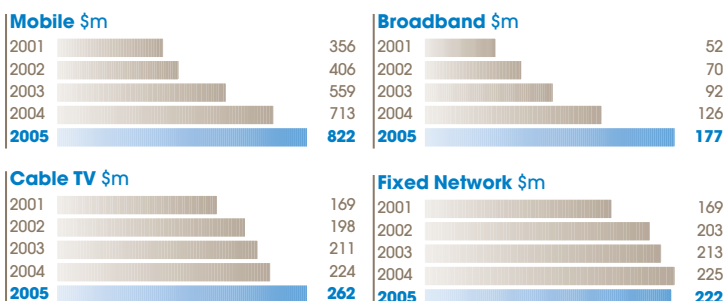
All three major lines of business – Mobile, Cable TV and Broadband – delivered solid increases in revenue and customer base. In terms of contribution to total revenue mix, Mobile maintained the lion's share with 52%, followed by Cable TV at 17%, Fixed Network at 14% and Broadband at 11%.

Despite a highly saturated environment, StarHub's Mobile division successfully grew revenues and customer base by 15% and 20% respectively. StarHub elevated our market share to become Singapore's second largest mobile operator by the first quarter and maintained that position at the end of the year with a 33% market share.

Cable TV's customer base grew by a strong 9% but doubled that number for revenue growth, because ARPU increased by 11% to hit \$45. This 17% revenue increase was spurred by the strong acceptance of Digital Cable, almost quadrupling subscription to 197,000 in 2005, which is 44% of the total Cable TV customer base. Digital Cable offers customers more channels like Karaoke TV and Demand TV, greater interactivity and increased viewing flexibility.

While Broadband remains the smallest contributor to StarHub's overall revenue mix, it was the star performer in 2005, expanding revenue and customer numbers by 41% and 29% respectively. This strong growth boosted our market share to over 50%.

Fixed Network continues to play an important supporting role as it supplies much of the bandwidth and connectivity for the other three lines of business, allowing them to operate more efficiently. Due to the de-emphasis on low-margin international voice transit and the continued commoditisation of IDD services, Fixed Network's revenue for the year remained fairly unchanged at \$221.7 million.



**\$256m**

Our profits from operations for the full year soared from a deficit of \$16.7 million in 2004 to a \$256.3 million gain in 2005

## Chairman's Message

'Hubbing continues to be a key strategy in improving customer loyalty and increasing ARPU.'

### Spurred by leaner operations

The move to profitability was also spurred by significant reductions in operating costs. Customer retention and acquisition costs were lower in 2005. For instance, the average acquisition cost of mobile customers fell from \$125 per gross connection in 2004 to \$107 this year. In addition, depreciation and amortisation expenses fell \$135.8 million, inclusive of \$78.7 million savings from the change in depreciation rates for some network assets from five to eight years plus \$17.9 million savings from the abolition of goodwill amortisation. Improved collections also led to reduction in doubtful debts by \$11.8 million. These reductions were offset by a 24% increase in marketing expenses to \$151.2 million, compelled by competitive pressures in the mobile and broadband businesses.

Overall, the operating expense for the year was 4% lower against the backdrop of a 16% full-year revenue growth. We continue to invest in people and systems to ensure that we continue to achieve operating efficiencies and sustainable long-term shareholder returns.

### Other business highlights for 2005

We achieved several major milestones in 2005:

- Hubbing continues to be a key strategy in improving customer loyalty and increasing ARPU. From 2004 to 2005, there was a 6% increase in the total number of households which subscribe to at least one StarHub service, to 711,000. But the greatest growth was in the number of hubbing households – those with all three services – which grew 38% to 107,000. Statistics show that these triple-service households tend to spend more.
- Launched 3G services and brought i-mode, the world's leading mobile Internet service, to Singapore. However, due to the infancy of these next-generation services, they are not expected to begin positively impacting the bottom line until late 2006, at the earliest.
- Offered the highest download speeds for residential broadband users by introducing MaxOnline 6500 service and MaxOnline Ultimate – the first service in Singapore which offers a blazing 30 Mbps download speed.
- Strengthened our market position for Cable TV with many innovative services like Karaoke TV (12 channels), near video-on-demand TV (20 channels) and 'time shift' channels which screen identical

programmes to other existing channels, except that they start at a later time. StarHub also continued to expand its channels in the sports, entertainment and education categories, bringing the total number of channels to 83.

### The road ahead

For 2006, we expect to maintain our position as the fastest growing info-communications and entertainment provider in Singapore, but revenue growth will moderate as the individual markets we serve begin to mature. While our four lines of business stand at different points of the maturity curve, StarHub will continue to be single-mindedly focused on delivering profitable growth, and strive to increase the current EBITDA margin of 31%.

In terms of customer growth, the mobile market is somewhat saturated with national penetration rates hitting 98% at the end of the year. But we believe there is room for further revenue growth. The way forward is to work on increasing ARPU for mobile via data and Internet services. We see this growth beginning to show from late 2006 with momentum picking up in 2007.

There is still good growth potential for Cable TV and Broadband. Cable TV penetration in Singapore has potential to grow further over the next few years. Also, there is still room to expand ARPU through continued innovation in service offerings. Broadband penetration now stands at 52% and is expected to increase significantly over the next two to three years. We are already preparing for the next generation of broadband Internet services by migrating StarHub's cable broadband network from the existing DOCSIS 1.1 standard to the cutting-edge DOCSIS 3.0, which will allow us to offer even higher download speeds.

Fixed Network will continue to help us improve operating efficiencies for the other three lines of business. While Voice revenues show little growth potential in Fixed Network, Data & Internet services are expected to continue growing.

### Delivering shareholder value

At StarHub, we are committed to building value in the Company for our shareholders. As our cash reserves surpass our need for reinvestment, we are committed to passing on the cash surplus to our shareholders. We had earlier set a target to issue recurring annual dividends of at least eight cents per share, starting from FY2005. In fulfilling our promise, we will be seeking shareholders' approval for a final dividend of 2.5 cents per share at

our upcoming Annual General Meeting, achieving a total dividend of 9 cents per share for the year. We also believe it is in our shareholders' best interest to have surplus cash returned each quarter and decided in 2005 to set a policy of paying quarterly dividends.

You may have read in early 2006 media reports that the Court of Appeal has upheld Singapore Telecommunications Limited's appeal for damages from StarHub Cable Vision Ltd (SCV) in respect of a 1995 Network Lease Agreement. At this juncture, I would like to highlight that StarHub has already made provisions for this possibility in our books and that our business fundamentals are sound. While we wait for the Court to assess the damages, we are confident that the final outcome will not restrict our ability to operate, and that this is a one-off event that will not impact our business fundamentals.

As a leading info-communications and entertainment provider listed and operating in Singapore, we strive to balance our accountability to stakeholders together with our role to wire up Singapore, in line with the Government's vision of making the nation an 'intelligent island'.

### Acknowledgements

We would like to take this opportunity to welcome Mr Tadashi Imachi, who was appointed Non-Executive Alternate Director to Mr Osamu Inoue, Non-Executive Director of StarHub on 7 February 2005; Mr Robert J. Sachs, who was appointed as Non-Executive Director; and Mr Stephen Miller, who was appointed as Non-Executive Alternate Director to Mr Lee Theng Kiat, Non-Executive Director on 29 April 2005. We would also like to express our heartfelt appreciation to Mr Jean F.H.P. Mandeville and Mr Kiyoshi Maeda who stepped down as Non-Executive Alternate Directors during the year.

Thank you for your support and confidence in StarHub. I look forward to meeting you at our upcoming Annual General Meeting.



Tan Guong Ching  
Chairman

## Board of Directors

# Experienced guidance

Business leaders with broad and diverse experience and professionals with financial, banking, accounting, regulatory, industry, legal and management expertise.



**Tan Guong Ching**  
Chairman

Mr Tan Guong Ching is the non-executive Chairman of StarHub. He was appointed to the Board on 8 August 1998 and was last re-elected as a Director on 26 April 2005. He is also the Chairman of SP PowerGrid Ltd, Singapore Technologies Telemedia Pte Ltd (ST Telemedia), STT Communications Ltd (STT Communications) and Singapore Technologies Aerospace Ltd. He was formerly the CEO of the Housing & Development Board, the Principal Private Secretary to the Prime Minister and the Permanent Secretary of the Ministry of Home Affairs, Ministry of the Environment and the then Ministry of Communications & Information. Mr Tan initiated several major projects during his career, such as neighbourhood policing, civil defence, commissioning of the mass rapid transit system, the corporatisation of Singapore Telecommunications Ltd and the re-organisation of the then Telecommunication Authority of Singapore. Mr Tan holds a Bachelor and a Master of Engineering (Chemical) from McMaster University, Canada.



**Steven Terrell Clontz**  
Executive Director

Mr Steven Terrell Clontz is and has been StarHub's President & CEO since January 1999. He was also appointed Executive Director to the Board on 8 December 1999 and was last re-elected on 26 April 2005. Mr Clontz is a veteran in the telecommunications industry with more than 30 years of extensive experience. He began his career in the United States of America (USA). From 1995 through 1998, he served as President & 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.



**Kua Hong Pak**  
Independent Director

Mr Kua Hong Pak was appointed to the Board on 19 November 2001 and was last re-elected as a Director on 26 April 2005. 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 served as President & CEO of Times Publishing Limited and Executive Director of SBS Transit Ltd. He holds a Bachelor of Accountancy from the former University of Singapore. Mr Kua also participated in the Advanced Management Program conducted by Harvard Business School.



**Peter Seah Lim Huat**  
Non-Executive Director

Mr Peter Seah Lim Huat was appointed to the Board on 22 July 2002 and was last re-elected as a Director on 26 April 2005. 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 & 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.



**Lee Theng Kiat**  
Non-Executive Director

Mr Lee Theng Kiat was appointed to the Board on 7 May 1998 and was last re-elected as a Director on 26 April 2005. He joined the former Singapore Technologies (ST) group of companies in 1985 and has held various senior level positions overseeing the ST group's legal and strategic business development. Mr Lee is currently the President & CEO of ST Telemedia and STT Communications. Under his leadership, ST Telemedia has evolved into a significant information 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.



**Lim Ming Seong**  
Non-Executive Director

Mr Lim Ming Seong was appointed to the Board on 14 December 2000 and was last re-elected as a Director on 26 April 2005. He is the Chairman of CSE Global Limited and the Deputy Chairman of 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. Mr Lim also participated in the Advanced Management Programs conducted by INSEAD and Harvard Business School.

## Board of Directors



**Lim Chin Beng**  
Non-Executive Director

Mr Lim Chin Beng was appointed to the Board on 8 August 1998 and was last re-elected as a Director on 26 April 2005. He is the Chairman of The Ascott Group Limited and CapitalLand Hope Foundation. His previous board appointments include Chairman to Singapore Press Holdings Limited and Valuair Limited. He was appointed Managing Director and was Deputy Chairman of Singapore Airlines Limited between 1982 and 1996. Mr Lim was also Singapore's ambassador to Japan between July 1991 and November 1997. 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. Mr Lim holds a Bachelor of Arts (Honours) with a major in Economics from the former University of Malaya, Singapore.



**Osamu Inoue**  
Non-Executive Director

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



**Teo Ek Tor**  
Independent Director

Mr Teo Ek Tor was appointed to the Board on 16 August 2004 and was last re-elected as a Director on 26 April 2005. 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.



**Nihal Vijaya Devadas Kaviratne CBE**  
Independent Director

Mr Nihal Vijaya Devadas Kaviratne was appointed to the Board on 16 August 2004 and was last re-elected as a Director on 26 April 2005. His career with the Unilever Group spans 40 years during which he held various senior-level management positions across Asia, Europe and Latin America. He retired from Unilever on 31 March 2005. In July 2005, he joined the Board of GlaxoSmithKline in India. Mr Kaviratne was cited in the Queen's 2004 New Year Honours List in the UK and was awarded the CBE (Commander of the Order of British Empire) for services to UK business interests in Indonesia. 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 and attended the Advanced Management Program at Harvard Business School.



**Liu Chee Ming**  
Independent Director

Mr Liu Chee Ming was appointed to the Board on 16 August 2004 and was last re-elected as a Director on 26 April 2005. He is and has been the Managing Director of Platinum Holdings Company Limited since 1996. Mr Liu has over 29 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.



**Robert J. Sachs**  
Independent Director

Mr Robert J. Sachs was appointed to the Board on 29 April 2005. He is a Principal of Continental Consulting Group, LLC and a Director of Global Crossing Limited. Mr Sachs has more than 26 years extensive experience in the cable television industry. He was President & CEO of the National Cable & Telecommunications Association from 1999 until 2005. From 1979 until 1998, he held various senior level positions in Continental Cablevision, Inc. and its successor, MediaOne, overseeing the company's legal and regulatory affairs and corporate development. He began his professional career as a legislative staff of US Senator Charles Goodell and thereafter as a consultant to the White House Office of Telecommunications Policy. He was also a legislative counsel to the National Telecommunications and Information Administration, USA. Mr Sachs holds a Bachelor of Political Science from the University of Rochester, a Master of Journalism from the Columbia University Graduate School of Journalism and a Doctorate of Law from Georgetown University, USA.

## Senior Management's Message

# Well positioned for growth

'FY2005 continued to build on the previous years' successes for the Group. For our customers, we strengthened our portfolio of offerings, delivering more integrated products, content and services.'

### Dear Shareholders,

StarHub had a breakthrough year in 2005, our first profitable year. Strong revenue and customer growth, driven by innovative services and content, coupled with lower operating costs, contributed to the positive bottom line. As a result, we achieved inaugural net profits of \$221.4 million for the year, compared to a loss of \$54.7 million a year ago, against a 16% revenue growth to \$1.57 billion.

### It is all about customers as people with different needs

Our mission is to provide everyone, in their homes and businesses, with world-class multimedia services and content. While we continue to invest in leading edge technology to power our services, we aim to bring more meaning and enjoyment to our customers. We can do this by simplifying the use of technology and delivering innovative and affordable services that enhance our customers' lifestyles.

Some of the services we launched allow customers to book cinema tickets and pick their seats via their mobile phone, play online games, download large files speedily, and even sing karaoke on cable TV.

### Hubbing remains a key differentiating strategy

Hubbing is a major advantage for us. It enabled us to grow the number of households in Singapore who subscribe to more than one service from StarHub by 18% to 337,000 households. Our Hubbing Strategy is key to our market-leading growth, and it helps to improve EBITDA margin through lower customer churn.

StarHub's Mobile, Cable TV and Broadband services are a good value in and of themselves. But customers enjoy more value when they subscribe to a bundle of services. They enjoy subscription discounts and can access the content of their choice over different service platforms. For example, they can watch selected cable TV channels over our broadband-based i.View web browser; and soccer fans can catch selected match highlights they missed on their mobile phones.

Hubbing helps us to upsell services to our customers. Our studies show that the more customers hub, the more they tend to spend with StarHub. In 2005, our mobile customer ARPU in triple-service households was 7% higher compared to households with only mobile services.

Hubbing customers are also more loyal. Our churn rate index in 2005 indicates that mobile phone customers in triple-service households were 28% less likely to churn to another network as compared to customers from mobile-only households. Mobile customers in dual-service households were 12% less likely to churn away.

#### Senior Management team

(left to right)

**Yong Lum Sung:** Chief Operating Officer

**Terry Clontz:** President & CEO

**Mike Reynolds:** Head, Commercial

**David Storie:** Head, Network & Wholesale Services

**Philip Tan:** Head, Customer Experience & Information Services

**Alex Siow:** Head, Corporate Sales

**Kwek Buck Chye:** Chief Financial Officer

**Chan Kin Hung:** SVP, Mobile Services

*'We also initiated a comprehensive company-wide programme to focus our processes, systems, and policies to provide consistently good experience for our customers, which will gather momentum in 2006.'*



## Senior Management's Message

'For our shareholders, we delivered our first profitable year, further strengthened free cash flow, and began returning surplus cash through quarterly dividend payments.'

### Broad-based growth across business lines

We take a closer look at the performance and outlook of the individual lines of business.

#### Mobile

Despite a competitive and highly saturated market, StarHub Mobile continued to achieve double-digit growth in revenue and customer base. Total mobile customers grew 20% to 1.39 million, driving 15% growth in revenue which reached \$821.6 million for the year. Mobile continues to be StarHub's largest line of business, contributing 52% of the Company's total revenue mix and 74% of its total EBITDA.

While post-paid services maintained a steady growth and still contributes the lion's share of total mobile revenues (81%), it was pre-paid mobile services that leapt significantly this year with a 63% year-on-year growth in revenue on the strength of a 35% increase in customer base. ARPU also grew 6% and is at the highest level in Singapore. In November, new regulatory controls were introduced requiring all pre-paid users to register within six months.

Given the relatively saturated mobile market in Singapore, our future focus is to increase ARPU. We expect to grow ARPU by increasing mobile data services usage. Both GPRS and MMS usage volume has increased by 55% and 45% respectively. 3G and i-mode services, launched in 2005, were part of a strategic move to increase the contribution of non-voice services. However, these services are still in their infancy and a positive impact is not expected until the later part of 2006.

#### Cable TV

StarHub has been heavily focused on strengthening our cable TV service offerings with more channels, new innovative services, and more value to customers. Since the launch of the digital platform, 33 new channels have been added, bringing the total to 83 channels at the end of 2005. New channels launched in 2005 include A1, BBC Prime, Eurosportnews and Fox News Channel. In addition, StarHub opened up another 20 channels of near video-on-demand TV (Demand TV) and 12 channels of Karaoke TV.

StarHub also introduced another innovative feature – the 'time-shift' channels. These channels carry the exact same programmes from another existing channel but at a later time schedule so that customers can still catch and view their favourite programmes (e.g. programmes on VV Drama) two or three hours later.

StarHub continues to offer free previews of contents on various channels to attract new viewers. For example, a free preview of 12 Chinese channels was offered for 20 days during the Lunar New Year period in 2005, while the HBO channel was offered free for three days during the Asia premiere of the hit mini-series 'Rome'.

In 2005, the Cable TV base grew 9% to 448,000. We almost quadrupled the number of digital customers from 53,000 in 2004 to 197,000. This indicates that the mix of the base of customers taking up digital services shot up from 13% to 44% of the base.

In the first quarter of 2006, we will be launching our Digital Video Recorder, which is essentially a 2-in-1 cable TV set-top box equipped with a hard disk for recording programmes. In addition, the widely popular FIFA World Cup™ will be held in mid-2006 and we have secured the rights to be the official broadcaster in Singapore, bringing all the games 'live' to local football fans. In terms of growth, there is still much potential, with cable TV market penetration currently at 40% of households. We expect this to increase further over the next few years.

### Residential Broadband

StarHub's MaxOnline residential broadband services continued to register the largest growth rate among our four lines of business. In 2005, broadband revenues surged 41% to hit an all-time high of \$177.2 million. This was driven by a solid 29% expansion in MaxOnline subscribers, as well as a \$3 increase in ARPU to \$57.

In 2004, according to IDA statistics (which includes pre-paid and wholesale customers), we captured 47% of the residential broadband market. This year, that share has increased to 51%, making StarHub the leader in the residential broadband business. Leading cable modem technology, constant innovation in content and services, and competitive pricing drive the impressive performance in StarHub's broadband business.

We believe that cable modem technology has a distinct advantage over rival ADSL technology when it comes to residential broadband download speeds. Current cable technology can deliver speeds of up to 40 Mbps per user, compared to the 25 Mbps limitation of ADSL. With cable technology's advantage, we were able to offer the highest speeds to consumers in 2005 – first with our 6.5 Mbps service and then with 30 Mbps MaxOnline Ultimate service, which remains the fastest broadband service in the market. In 2006, we will migrate our cable network

to the latest DOCSIS 3.0 standard, which can amplify download speeds of up to 100 Mbps.

Currently, Singapore's household penetration rate for residential broadband is about 52%. We believe that the market will continue to grow next year, increasing significantly over the next three years. Our strategy is to remain up-market with higher speeds, ease of use and to offer more content and applications.

### Fixed Network

Fixed Network continues to play a dual-role of generating revenues through sales to businesses and other carriers, as well as helping to efficiently supply internal connectivity to the other three lines of business. In 2005, Fixed Network's overall revenue remained steady at \$221.7 million compared to \$224.6 million the year before. Voice revenues fell 19% to \$76.1 million as we chose to exit most of the low margin international voice transit business. Data & Internet services, however, continued to grow, rising 11% to hit \$145.6 million in 2005. Therefore the quality of revenue improved, which helped Fixed Network turn EBITDA positive in 2005.

We also introduced two innovative services for businesses in 2005. Home2Office offers tele-workers high speed and secure connectivity to their corporate networks by a direct connection which bypasses the public Internet. We also halved the price of 2 Mbps business leased lines by offering customers free bandwidth on those lines.

### In 2006...

We will continue to build on our solid business momentum over the last five years while strengthening our position as Singapore's most preferred info-communications and entertainment service provider. We believe that our continued success will depend on how well we execute our Hubbing Strategy, our ability to offer a steady stream of new innovative services and how well we consistently deliver market-leading customer experiences. We remain committed to optimising current and future cash flows through top line growth and by operating efficiently.

We thank you, our shareholders, for your continued support and look forward to a great year ahead with you.

Senior Management Team

Senior Management

# Effective leadership

An energised team of people with the requisite talent and skills.



**Terry Clontz**  
President & CEO

Terry is and has been StarHub's President & CEO since January 1999. He was also appointed Executive Director to the Board on 8 December 1999 and was last re-elected on 26 April 2005. Terry is a veteran in the telecommunications industry with more than 30 years of extensive experience.

He began his career in the United States of America (USA). From 1995 through 1998, he served as President & CEO of IPC Information Systems Inc., based in New York. Prior to that, Terry has held senior executive positions at BellSouth International. He was President of BellSouth Asia Pacific between 1991 and 1994. Terry holds a Bachelor of Science (Physics Major) from the University of North Carolina, USA.



**Yong Lum Sung**  
Chief Operating Officer (COO)

Lum Sung is the Group COO. He is directly responsible for the Commercial, Corporate Sales, Customer Experience & Information Services and Network & Wholesale Services divisions. He joined StarHub in July 2002 after the merger between StarHub and SCV, having served as SCV's President since 1998.

Lum Sung has more than 30 years of industry experience and has held various senior positions in technical and commercial fields and in general management. He was one of the key executives who helped set up the ST Telemedia group in 1993. Lum Sung holds a Bachelor (Honours) and Master in Electrical Engineering from the former University of Singapore as well as a Graduate Diploma in Accounting and Finance from the Chartered Association of Certified Accountants, United Kingdom (UK).



**Kwek Buck Chye**  
Chief Financial Officer (CFO)

Buck Chye joined StarHub in September 2002 as Group CFO. In addition to his financial portfolio, he also oversees Fraud and Risk Management, Corporate Administration, Business Performance and Purchasing & Logistics.

Prior to joining StarHub, Buck Chye was CFO of ST Telemedia. Having been with the ST group since 1992, he has served as CFO in various major operating units within the ST group, including Chartered Semiconductor Manufacturing Ltd and STATS ChipPAC Ltd. He was also COO of Vickers Ballas & Co. Buck Chye holds a Bachelor of Accountancy from the former University of Singapore.



**Mike Reynolds**  
Head, Commercial

Mike is responsible for the product planning, development and management of StarHub's products and services and for integrated marketing across its consumer, business and wholesale market sectors. He is also responsible for the consumer sales organisation.

Mike joined StarHub in May 2001. Prior to that, Mike was based in Beijing, as President of BellSouth's China operations where he was in charge of business development and government relations and was responsible for BellSouth's two operating entities in China. Mike holds a Masters in Business Administration and a Bachelor of Business from the University of Georgia, USA.



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

David oversees the day-to-day operations of StarHub's networks, both fixed and mobile, and charts the division's 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.

David is a telecommunications veteran with more than 30 years of working experience, working in countries like Britain, France, Germany, Holland, Kuwait and USA. Prior to joining StarHub in April 2000, he has held various senior management positions within the British Telecom group. David holds a degree in Electrical Engineering from City Guilds, London, UK.



**Alex Siow**  
Head, Corporate Sales

Alex leads StarHub's Corporate Sales division where he is in charge of business development for StarHub's enterprise products and services, which include planning and directing StarHub's account management teams across various business sectors. He also oversees the advertising sales and event management functions. Alex joined StarHub in March 2003.

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 Stuttgart Institute of Technology, Germany and a Masters of Science (Distinction), with a major in Engineering from the University of Birmingham, UK.



**Philip Tan**  
Head, Customer Experience & Information Services

Philip heads StarHub's Customer Experience & Information Services division, which includes the development, planning and management of customer experience and service, information technology, and technical services functions.

Philip joined StarHub in July 2002 after the merger between StarHub and SCV. He was SCV's Executive Vice President of Operations. Philip has 20 years' experience in telecommunications and operations. Philip holds a Bachelor of Engineering (Electrical) from the National University of Singapore and a Diploma in Marketing from the Marketing Institute of Singapore.

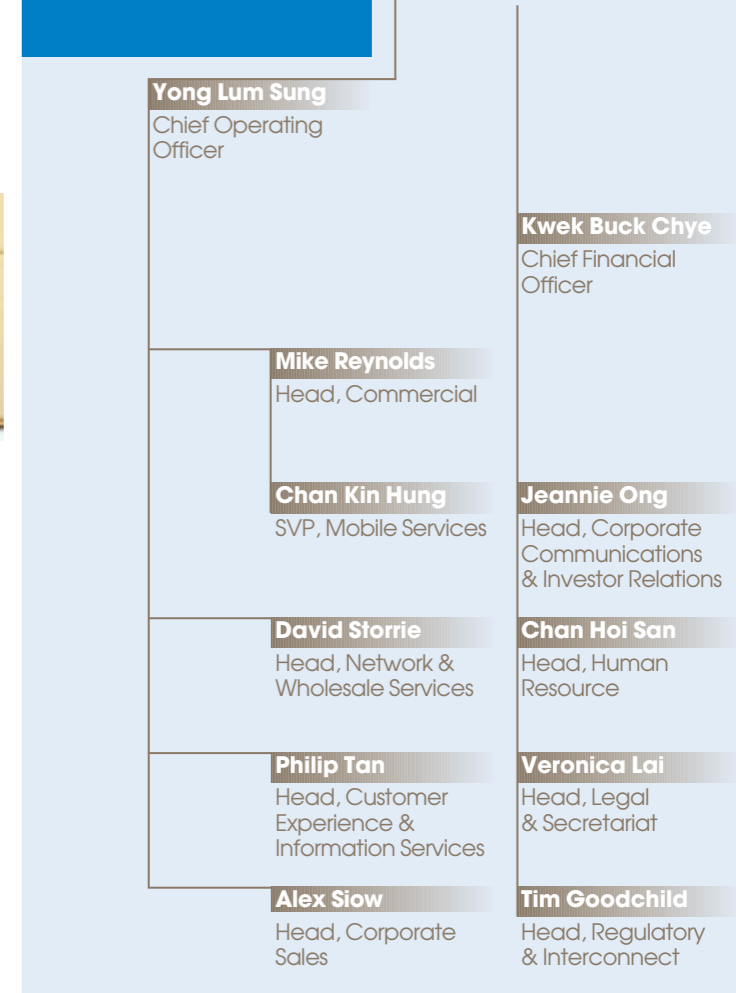


**Chan Kin Hung**  
SVP, Mobile Services

Kin Hung is responsible for the strategic direction, marketing strategies, financial performance and operations of StarHub's mobile services. He joined StarHub in January 2001, bringing with him more than 15 years of marketing, sales and general management experience in the IT and telecommunications industry.

Kin Hung held various senior level positions in the industry, including serving as Managing Director for UUNET Singapore Pte Ltd. 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.

## Senior Management organisation chart



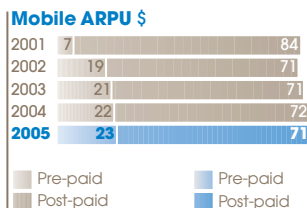
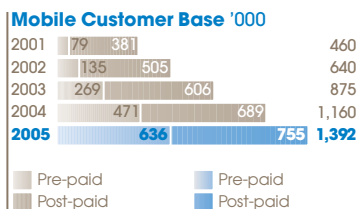
## Operations Review

# Mobile

'Despite a highly competitive and saturated market, Mobile services continued to achieve double-digit growth in revenue and customer base. ARPU held firm and remained consistently high by industry standards.'



Post-paid ARPU remained relatively unchanged at \$71 while pre-paid ARPU received a slight boost of 6% to \$23



# +20%

Total mobile customers grew by 20% to reach 1.39 million

Mobile services delivered a stellar performance in 2005. Despite a highly competitive and saturated market, Mobile services continued to achieve double-digit growth in revenue and customer base. ARPU held firm and remained consistently high by industry standards. The Mobile business remained the largest revenue contributor and played a key role in StarHub's leap to profitability this year, demonstrating strong increases in EBITDA and EBITDA margin. Non-voice services got a boost with the increased traffic in MMS and GPRS while StarHub's pre-paid business continued to shine. By the first quarter of the year, StarHub had moved up one-notch to become the second largest mobile operator in Singapore.

### Steady revenue and customer growth propels StarHub to No. 2 spot

Total mobile customers grew by 20% to reach 1.39 million, helping to drive a 15% growth in mobile revenue to hit a record of approximately \$821.6 million for the year. Delving deeper into the numbers, post-paid grew 10% year-on-year in customer base to 755,000 while pre-paid customers burgeoned 35% to 636,000. In terms of revenue contribution, post-paid grew 8% to \$661.9 million while pre-paid recorded an impressive 63% increase to \$159.7 million. Post-paid continued to form the lion's share of the mobile revenue mix, accounting for 81% of revenue.

StarHub also continued to grab a good share of new mobile customers, capturing 59% of all net additions for the year. We captured 53% and 61% of the post-paid and pre-paid markets respectively. Our steady year round performance propelled the Company to become Singapore's second largest mobile operator by the first quarter of 2005, a position it continued to hold at the end of 2005, with a 33% market share in terms of mobile lines. This was an improvement of almost three percentage points over the previous year and a significant milestone for StarHub as it is the youngest of the three mobile operators here.

Although the customer and revenue growth rate this year was lower than last year's rate of 33% and 27% respectively, it was expected and in line with the overall market deceleration, in light of the extremely saturated Singapore market. At the beginning of the year, the mobile penetration rate was already 91%; it grew some seven percentage points to close the year at almost 98%.

### Leap to profitability

This was a watershed year for the StarHub Group as it turned profitable for the first time. Much of the credit goes to the mobile business which accounted for about 74% of the company's total EBITDA. In addition to the top-line improvement from customer growth, Mobile services also saw leaner operations with average acquisition costs falling from \$125 per gross connection in 2004 to \$107 this year. There was also a slight decline in churn rates for post-paid customers, dipping to 0.9% from 1.0% a year ago.

### ARPU remains strong

Post-paid ARPU remained relatively unchanged at \$71, while pre-paid ARPU received a slight boost of 6%, rising from \$22 to \$23 this year. Overall, StarHub's ARPU remained strong and was consistently one of the highest in the industry.



## Significant events scorecard



### January

- Formed strategic partnership with NTT DoCoMo to be the first telco to launch i-mode in Singapore

### March

- Achieved No. 2 mobile operator spot in terms of customer base
- Signed MoU with Indosat to provide enhanced mobile services for frequent travellers between Singapore and Indonesia

### April

- Launched rich mobile video content spanning four genres (Sports, Entertainment, Music & News) for 2G & 3G

### August

- Launched multimedia Barclays English Premier League content on mobile platform

### September

- Launched new pre-paid plans

### October

- Sneak preview of i-mode for customers
- Launched new sports and entertainment content over 2G and 3G, including drama and animated cartoon 'mobisodes'

### November

- Launched i-mode services
- Implemented registration of pre-paid cards pursuant to new regulatory controls

## Operations Review

**‘StarHub excelled in our pre-paid business, despite highly aggressive measures taken by the competition.’**



StarHub continued to focus strongly on non-voice services to boost ARPU



StarHub offers diverse mobile services like local and IDD calls, international roaming and push-mail services

### Pre-paid business shines

For the period under review, StarHub excelled in our pre-paid business, despite highly aggressive measures taken by the competition. Pre-paid revenue grew 63% year-on-year on the strength of a 35% increase in customer base. ARPU also grew 6% to remain the highest of the three mobile operators. The average minutes-of-use per pre-paid customer per month also rose by about 21% to 114 minutes. This was, however, offset by a lower use of non-voice services among pre-paid customers – the contribution of non-voice services to ARPU dropped by two percentage points to 12%.

Beginning 1 November 2005, all pre-paid SIM card users have six months to register or re-register their particulars with their respective mobile operators. Pre-paid SIM cards that are not registered by 1 May 2006 will be deactivated from 2 May 2006 based on new regulatory controls on pre-paid SIM cards.

### Mobile data services take-up on the rise

StarHub continued to focus strongly on non-voice services to boost ARPU in the saturated market. Although the average monthly minutes-of-use for post-paid customers have dropped from 616 minutes last year to 566 this year, this was balanced by an increase in their use of non-voice services. The contribution of non-voice services to post-paid ARPU rose from 16% to 18% in 2005.

GPRS and MMS usage have also increased across the board. Post-paid GPRS traffic rose 51% to 2,551 gigabytes of traffic while pre-paid volume went up 159% to 197 gigabytes. For MMS, post-paid saw a growth of 33% to 13.0 million messages sent, while pre-paid customers sent 1.6 million messages which is almost five times more MMS messages than a year ago.

Average SMS usage for post-paid customers remained unchanged at 130 SMS per user per month. Pre-paid usage fell slightly by 10% to 73 SMS per user per month.

### 3G and i-mode offer new exciting possibilities

StarHub customers got a taste of the fast lane in mobile cyberspace when we launched our 3G service in April 2005. Users with 3G handsets gained better experience with applications such as faster music downloads and smoother video streaming. More importantly, the higher speed gave rise to new innovative applications like handset-to-handset video calls. There were 52,000 3G customers at the end of the year. While it is easy to take the number of 3G customers as a benchmark, StarHub believes it is more important to have a better understanding of what users do with their phones. The overarching imperative is to have a good grasp of the applications and services that users are passionate about or which have become an essential part of their digital lifestyles.

In November, StarHub reached another milestone when we brought the world's most popular mobile Internet service, i-mode, to Singapore. i-mode has been a roaring success in the world, with over 50 million subscribers in 15 markets as at December 2005. This mobile Internet service, which works on both 2.5G and 3G networks, is renowned for its breadth and depth of content and its simple-to-use interface. For Singapore, this means having access to useful content like mobile banking, booking of cinema tickets in real-time, sending digital pictures for print, a push-based email service on the phone and much more. At the launch of StarHub's i-mode service, over 100 i-mode content sites were in operation, making it the largest number of sites at launch among all i-mode alliance partners so far.



StarHub customers got a taste of the fast lane in mobile cyberspace when we launched our 3G service

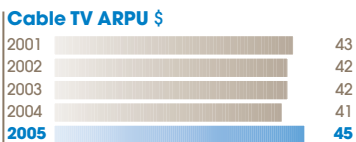
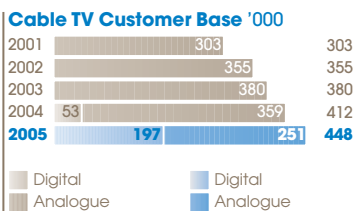
Operations Review

# Cable TV

'This year's solid revenue growth was driven by continued service innovation and the greater breadth and depth of content offered to customers.'



Since the launch of Digital Cable, 33 channels have been added



# 197,000

StarHub quadrupled the number of our digital customers from 53,000 in 2004 to 197,000 in 2005

### Digital is good for business

In today's high tech world, you cannot go wrong switching to digital. And that is what StarHub has successfully done in 2005, almost quadrupling the number of digital customers from 53,000 in 2004 to 197,000 this year. Prior to the launch of Digital Cable in May 2004, StarHub carried 50 channels. Since then, more international channels have been added and to date, StarHub carries 83 channels on our digital platform. In addition, StarHub also offers 20 Demand TV channels and 12 Karaoke TV channels. Apart from more content choices, cable TV viewers also enjoy new interactive applications and innovative features like a three-day On-screen TV Guide, an information box on current screenings and the ability to schedule the set-top box to automatically switch channels – great for recording to VCRs and DVD recorders when users are indisposed. Digital Cable is great for customers, but even better for business as digital customers typically spend more every month than their analogue counterparts.

### Steady customer base increase and strong ARPU

In 2005, StarHub focused on building our base of digital customers, particularly to get existing analogue customers to make the switch. As a result, the percentage of digital customers shot up from 13% in 2004 to 44% in 2005. This increase in our digital base, together with the higher price of sports packages in 4Q2004, were the main factors contributing to an 11% increase in the year's overall ARPU, from \$41 to \$45.

This development is very significant as the 11% increase is a compelling number when compared to the relatively flat ARPU of \$42 and \$41 in 2003 and 2004 respectively.

In 2005, StarHub's cable TV customer base grew a steady 9% to 448,000, which translates to a household penetration rate of 40%. Revenue, on the other hand, grew 17% in 2005 to hit a record \$262.4 million, which was three times faster than the 6% growth in 2004. Cable TV continued to be the second biggest contributor to the overall revenue, accounting for 17% of StarHub's revenue mix.

### Driven by innovative strategies, services and content

The year's solid revenue growth was driven by our continued service innovation and the greater breadth and depth of content offered to customers.

#### More content with more channels

The migration from analogue- to digital-based cable TV increased the maximum number of available channels and StarHub took full advantage of this capacity improvement. Since the launch of Digital Cable, 33 channels have been added. New channels launched in 2005 included A1, AFC, BBC Prime, Eurosportnews and Fox News Channel. In addition, StarHub opened up another 20 Demand TV channels and 12 Karaoke TV channels.



## Significant events scorecard



### January

- Launched VV Drama (+3), first 'time-shift' channel

### March

- Launched first Malayalam Channel
- First ever 'live' broadcast of NCAA (American basketball) games over Digital Cable's Pay-Per-View channels

### June

- Launched 20 channels of Demand TV (Singapore's only near video-on-demand service on TV)
- SuperSports (a channel packaged entirely by StarHub) bagged five awards – one Gold and four Silvers at the 2005 PROMAX&BDA World Awards

### July

- Announced role as the official broadcaster of the 2006 FIFA World Cup™ – to provide complete 'live' coverage of all 64 matches

### August

- Announced the intended launch of Digital Video Recorder within six months

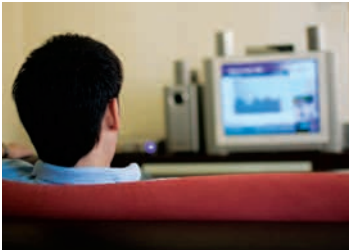
### September

- Launched five new channels (A1, AFC, BBC Prime, Eurosportnews, FOX News Channel) and Family Plus digital group, an all-round value package
- Launched Karaoke TV, 12 new channels of karaoke fun
- First ever 'live' broadcast of National Football League (American football) over Digital Cable's Pay-Per-View channels
- Launched E City (+2), second 'time-shift' channel

### December

- StarHub's on-air promotion, 2006 FIFA World Cup, clinched a Gold for Best Animation and a Silver for Best On-Air Indent at the PROMAX&BDA Asia Awards 2005

## Operations Review



The upcoming launch of the Digital Video Recorder gives cable TV viewers yet another choice in when to watch



Demand TV offers greater flexibility as customers can view at a time-slot that fits their busy schedule

### More control for viewers with Demand TV and 'plus' channels

On 28 June 2005, StarHub launched Demand TV, Singapore's first near video-on-demand service on TV that lets digital customers pay to view individual movie blockbusters and other programmes of their choice. Demand TV offers greater flexibility for viewers as they only need to pay for the programmes of their choice which they can view at a time-slot that fits their busy schedule. With 20 channels of Demand TV, there is plenty for our customers to choose from.

StarHub also started another innovative service in 2005 – 'plus' channels which are identical to existing channels, except the programmes screen at a later time. The two new 'plus' channels, VV Drama (+3) and E City (+2), are twin channels of their namesakes, except the programme schedules run later by three and two hours respectively. Again, this puts more control in the hands of the viewer. More importantly, it does not cost a cent more for the customer who uses the digital set-top-box.

Demand TV and 'plus' channels are just some elements of StarHub's strategy that give customers a choice in what they watch, and when they watch – something called time-shifting. The upcoming launch of the digital video recorder gives cable TV viewers yet another choice in when to watch.

### Singing their blues away

Viewers can now do more than just watch TV, they can sing along to it. In 2005, StarHub launched a new service called Karaoke TV, which offers a dozen sing-along channels to customers. Songbirds only need to pay a monthly subscription for an unlimited enjoyment of all 12 Karaoke TV channels. A simple press of the audio key on the remote control turns the vocals on and off. With 10 to 15 Karaoke videos per channel, which are refreshed weekly, customers can access about 500 songs every month.

### Reaching out to a niche audience

While StarHub continues to strengthen our market position by offering more content to mainstream audiences, we have not left out our niche customers. This year, we launched the Malayalam Channel, which is the world's first 24-hour channel for the Malayalee community.

Enthusiasts of niche sporting events also continued to get their dose of sporting action via Pay-Per-View channels. Pay-Per-View channels enable customers to pay a fixed price to watch a series of matches, usually over a few months or an entire season. In 2005, StarHub offered National Collegiate Athletic Association (NCAA) basketball and National Football League (NFL) American football Pay-Per-View channels.

### Free preview to entice customers

Everyone loves freebies. StarHub continues to offer regular previews of various channels for free to cable TV subscribers, and even to non-subscribers, via our Preview Channel. Often, the free previews coincide with the launch of quality programmes or with a festive season, to encourage viewers to sign up for the channel. For example, a free preview of 12 Chinese channels was offered for 20 days during the Lunar New Year season, while HBO channel was offered free for three days during the Asia premiere of the hit mini-series 'Rome'. Other complimentary previews offered in the course of the year included Asian blockbusters, Taiwanese dramas and Playhouse Disney Channel.

'Demand TV and the 'plus' channels are just some elements of StarHub's strategy that give customers a choice in what they watch, and when they watch.'



StarHub continues to offer regular previews of various channels for free

Operations Review

# Broadband

‘Leading technology, constant innovation in content and services and competitive pricing drove the impressive performance of StarHub’s broadband business.’

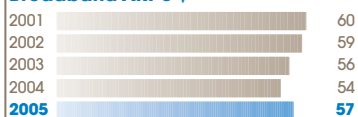


One of StarHub’s strategies for residential broadband is to upgrade its speed and add new services

**Broadband Customer Base '000**



**Broadband ARPU \$**



# 41%

In 2005, broadband revenue surged 41% to hit an all-time high of \$177.2 million

### Continued strong surge in broadband

StarHub’s residential broadband, using the DOCSIS cable modem access, continued to register the fastest growth rates among our four lines of business. In 2005, broadband revenue surged 41% to hit an all-time high of \$177.2 million. This was driven by a solid 29% expansion in MaxOnline customers as well as a 6% increase in ARPU of \$3 to \$57.

Monthly churn rates remained relatively unchanged at 1%, despite aggressive competition in the market. The importance of broadband has been steadily growing over the years and now accounts for a record 11% of StarHub’s total revenue. This is two percentage points up compared to the year before.

### High revenue growth maintained despite slight dip in customer growth

StarHub’s Broadband division mainly provides residential broadband services, while corporate broadband lines come under the Fixed Network division. At the end of 2005, there were 277,000 MaxOnline customers, a growth of 62,000 compared to the year before. While this 29% growth is lower than the 43% increase in customer base from the year before, StarHub witnessed a 41% increase in broadband revenue during the same period. This is mainly attributable to an increased number of customers upgrading to the higher-tier residential broadband plans.

### Outperforming the market

StarHub Broadband once again did better than the industry as a whole. In 2005, the total number of residential broadband customers in Singapore grew by 24%. By comparison, StarHub's customer base grew by 29% during the corresponding period.

StarHub also took market share from our rivals. Based on IDA's statistics, which includes pre-paid and wholesale customers, StarHub's residential cable broadband market share grew to 51%, effectively overtaking residential ADSL. As an average over the 12-month period of 2005, StarHub took more than 65% of the monthly net-adds.

Leading technology, constant innovation in content and services and competitive pricing drove the impressive performance of StarHub's broadband business. One of StarHub's strategies for residential broadband is to upgrade its speed and add new services. This will endear more and more customers to StarHub's MaxOnline services. StarHub believes this is key to sustaining and growing ARPU in residential broadband.

### Maintaining pole position in the race for speed

Broadband is all about satisfying the customer's need for speed on the information superhighway. And when it comes to speed, StarHub continues to keep our edge over competitors. In January, StarHub started shifting into high gear by launching the MaxOnline 6500 service, which offered the highest download speed at the time. In April, StarHub upped the ante again with the blazing MaxOnline Ultimate service, which broke another speed record when it was launched. At the end of the year, it remained the leader of residential broadband service in Singapore, with the highest speed of up to 30 Mbps.

But we are not resting on our laurels. In the third quarter of 2005, StarHub announced that we will be working with technology provider Motorola to upgrade our cable broadband network from the existing DOCSIS 1.1 standard to the cutting-edge DOCSIS 3.0. With the latter, StarHub will be able to offer even higher speeds nationwide, starting with new speeds of 100 Mbps, and with the capacity to deliver 1 Gbps in the future.



## Significant events scorecard



### January

- MaxOnline 3000 customers automatically upgraded to MaxOnline 6500 at no additional charge

### April

- Launched MaxOnline Ultimate, which currently offers download speeds of up to 30 Mbps

### June

- Announced collaboration with Motorola to deliver higher broadband speeds over cable (DOCSIS 3.0)

### July

- Launched games-on-demand service for MaxOnline customers – customers get access to over 140 PC games

### October

- Announced the formation of content collaboration programme with online cybergaming companies around the world

## Operations Review



MaxOnline customers enjoy a hassle-free way to access value-added services



Apart from speed, cable broadband also offers the advantage of 'always-on' instant access and plug-and-play ease of use

### Delivering innovative services, content and value for money to customers

Apart from speed, cable broadband also offers the advantage of 'always-on' instant access and plug-and-play ease of use. Because every customer's cable modem must be registered with StarHub, we are able to identify our customers through their cable modem device. This enables us to easily offer differentiated services to different groups of customers.

For customers, it means a hassle-free way to access these value-added services, without the need to key in usernames and passwords for login authentication, because they are already identified by their cable modems. For example, i.View, the service that lets MaxOnline customers watch six cable TV channels on their PCs via the Internet, was offered free to MaxOnline Ultimate customers. These customers can simply launch i.View online to start watching the channels.

This same system enables StarHub to offer free Internet radio exclusively for all MaxOnline customers at its i.Play music portal.

Even better than the free TV and radio on PCs is StarHub's on-going free Digital Voice promotion, which gives all post-paid MaxOnline customers a free residential phone line that comes with unlimited free local incoming and outgoing calls, plus attractive IDD calling rates to other countries. While local calls are free, customers have to pay for value-added services like call waiting, caller number display and voicemail, which are all opportunities for increasing ARPU.

### Games galore

Cyber gaming was sizzling in 2005. Singaporeans got a taste of what professional cyber gaming was all about when StarHub broadcasted the Singapore leg of the Cyberathlete Professional League (CPL) World Tour. CPL is analogous to the Grand Prix for motor racing or ATP for tennis where the world's best players compete at various league competitions around the world. The entire four-day event was shown on StarHub's Preview Channel, which is available to all households with cable points, regardless of whether they are cable TV customers or not. StarHub was the official network provider and broadband partner for the event. Apart from CPL, StarHub also partnered Asiasoft in launching the Maple Story SEA multiplayer online game as well as with Microsoft on the online gaming console Xbox Live.

StarHub also started a content collaboration programme targetting online gaming companies around the world to encourage them to make Singapore the gaming hub for Southeast Asia. Through this programme, StarHub will provide content and application service providers, especially cybergaming companies, with end-to-end high quality connectivity through StarHub's Tier-1 Internet Exchange. This initiative lets game service providers and game publishers look to Singapore as the premier choice when it comes to sophisticated infrastructure and service capabilities as they roll out their online products throughout the region.

### Broadband moving beyond high-speed Internet

Broadband is no longer just about faster Internet access. With broadband, consumers can now access content that was previously unavailable or simply impractical to access. This includes content that require higher speeds like online gaming, Internet radio, music downloads and video streaming. Online gaming consoles like Microsoft Xbox Live, which work well on broadband, also provide good reason for customers to subscribe to broadband. In line with this trend, StarHub continues to take advantage of the superior speeds and content to drive the adoption of broadband in Singapore, especially in getting dial-up customers to upgrade to the fast lane.

### The future

In May 2005, StarHub participated in the auction of wireless broadband access spectrum rights conducted by the IDA and obtained two lots of spectrum in the 2.5 GHz band, at a price of \$0.5 million each. This new technology may offer some special access services targeted at certain niche markets. However, it is the Company's view that the technology is neither a material opportunity nor a threat in Singapore markets due to the developed state of wired and wireless infrastructure.

'StarHub continues to take advantage of the superior speeds and content to drive the adoption of broadband in Singapore, especially in getting dial-up customers to upgrade to the fast lane.'



i.View, the service that lets MaxOnline customers watch six cable TV channels on their PCs via the Internet, was offered free to MaxOnline Ultimate customers

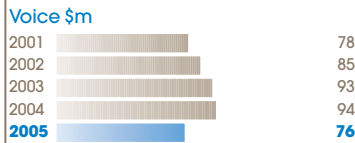
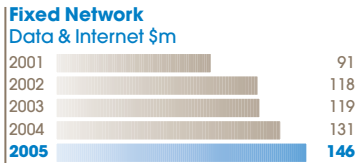
Operations Review

# Fixed Network

‘StarHub’s Fixed Network continues to play an important role in supporting the other three lines of business – shouldering and providing the bandwidth and connectivity for Mobile, Cable TV and Broadband.’



StarHub introduced innovative Data & Internet services and price reductions in 2005 to meet the growing demand from business customers



**50%**  
StarHub added 50% more capacity to our Internet Exchange in 2005

StarHub’s Fixed Network continued to play an important role supporting the other three lines of business – shouldering and providing the bandwidth and connectivity for Mobile, Cable TV and Broadband and ensuring they function with competitive costs and improved operating efficiencies.

In 2005, Fixed Network continued to expand its capacity and infrastructure to meet the Group’s growing needs. For example, IDD traffic grew by 36% and Fixed Network correspondingly increased its international voice network capacity to meet the demand. StarHub’s Integrated Services Digital Network (ISDN) network capacity was also significantly expanded to support the new international 3G video calls enabling StarHub to interconnect with over 20 operators across more than 15 destinations.

**A revenue generator in its own right**

Fixed Network is also a significant revenue generator in its own right, accounting for 14% of StarHub’s total revenue mix in 2005. During the year, Fixed Network’s overall revenue decreased slightly, generating \$221.7 million compared to \$224.6 million the year before. Voice revenues fell 19% to \$76.1 million while Data & Internet services grew 11% to hit \$145.6 million.

### Voice on the decline

Voice revenues declined in 2005 primarily because StarHub deliberately de-emphasised the international voice transit business – a very low margin business. The IDD collection rates (the amount that customers are charged) are lower from the continued commoditisation of IDD across the industry. The volume of IDD airtime increased 36% year-on-year but revenues fell as the unit price of IDD calls slipped due to the highly competitive market.

IDD, however, plays an important role in StarHub's overall strategy. One of the key factors behind StarHub Mobile's success is its free IDD 018 call service where pre-paid and post-paid mobile customers can make free IDD calls to over a dozen high-traffic destinations like China, Malaysia and USA. This also helps drive IDD usage from fixed to mobile lines.

### Data & Internet on the rise

Data & Internet, on the other hand, continued to rise, fuelled mainly by a significant increase in the take-up of domestic leased circuits despite strong competition. With the economy rebounding and the proliferation of broadband services, there has also been a corresponding increase in data sales to business customers. To meet the increased demand in Internet bandwidth, StarHub added 50% more capacity to our Internet Exchange in 2005.

### New services for business customers

With growing demand from business customers, StarHub introduced innovative Data & Internet services and price reductions in 2005. In July, it introduced an industry-first 'free Internet bandwidth' for its 2 Mbps leased line customers. In Singapore, Internet leased line customers traditionally pay for two separate components – data line and Internet bandwidth. With this scheme, StarHub effectively cut in half the total price of its leased line Internet service, making it more attractive to businesses.

In the same month, StarHub promoted its tele-working Home2Office service. This allows employees of our business customers to connect directly from their home cable point to the corporate network by using StarHub's private network. It also gives customers heightened security and considerable cost savings.



## Significant events scorecard



### April

- Launched highest speed ADSL service for corporate customers

### July

- Launched an industry-first 'free Internet bandwidth' for 2 Mbps leased line customers
- Launched Home2Office, which gives business customers option to let their employees tele-work from home

## Corporate Social Responsibility

# Good corporate citizenship

'The strong commitment to corporate philanthropy is important to the Company's culture and business philosophy.'



1 Mr Yong Lum Sung, Chief Operating Officer of StarHub, presenting the \$250,000 cheque to Mr Ser Cher, President of SPD



- 2 StarHubbers brought 20 children and youths from the Salvation Army Youth Development Centre to the zoo as part of the Singapore Infocomm Technology Federation Volunteer Day
- 3 Volunteers and participants gamely posing for pictures

### People matter most

At StarHub, we believe it is the people who make the world go round. That is why we take a proactive role in bringing out the potential of our staff. It is also why we are serious about good corporate citizenry, active participation in the community and investing to help the underserved and underprivileged.

### Giving back to the community

Since July 2000, we have been channeling 1% of all revenues from our IDD 008 and 018 services into the StarHub IDD Charity Fund, which aims to serve the less fortunate in society. In July 2005, StarHub donated \$250,000 from this fund to set up a learning and development centre to cater to the needs of physically disabled students in Singapore. Working hand-in-hand with the Society of the Physically Disabled (SPD), the StarHub-SPD Learning & Development Centre, which was officially opened in September 2005, aims to help physically disabled children achieve their full potential and pave the way for them to become independent adults.

We were also one of the sponsors for the Singapore Cancer Society's Charity Show 2005 which helped raise funds for cancer patients. StarHub donated \$100,000 from the StarHub IDD Charity Fund for this cause. The show was aired on local TV and involved local artistes and singers. StarHub also donated \$50,000 to the Boys' Brigade Charity Gift Box 2005, bringing some festive joy and cheer to low-income families in Singapore.

We believe that action speaks louder than words. In 2005, more than 40 of our staff took time off to participate in the Singapore Infocomm Technology Federation Volunteer Day, where they brought 20 children and youths from The Salvation Army Youth Development Centre to the Singapore Zoo.

### Supporting the local arts scene

StarHub is also a firm supporter of the local arts scene. In 2005, we were the main sponsor for the charity gala premiere of Singapore's first locally produced sci-fi film, Avatar. Filmed entirely in Singapore, the movie showcases local personalities and international celebrities like Joan Chen. New Line Home Entertainment acquired the distribution rights for Avatar in North America. It is the first time a locally produced science fiction thriller will be distributed there.

In recognition of our contributions towards local artistic activities, the National Arts Council awarded the Patron of the Arts Award to StarHub again in 2005. We received the same award in 2002 and the Friends of the Arts Award in 2003 and 2004.

### Realising the full potential of our staff

Our success is highly dependent on our staff. That is why we pay careful attention to their career needs and development and tune our policies to help them realise their full potential. A compensation, reward and recognition strategy was devised to link compensation to staff performance. A company-wide total compensation review was conducted to improve the rewards and recognition system and to ensure it remains relevant to the Group's business needs and future requirements. In addition, StarHub continues to recognise and retain outstanding key executives through competitively positioned remuneration packages that are aligned with shareholders' interests and affordability.

Recently, StarHub introduced a structured career planning process and a more systematic review of opportunities for job rotation to match individual staff needs. We also promote open dialogue between employees, supervisors and heads of divisions.

### Industry recognition

Thanks to our people, StarHub continues to garner strong industry acknowledgement and accolades for our services, technology and processes in 2005. We achieved the following awards:

- The Best Business Enabler in the Communications and Media Category at the MIS Asia IT Excellence Awards
- CIO Asia 100 Honouree; CIO Asia 100 is a yearly listing of the top 100 IT organisations in the region
- StarHub staff clinched 153 awards at the SPRING Excellent Service Award, a national event that recognises individuals who have delivered outstanding service

- CCCS 5th Singapore Annual Call Centre Awards & 2nd Regional Call Centre Awards 2005:
  - Call Centre of the Year Over 50 seats: Silver (StarHub)
  - Call Centre Manager of the Year Over 50 seats: Gold (Tan Soil Bian)
  - Call Centre Manager of the Year, Regional Award (Hong Kong/Malaysia/Singapore): Bronze (Tan Soil Bian)
  - Call Centre Representative of the Year Over 50 seats: Gold (Bek Pheng Nam)
  - Call Centre Champion of the Year Over 50 seats: Finalist (Yeo Ai Ling)

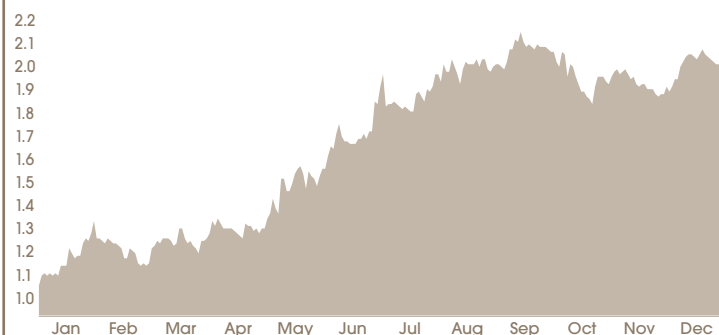


- 1 StarHub was the main sponsor of Singapore's first locally produced sci-fi film, Avatar
- 2 Call Centre of the Year Over 50 seats StarHub - Silver
- 3 Call Centre Manager of the Year Over 50 seats - Gold (Tan Soil Bian)
- 4 Call Centre Representative of the Year Over 50 seats - Gold (Bek Peng Nam)

## Investor Relations

'Relationship building requires total honesty and the delivery of quality information in a timely manner – this is the only way to build mutually beneficial relationships with analysts, investors and the business/financial media.'

StarHub Share Performance 2005 \$



FY2005 results briefing for media and analysts on 23 February 2006

### Investor Relations (IR) Strategy

The twin engines of communications and relationship building drive StarHub's IR strategy.

Communications involves a regular two-way flow of information that gives analysts, investors and media a basis for evaluating StarHub.

Relationship building requires total honesty and the delivery of quality information in a timely manner – this is the only way to build mutually beneficial relationships with analysts, investors and the business/financial media. For instance, we take advantage of the Company's BlackBerry (anytime, anywhere) mobile email service to answer queries from analysts and fund managers as quickly as possible, even at odd hours of the night, as we recognise that providing quality information in a timely fashion will assist the international fund managers in their decisions.

We also organise late night conference calls to accommodate the time difference of these international fund managers.

### StarHub's bedrock foundation in IR

StarHub had already embraced a strong spirit of corporate governance and corporate transparency even before we were listed on the Main Board of SGX-ST in October 2004.

Since StarHub's official launch in April 2000, the Company has made it a point to meet with telecom analysts and fund managers on a quarterly basis to update them on the progress of the Company. We also made a consistent

effort to update analysts by sending them our press releases detailing the new products and services that StarHub introduced. Last but not least, we organised visits to our cable TV and broadband operational centres which gave analysts and fund managers a better understanding and insight into StarHub's business operations.

### StarHub's IR activities

We continued these programmes after our listing on the Mainboard of SGX-ST. We also arranged quarterly meetings and briefing sessions, including conference call-ins and webcasts, with local and regional analysts and fund managers. Our senior management team provides updates through one-on-one sessions with fund managers or at larger-scale analyst briefing sessions. When the management team is not available, the IR team will host the sessions.

On top of that, the Company goes on international roadshows at least four times a year to Asia, Europe and the USA, to meet with existing institutional shareholders and potential ones to broaden our base of shareholders. StarHub is also an active participant in regional and international equity conferences organised by bankers and the Singapore Exchange.

After the roadshows, we will engage a third-party research firm to conduct extensive qualitative and quantitative interviews with targeted and critical fund managers and analysts. This gives us, in more definitive terms, a better understanding of how our meetings with these analysts and fund managers are helping in overall IR efforts. The research firm's approach is to elicit open and honest sharing with regards to respondents' views, comments, insights and criticism of the Company.

### Online IR

In addition to the activities listed in the preceding section, StarHub also maintains a dedicated IR section within our corporate website. This is the easiest and most cost-effective way to reach a wide audience and provide investors and other interested parties with up-to-date information. StarHub views online IR as part of a holistic approach to our IR endeavours.

StarHub's online IR ensures ease-of-use and accessibility to content for its users. For stakeholders, it is the first and primary area of contact with the Company. This is evident as the site averages two million page view hits each month.

### Achievements & Accolades

In 2005, StarHub was recognised for the following events:

- Business Times' Corporate Transparency Index (CTI) 2005: StarHub ranked high in the Index throughout the year. In fact, StarHub was the top new entrant in the CTI
- FTSE ASEAN Index – StarHub was included in this index in September 2005
- SIAS 6th Investors' Choice Awards – Most Transparent Company Award (Runner-Up) for New Issue Category
- Business Times' Singapore Corporate Awards – Best Annual Report (Gold) for Newly Listed Companies

We also accomplished the following, after only slightly over a year of listing:

- StarHub's share price appreciated over 110% since IPO
- Market capitalisation appreciated to over \$4.3 billion
- Company put in place an investor-friendly quarterly dividend payment policy
- Company is a growth and yield play; fastest growing operator at about 4% – 5% yield

### Conclusion

StarHub may only have been listed in October 2004 but our overall IR programmes have paid off as our stock price has appreciated by over 110% and we have been nominated for a few IR awards within that short span of time. The Company does not intend to rest on our laurels but will continue to strive to do better. Engaging third-party independent research firms to gather frank views on our IR efforts will allow the Company to improve our overall IR practices.

A quick-guide to the regular activities spearheaded by the StarHub IR team:

Activities	Remarks
Analyst and Investor Meetings	<ul style="list-style-type: none"> <li>- Met over 250 analysts and investors</li> </ul>
Investor Conferences	<ul style="list-style-type: none"> <li>- Presented company's results in four conferences in 2005</li> </ul>
IR Website and Electronic Communications	<ul style="list-style-type: none"> <li>- The easiest and most cost-effective way of reaching out to a wide audience and providing investors and other interested parties with up-to-date information</li> <li>- Materials available on our IR website (<a href="http://www.starhub.com/ir">www.starhub.com/ir</a>) include earnings releases and other press announcements, results presentations, SGXNET announcements, archived web casts and conference calls, amongst others</li> </ul>
Quarterly Results Announcement	<ul style="list-style-type: none"> <li>- We have, since our listing, undertaken five quarterly results reporting: 3Q2004 results on 8 November 2004, FY2004 results on 23 February 2005, 1Q2005 results announcement on 12 May 2005, 2Q2005 results on 3 August 2005 and 3Q2005 results on 27 October 2005</li> <li>- Conference calls were held for the 1Q – 3Q2005 results announcement</li> <li>- Webcast and face-to-face analyst/media briefings were held for the FY2004 and FY2005 results</li> </ul>
Analyst/Media Briefings	<ul style="list-style-type: none"> <li>- Held quarterly to keep them updated on our business plans</li> </ul>
Annual Report	<ul style="list-style-type: none"> <li>- Hard and soft copies made available to all</li> </ul>
Annual General Meeting	<ul style="list-style-type: none"> <li>- Shareholders have the opportunity to interact with the Board of Directors and Senior Management team</li> </ul>
Data Compilation	<ul style="list-style-type: none"> <li>- We engage third-party vendors to regularly analyse our share registry and conduct research to evaluate our IR efforts</li> <li>- We have also signed up for third-party online resources which allow us to view the various analyst reports that are published</li> </ul>

## IR calendar of events for 2005

Date	Activities
First Quarter	<ul style="list-style-type: none"> <li>- FY2004 results announcement</li> <li>- CSFB Asian Investment Conference – Hong Kong</li> <li>- Europe &amp; USA Investor Roadshows</li> <li>- Singapore Investor Luncheons</li> </ul>
Second Quarter	<ul style="list-style-type: none"> <li>- 1Q2005 results announcement</li> <li>- Citigroup: Singapore Corporate Day – Tokyo</li> <li>- Europe Investor Roadshows</li> <li>- Singapore Investor Luncheons</li> <li>- UBS ASEAN Telecom Conference – Singapore</li> </ul>
Third Quarter	<ul style="list-style-type: none"> <li>- 2Q2005 results announcement</li> <li>- CLSA Investor Forum – Hong Kong</li> <li>- Europe &amp; USA Investor Roadshows</li> <li>- Nomura Asia Equity Forum – Singapore</li> <li>- 2nd ASEAN Finance Minister Investor Seminars – Europe &amp; USA</li> </ul>
Fourth Quarter	<ul style="list-style-type: none"> <li>- 3Q2005 results announcement</li> <li>- Morgan Stanley Asia Pacific Summit – Singapore</li> <li>- Singapore Investor Luncheons</li> </ul>

## Financial calendar for 2006\*

Date	Activities
23 February	– Webcast of FY2005 results for analysts and media
26 April	– 8th Annual General Meeting
May	– 1Q2006 results announcement
August	– 1H2006 results announcement
November	– 3Q2006 results announcement
February 2007	– FY2006 results announcement

\*Subject to change. Please check [www.starhub.com/ir](http://www.starhub.com/ir) for the latest updates

## Group Financial Review

# Good financial performance

'In 2005, the Group's total operating revenue increased 16% to \$1.57 billion and net profit after tax reached \$221.4 million from a loss of \$54.7 million in 2004.'

### 1.1 Operating Revenue

Operating revenue	2005 \$m	2005 %	2004 \$m	2004 %	Change %
Mobile revenue	821.6	52.3	712.7	52.6	15.3
Cable TV revenue	262.4	16.7	223.7	16.5	17.3
Broadband revenue	177.2	11.3	125.9	9.3	40.8
Fixed Network services revenue	221.7	14.1	224.6	16.6	(1.3)
Total service revenue	1,483.0	94.4	1,286.9	95.0	15.2
Sale of equipment	87.8	5.6	68.3	5.0	28.5
Total	1,570.7	100.0	1,355.2	100.0	15.9

For the year, the Group's total operating revenue grew 16% to \$1,570.7 million with all lines of business, except Fixed Network services, achieving double-digit growth. Total service revenue increased 15% year-on-year to \$1,483.0 million.

Mobile revenue increased 15% to \$821.6 million, with post-paid mobile services revenue accounting for 81% and pre-paid mobile services revenue at 19% of the revenue mix. The increase in Mobile revenue is driven by the enlarged mobile subscribers' base and increased usage by pre-paid customers during the year.

Cable TV revenue increased 17% to \$262.4 million for 2005. The increase in revenue was attributable to a larger customer base and higher ARPU as more customers subscribed to the digital tiers in 2005.

For the year, Broadband revenue increased 41% year-on-year to \$177.2 million. The increase in revenue was primarily due to a larger base of customers and higher ARPU.

Revenue from Fixed Network services registered a marginal 1% decrease for the year to close at \$221.7 million. Data & Internet services increased 11% during the year to \$145.6 million. This increase was offset by a decrease in Voice services revenue, which fell 19% to \$76.1 million.

Revenue from sale of equipment was \$19.5 million higher for the year at \$87.8 million. The higher revenue was attributed to higher volume of handsets and mobile accessories sold as a result of our larger customer base.

On a revenue-mix basis, the Mobile business continues to contribute to the largest share at 52% for the year. Broadband being the fastest growing line of business has increased its contribution to the revenue mix from 9% in 2004 to 11% in 2005. Cable TV revenue share remained relatively stable at 17%, while Fixed Network services share of the revenue mix decreased from 17% in 2004 to 14% in 2005.

## 1.2 Operating Expenses

Operating expenses	2005 \$m	2005 %	2004 \$m (Restated)	2004 %	Change %
Cost of sales	495.4	37.7	460.1	33.5	(7.7)
Other operating expenses	819.0	62.3	912.8	66.5	10.3
Total	1,314.4	100.0	1,372.9	100.0	4.3

Total operating expenses for the year amounted to \$1,314.4 million, a decrease of 4%. Cost of sales component in total operating expenses increased 8% for the year as business volume and revenue increased during the year. This increase was offset by a year-on-year decrease in other operating expenses which was mainly due to lower depreciation and amortisation expenses.

Cost of sales	2005 \$m	2005 %	2004 \$m	2004 %	Change %
Cost of equipment sold	173.4	35.0	155.7	33.8	(11.4)
Cost of services	143.4	28.9	131.6	28.6	(9.0)
Traffic expenses	178.6	36.1	172.9	37.6	(3.3)
Total	495.4	100.0	460.1	100.0	(7.7)

For the year, total cost of sales at \$495.4 million was 8% higher than a year ago. The year-on-year increase were mainly due to increases in the cost of equipment sold and cost of services components in total cost of sales.

For the year, cost of equipment sold amounted to \$173.4 million. Compared to last year, this was a year-on-year increase of 11% due to the higher volume of handsets sold.

Cost of services increased 9% to \$143.4 million for the year. The increase was primarily due to higher programming costs as the Cable TV subscriber base increased. There were also additional content costs on the mobile data platform.

Other operating expenses	2005 \$m	2005 %	2004 \$m (Restated)	2004 %	Change %
Staff costs	217.0	26.5	194.5	21.3	(11.5)
Operating lease	115.2	14.1	120.4	13.2	4.3
Marketing and promotion	151.2	18.5	121.6	13.3	(24.3)
Allowance for doubtful debts	7.6	0.9	19.4	2.1	60.7
Repair and maintenance	61.9	7.6	52.9	5.8	(17.0)
Other expenses	62.3	7.6	64.3	7.0	3.0
Sub total	615.2	75.1	573.2	62.8	(7.3)
Depreciation and amortisation	203.8	24.9	339.6	37.2	40.0
Total	819.0	100.0	912.8	100.0	10.3

The Group's other operating expenses were 10% lower at \$819.0 million for the year.

### Depreciation and amortisation

Year-on-year, depreciation and amortisation expenses decreased 40% to \$203.8 million. The Group revised the useful lives of certain of its network assets from five to eight years during the year. In addition, the new accounting standard for goodwill acquired in business combination no longer allow for goodwill to be amortised. The combined impact of these changes on depreciation and amortisation expenses was a total impact of \$96.6 million for the year. During the year, there were also certain fixed assets that became fully depreciated at the end of first quarter, which resulted in a further reduction in the depreciation expenses for the year.

### Staff costs

Staff costs for the year increased 12% to \$217.0 million. Higher headcount to support the increased business volume, higher provisions for bonuses and sales commissions, and higher share-based expenses contributed mainly to the increase. However, the ratio of staff costs as a percentage of operating revenue was an improvement at 13.8% in 2005 compared to 14.4% in 2004.

## Group Financial Review

'EBITDA increased 43% to \$460.1 million and EBITDA margin expanded to 31.0%; free cash flow generated was 118% higher than in 2004.'

### Marketing and promotion

Compared to last year, marketing and promotion expenses for the year at \$151.2 million was 24% higher. Higher customer acquisition and retention activities over an enlarged customer base, additional one-off expenses for the i-mode launch and the pre-paid mobile registration exercise that began in November were the main contributing factors for the increased marketing and promotion expenses this year.

### Allowance for doubtful debts

For the year ended 31 December 2005, allowance for doubtful debts comprised 0.5% of our service revenue as compared to 1.5% in 2004. The lower provision was possible as the aging of our customer receivables improved through various measures taken which included better credit control, increased collection efforts, and the availability of a wide choice of payment modes to facilitate customers payments of their bills.

### Repair and maintenance

Repair and maintenance expenses for the year increased \$9.0 million to \$61.9 million. This was due to higher repair and maintenance required for our network, operational support infrastructure and IT systems.

### Other expenses

Other expenses for the year amounted to \$62.3 million. Included in other expenses for 2005 were higher provision made for stock obsolescence, while there was a write-off of certain plant and equipment in 2004.

## 1.3 Profitability

Profitability	2005 \$m	2004 \$m (Restated)	Change %
Profit/(Loss) from operations	256.3	(16.7)	nm
Profit/(Loss) after taxation	221.4	(54.7)	nm
Net profit/(loss)	221.4	(54.7)	nm
EBITDA	460.1	322.9	42.5
EBITDA as a % of service revenue	31.0%	25.1%	5.9%pts

nm - Not meaningful

Profit from operations amounted to \$256.3 million for the year. This is the first year that the Group recorded a profit for all four quarters, compared to a loss of \$16.7 million in 2004. The strong profit performance for the year was driven mainly by the increase in EBITDA and lower depreciation expenses.

EBITDA increased 43% year-on-year to \$460.1 million for the year, driven mainly by the increase in subscriber bases and the strong ARPU's recorded in Mobile, Cable TV and Broadband. EBITDA margin on service revenue expanded 5.9 percentage points from 25.1% in 2004 to 31.0% this year.

Taxation for the year amounted to a charge of \$26.9 million. The lower effective tax rate of 10.8% for the year was a result of a \$21.9 million deferred tax credit being recorded by a subsidiary which commenced accounting for deferred tax benefit with effect from this year.

Consequently, the Group achieved a profit after tax of \$221.4 million for the year compared to the loss of \$54.7 million in 2004.

#### 1.4 Capital Expenditure and Commitments

For the year, the Group's capital expenditures amounted to \$247.7 million, 12% higher than last year. This included \$52.3 million of 3G network equipment payments during the year. As a percentage of operating revenue, however, the Group's capital expenditures at 15.8% were lower than that of last year of 16.3%.

As at 31 December 2005, the Group has outstanding capital expenditure commitments amounting to \$107.9 million, which relate mainly to capacity expansion of its various networks and IT systems.

#### 1.5 Liquidity and Resources

Liquidity and Resources	2005 \$m	2004 \$m (Restated)	Change %
Profit/(Loss) before tax	248.3	(30.3)	nm
Non-cash items & net interest expense adjustments	226.7	375.8	(39.7)
Net change in working capital	29.6	(7.1)	nm
Net cash provided by operating activities	504.6	338.5	49.1
Net cash used in investing activities	(243.5)	(219.9)	(10.7)
Net cash used in financing activities	(213.3)	(65.7)	(224.5)
Net change in cash and cash equivalents	47.8	52.8	(9.5)
Cash and cash equivalents at beginning of the year	126.7	73.8	71.6
Cash and cash equivalents at end of the year	174.5	126.7	37.8
<b>Free Cash Flow <sup>(1)</sup></b>	<b>256.9</b>	<b>117.9</b>	<b>117.9</b>

<sup>(1)</sup> Free cash flow refers to net cash flow from operating activities less purchase of fixed assets in the cash flow statement

For the year, cash flow generated from operations before working capital changes amounted to \$475.0 million, an increase of \$129.5 million or 37% higher than that in 2004, mainly due to the higher EBITDA in 2005.

Working capital change in 2005 was a net positive change of \$29.6 million compared to a negative change of \$7.1 million in 2004. The net positive working capital change was due to an increase in trade payables and accruals in 2005.

Consequently, the Group generated 49% higher net operating cash flow amounting to \$504.6 million for the year, which was an increase of \$166.1 million year-on-year.

The strong cash flow generated from operations was sufficient to fund the capital expenditure of \$247.7 million for the year. With that, the free cash flow for the year at \$256.9 million was 118% higher than the \$117.9 million in 2004.

For the year, net cash used for financing activities amounted to \$213.3 million mainly due to a total of \$138.7 million made for interim dividend payments for FY2005 and a total net loans repayment of \$76.5 million during the year. Year-on-year, the increased net cash used for financing activities in 2005 was mainly attributable to dividend payments starting FY2005.

Consequently for the year, the Group had a positive net change in cash and cash equivalent of \$47.8 million; resulting in a closing cash balance of \$174.5 million as at 31 December 2005, up from \$126.7 million as at 31 December 2004.

#### 1.6 Gearing

The Group's net debt to equity ratio was 0.07 as at 31 December 2005, compared to 0.22 a year ago. The ratio has reduced significantly as a result of strong cash flow generated from operations this year.

## Corporate Governance

# Transparent practices

'In developing our corporate governance policies and practices, the Company has adopted a balanced approach by observing the spirit, and not just the letter of the Code.'

### Corporate Governance Statement

The Company is committed in our continuing efforts to achieve and uphold high standards of corporate governance and business conduct so as to increase sustainable long-term shareholder value and to ensure greater transparency, accountability and protection of stakeholders' interests. Our corporate governance framework lays a strong foundation for building a trusted, respected and competitive organisation that is supported by a sound system of practices and processes by which the business and affairs of the Company are directed and managed.

The key elements underpinning our corporate governance are timely and transparent disclosure; a balanced Board of Directors with an appropriate mix of independent Directors; a Management team with strong values and a comprehensive risk management and compliance culture.

### Corporate Governance Report 2005

This Report describes the Company's corporate governance framework with specific reference to the principles of the Code of Corporate Governance ('Code') issued by the Council on Corporate Disclosure and Governance ('CCDG') on 21 March 2001. In developing our corporate governance policies and practices, the Company has adopted a balanced approach by observing the spirit, and not just the letter of the Code. This approach is in alignment with the objective and approach recommended by the CCDG. The Company has also adopted the Best Practices Guide as issued by the Singapore Exchange Securities Trading Limited ('SGX-ST'). The Company is committed to achieving and maintaining a high standard of corporate conduct, and has substantially complied with the Code.

## 1 Board Matters

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

The Board's principal roles are to review and guide the overall corporate strategy and direction of the Group. The Board oversees the management of the Company's business and affairs, monitors and reviews financial and operating performance of the Group, approves key operational initiatives, major funding and investment proposals, formulates major corporate policies and corporate governance practices, and ensures effective management leadership of the highest quality and integrity. Every Director is required to act in good faith and in the best interest of the Company and all shareholders.

The Board is supported by Board committees which are delegated specific responsibilities, as described under 'Principle 4: Board Membership' of this Report.

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 the Board level. Authority and approval sub-limits are also provided at Management levels to facilitate operational efficiency.

The Board meets regularly, with at least four scheduled Board meetings within each financial year. The Board reviews key operational activities and business strategies of the Group, annual budget, performance of the Group's business and approves the release of the quarterly and year-end results. Additional meetings are conducted as may be required by any particular or significant circumstances as deemed appropriate by the Board.

A total of five Board meetings were held in the financial year ended 31 December 2005, one of which was a special meeting to specifically review business strategies of the Group. The matrix of the Board members' attendance at the aforesaid Board meetings and in the various Board committees is set out in Annex 1 (page 57) of this Report. The Company's Articles of Association provide for meetings to be held via tele-conference and video conference.

All newly-appointed Directors are given briefings by Management on the business activities and performance of the Group and our strategic directions, as well as their statutory and other duties and responsibilities as Directors. The Board is updated regularly on key legal, regulatory and accounting changes, which have an important bearing on the obligations of the Group and/or Directors.

The Group has put in place a policy on dealings in the securities of the Company by all Directors and employees of the Group, based on the SGX-ST Best Practices Guide (as revised in December 2003). All Directors and employees of the Group are prohibited from dealing in the securities of the Company two weeks before the respective announcements of our first three quarters results, and one month before the announcement of our full year results. Restrictions are lifted immediately after the announcement of the respective results. An email notification is also circulated to Directors, Management and all employees every quarter before the commencement of the trading blackout periods. All Directors and employees of the Group are also required to observe the insider trading laws at all times.

### Principle 2: Board Composition and Balance

The Board of Directors comprises 12 Directors, 11 of whom are non-executive Directors and independent of Management. The executive Director is Mr Steven Terrell Clontz, who is the President & CEO. Of the 11 non-executive Directors, five are independent of the principal shareholder. These five independent Directors are Mr Kua Hong Pak, Mr Teo Ek Tor, Mr Nihal Vijaya Devadas Kaviratne, Mr Liu Chee Ming and Mr Robert J. Sachs.

The Nomination Committee ('NC') reviews and assesses the size and composition of the Board, to ensure that the Board: (a) is of an appropriate size to meet the objective of bringing a balance of expertise, skills and experience to the deliberations of the various Board committees that the Directors sit on; and (b) comprises suitable directors who can address the relevant industry and business needs of the Company. The Board comprises business leaders with broad and diverse experience (both domestically and internationally) and professionals with financial, banking, accounting, regulatory, industry, legal and management expertise. Each Director with his special contributions brings to the Board an independent and objective perspective that enables balanced and well-considered decisions to be made, and a robust exchange of ideas and views to help shape strategic directions.

## Corporate Governance

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

The profiles of each Director and other relevant information are found on pages 16 to 19 of the Annual Report.

### Principle 3: Chairman and Chief Executive Officer

There is a clear separation of roles and responsibilities between the Chairman, Mr Tan Guong Ching, and the President & CEO, Mr Steven Terrell Clontz, to maintain an effective balance of power, authority and responsibility, and to increase accountability.

The Chairman leads the Board and ensures that the members of the Board work together with Management and engage Management in constructive debate on various matters, including strategic issues and business planning processes.

The President & CEO is charged with full executive responsibility for the day-to-day running of the Group's businesses, making operational decisions for the Group and implementing the Group's business directions, strategies and policies.

### Principle 4: Board Membership

Board renewal is an ongoing process, to ensure good governance, and maintain relevance to the changing needs of the Company and business. Nomination and election of Board members are the proper rights of all shareholders. The NC is responsible for identifying and selecting new directors and ensuring there is equitable distribution of responsibilities among Board members to optimise the effectiveness of the Board. It reviews and assesses the nominations for the appointment, re-appointment or re-election of directors before making recommendations to the Board on the same. Consideration is given to diversity of experience and appropriate skills, and also whether there are any conflicts of interest. The NC also assesses whether a Director is able to and has been adequately carrying out his duties as a director of the Company.

The Board is supported by the Audit Committee ('AC'), the Executive Resource and Compensation Committee ('ERCC') and the NC. These Board committees are made up of independent and/or non-executive Directors. As and when the need arises, the Board may form additional Board committees to look into specific areas of oversight. The NC comprises Mr Peter Seah Lim Huat as Chairman, Mr Lee Theng Kiat and Mr Lim Ming Seong. All members of the NC (including the Chairman) are non-executive Directors independent of Management. A matrix of the Directors' participation and attendance at the NC meetings held during the financial year ended 31 December 2005 is set out in Annex 1 (page 57) of this Report.

At each Annual General Meeting ('AGM'), one-third of the Directors (including the President & CEO who is an executive Director) are required to retire from office and subject themselves to re-election by shareholders ('one-third rotation rule') pursuant to the Company's Articles of Association. Hence, no Director can stay in office beyond three years without being re-elected by shareholders. Any Director who is more than 70 years of age will be re-appointed by shareholders at the AGM pursuant to the Companies Act, Cap. 50 of Singapore. Any newly appointed Director is required to submit himself for retirement and re-election at the AGM immediately following his appointment, after which he is subject to the one-third rotation rule.

### Principle 5: Board Performance

The Company believes that Board performance is ultimately reflected in the performance of the Group. The Board, through the delegation of its authority to the NC, ensures that Directors appointed to the Board possess the background, experience, industry knowledge and skills critical to the Company's business so as to enable the Board to make sound and well-considered decisions.

Informal reviews of the Board's performance are undertaken on a continual basis by the NC, with input from other Board members and the President & CEO, with a view to enhancing the overall effectiveness of the Board.

One of the factors of consideration when assessing the Board's performance is its ability to lend support to Management especially in times of crisis and to steer the Group in the right direction, including the sensitive but important issue of the President & CEO's succession. Other factors include the Board's performance in relation to its principal functions, communication with Management and the Board members' standard of conduct and compliance. The Board members should act in good faith, with due diligence and care in the best interests of the Company and our shareholders.

#### Principle 6: Access to Information

Prior to each Board meeting and as and when the need arises, Management provides timely, relevant and complete information to the Board pertaining to matters to be brought before the Board for decision. Monthly reports providing updates on key performance indicators and financial analysis on the performance of the Group and regular analysts' reports on the Company and other telecommunications companies are also circulated to the Board for their information. This enables the Board to make informed decisions and keep abreast of key challenges and opportunities as well as developments for the Group.

The Board has independent and direct access to Senior Management and the Company Secretary at all times. Frequent dialogue and interaction take place between Management and the Board members, as encouraged by the President & CEO.

The Board members may also take independent professional advice where appropriate, in the furtherance of their duties, at the Company's cost.

## 2 Remuneration Matters

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

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

#### Principle 9: Disclosure on Remuneration

The Company believes that a framework of remuneration for the Board and key executives should not be taken in isolation. Instead, it should be linked to the development of key executives to ensure there is continual development of talent and renewal of strong and sound leadership for the continued success of the Company and our business. The ERCC oversees the compensation package for key executives as well as Directors.

The ERCC comprises Mr Peter Seah Lim Huat (Chairman), Mr Lee Theng Kiat and Mr Lim Ming Seong. All members of the ERCC are non-executive Directors, independent of Management. From time to time, the Company co-opts an outside member into the ERCC to provide a global perspective of talent management and remuneration practices.

While the Chairman of the ERCC and NC may not be regarded as independent within the context of 'independence' as provided in the Guidance Notes of the Code, he is a non-executive Director independent of Management with a clear separation of role from Management in deliberations of the ERCC and the NC. This enables him to exercise his independent judgment with a view to the best interests of the Company.

The key responsibilities of the ERCC include:

- establishing, reviewing and approving competitive compensation policies for the President & CEO, key executives and Directors with focus on long term sustainability of business and long term shareholders' return;
- reviewing and approving share incentives including share options and conditional performance share and restricted stock awards under the Company'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 and long term needs;
- approving key appointments and reviewing succession plans for key positions; and
- overseeing the development of Management and reviewing succession plans for key positions in the Group.

## Corporate Governance

The ERCC meets among its members without the presence of Management, at least once a year. The ERCC held three meetings during 2005. A matrix of the Directors' participation and attendance at the ERCC meetings held during the year is set out in Annex 1 (page 57) of this Report.

In its deliberations, the ERCC takes into consideration industry practices and norms in compensation. The President & CEO is not present at any ERCC discussions relating to his own compensation, the terms and conditions of service, and the review of his performance. However, he is in attendance when the ERCC discusses the compensation and incentive policies of key staff, such as share options, share awards, framework for bonus, salary and other incentive schemes.

All decisions at any ERCC meeting will be decided by a majority of votes of the ERCC members who are 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 ERCC has access to expert professional advice from appropriate external advisers as and when it deems necessary.

The details of the remuneration of the Directors (executive and non-executive) of the Company are set out in Annex 2 (pages 58 to 59) of this Report. The President & CEO as executive Director does not receive Director's fees. His compensation consists of salaries, bonuses, benefits-in-kind, share options and conditional performance share awards. Non-executive Directors' remuneration consists of a Directors' fee component based on the approved Directors' Fee policy and a share options component granted pursuant to the Company's share option plans 2000 and 2004 ('StarHub Share Option Plans'). 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 shareholders' approval at each AGM.

The remuneration of the President & CEO and the top five key executives of the Company who are not also directors of the Company is set out within bands of \$250,000 in Annex 2 (page 60) of this Report. Moving forward, the Company has decided to discontinue further grants under the StarHub Share Option Plans and adopt the StarHub Performance Share Plan and the StarHub Restricted Stock Plan as long-term incentive plans to motivate senior executives to strive for superior performance and sustained long-term growth and profitability for the Group. With the StarHub Performance Share Plan, share awards will correlate with corporate performance, and the interests of senior executives will be aligned with the interests of shareholders.

During the year, none of the employees was an immediate family member of a Director or the President & CEO whose remuneration exceeded \$150,000 a year.

### 3 Accountability and Audit

#### Principle 10: Accountability

The Board has overall accountability to shareholders for the Group's performance and in ensuring that the Group is well managed and guided by its strategic objectives. Each quarter, the Board releases timely announcements of the Group's operating and financial performance via SGXNET in an effort to provide shareholders with a balanced and accurate assessment of the Group's performance, position and prospects. The Company believes that prompt compliance of statutory reporting requirements is a way to maintain shareholder confidence and trust in our capability and integrity.

Management provides the Board members with monthly business and financial reports which compare actual performance with budget and highlight the Company's performance, position and prospects. Other business reports are also provided on a timely and regular basis, to give up-to-date information and facilitate effective decision making.

#### Principle 11: Audit Committee

The AC comprises Mr Kua Hong Pak (Chairman), Mr Lim Ming Seong, Mr Nihal Vijaya Devadas Kaviratna and Mr Teo Ek Tor. All members of the AC are non-executive Directors, the majority of whom, including the Chairman, are independent Directors. The AC members have invaluable accounting and financial management expertise.

The AC's key roles as defined in its Terms of Reference include:

- the review of the annual audit plan, internal audit process, adequacy of internal controls, and Interested Person Transactions for which there is a Shareholders' Mandate that is renewable annually;
- the review and approval of quarterly, half-yearly and annual financial statements, and the appointment and re-appointment of auditors, before recommending to the Board for approval;
- the review of the nature, extent and cost of non-audit services provided by the external auditors during the year to assess the external auditors' independence; and
- the commission and review of findings of internal investigations into matters where there is suspected fraud, irregularity, failure of internal controls or violation of any law likely to have a material impact on the Group's operating results.

The AC also has explicit authority to investigate any matter within its Terms of Reference with full access to and co-operation of Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The AC held four meetings during the year. The matrix of the Directors' participation and attendance at the AC meetings held during the year can be found in Annex 1 (page 57) of this Report.

The AC met with the external and internal auditors, without the presence of Management, at least once during the year to discuss matters it believes should be raised privately. The AC has reviewed and is satisfied that the independence of the external auditors has not been impaired by the provision of non-audit services. The AC has recommended to the Board that KPMG be nominated for re-appointment as external auditors of the Company and our subsidiaries at the next AGM.

As approved by the AC, the Group has put in place a whistle-blowing policy and procedures, providing employees with well-defined and accessible channels within the Group, including a direct channel to the AC, for reporting suspected fraud, corruption, dishonest practices or other similar matters. This policy aims to

encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and to the extent possible, be protected from reprisal. The policy and procedures are available on the Company's intranet that is accessible by all employees.

#### Principle 12: Internal Controls

#### Principle 13: Internal Audit

The AC is delegated the full responsibility to review, together with the Company's external auditors, at least once a year, the external auditors' evaluation of the effectiveness and adequacy of the system of internal accounting controls of the Group. The AC also monitors Management's responses to their findings and actions taken to correct any noted deficiencies. The key internal controls covered under such a review include:

- identification of risks and implementation of risk management measures;
- establishment of policies and approval limits for key financial and operational matters, and the rules relating to the delegation of authorities;
- documentation of key processes and procedures;
- ensuring the integrity, confidentiality and availability of critical information;
- maintenance of proper accounting records;
- ensuring the effectiveness and efficiency of operations;
- safeguarding of assets; and
- ensuring compliance with applicable laws and regulations.

The Company has also put in place policies on proper employee behaviour and conduct which includes the observance of confidentiality obligations on information relating to the Company and customers, and the safeguarding of system integrity.

During the financial year up until 31 December 2005, the Company engaged the services of Ethos Advisory Pte. Ltd., an external internal audit service provider ('internal auditors') to achieve the objectives of the internal audit function. The internal auditors are guided by the Standard for the Professional Practice in Internal Auditing set by the Institute of Internal Auditors, and they report directly to the AC.

## Corporate Governance

The internal auditors planned their internal audit schedules in consultation with, but independent of Management and submitted the internal audit plan to the AC for approval at the beginning of the 2005 financial year. The AC reviewed and approved the internal audit plan and the scope and results of the internal audit procedures, and was satisfied with the adequacy of the internal audit function.

Based on the work performed by the internal auditors 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 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 are inadequate in meeting the needs of the Company in our business environment. The AC is also satisfied that problems were identified on a timely basis and processes were put in place to facilitate prompt follow-up actions to minimise unnecessary lapses.

### 4 Communication with Shareholders

**Principle 14: Communication with Shareholders**

**Principle 15: Greater Shareholder Participation**

The Company's Investor Relations team, together with the President & CEO and other members of the Senior Management, play a key role in keeping the market and investors apprised of the Group's corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. Senior Management also conducts periodic international road shows and participates in conferences organised by major brokerage firms.

In addition, the public can access the Group's media releases, financial results, presentation materials used at briefings, archived webcasts and conference calls, annual reports, announcements and other corporate information, on the Company's regularly updated website at [www.starhub.com/ir](http://www.starhub.com/ir). The Company's website allows users to sign up for e-mail alert service, which keeps them up-to-date with all the latest announcements from the Company. To date, the website averages two million page view hits each month.

The contact details of the Company's Investor Relations team are also available on the corporate website, which allow shareholders to contact the Company easily, if necessary.

To ensure there is fair and non-selective disclosure of information to investors, the Company discloses any new material or price sensitive information (such as the quarterly and year-end results) to the SGX-ST first via SGXNET announcement before conducting any media or analyst conferences.

Shareholders are given the opportunity to participate actively at the Company's AGMs and other general meetings, where they can ask questions and communicate their views. Shareholders can vote in person or by proxy at such general meetings.

The respective Chairman of the AC, ERCC, NC and the Senior Management team are present at general meetings to address any queries regarding resolutions to be passed or the Group in general. External auditors are also invited to attend the AGM to assist the Board in answering questions from shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

## Annex 1

### Attendance of Directors in Board and Committee Meetings held in financial year 2005

#### Board of Directors

The Board held five meetings during the financial year ended 31 December 2005. Details of the attendance of the Directors are as follows:

	Meeting Attendance (in %)
Tan Guong Ching	100
Steven Terrell Clontz	100
Kua Hong Pak	60
Peter Seah Lim Huat	80
Lee Theng Kiat	100
Lim Ming Seong	100
Lim Chin Beng	100
Osamu Inoue <sup>(1)</sup>	100
Teo Ek Tor	100
Nihal Vijaya Devadas Kaviratne	100
Liu Chee Ming	80
Robert J. Sachs <sup>(2)</sup>	100

<sup>(1)</sup> Includes meetings attended by Alternate Director on Director's behalf.

<sup>(2)</sup> Appointed as Director with effect from 29 April 2005.

#### Audit Committee

The AC held four meetings during the financial year ended 31 December 2005. Details of the attendance of the AC members are as follows:

	Meeting Attendance (in %)
Kua Hong Pak	100
Lim Ming Seong	100
Teo Ek Tor	100
Nihal Vijaya Devadas Kaviratne	100

#### Executive Resource & Compensation Committee

The ERCC held three meetings during the financial year ended 31 December 2005. Details of the attendance of the ERCC members are as follows:

	Meeting Attendance (in %)
Peter Seah Lim Huat	100
Lee Theng Kiat	100
Lim Ming Seong	33

#### Nominating Committee

The NC held one meeting during the financial year ended 31 December 2005. Details of the attendance of the NC members are as follows:

	Meeting Attendance (in %)
Peter Seah Lim Huat	100
Lee Theng Kiat	100
Lim Ming Seong	100

## Corporate Governance

## Annex 2

**1. Directors' Remuneration**

The following information relates to the annual remuneration of the non-executive Directors of the Company for the financial year ended 31 December 2005:

<b>Number of the Non-Executive Directors in Remuneration Bands</b>	<b>2005</b>	<b>2004</b>
\$500,000 and above	-	-
\$250,000 to \$499,999	-	-
Below \$250,000	11	10
<b>Total</b>	<b>11</b>	<b>10</b>

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

## Annex 2

The summary compensation table in respect of the non-executive Directors for the financial year ended 31 December 2005 is as follows. The table does not include Directors' share options. Details of the Directors' share options are disclosed in the Directors' Report.

Name	Position Held	Directors' Fees
Tan Guong Ching <sup>(1)</sup>	Board Chairman	\$80,000
Kua Hong Pak	Director AC Chairman	\$70,000
Peter Seah Lim Huat	Director ERCC & NC Chairman	\$75,000
Lee Theng Kiat <sup>(2)</sup>	Director ERCC & NC Member	\$65,000
Lim Ming Seong	Director AC, ERCC & NC Member	\$80,000
Lim Chin Beng	Director	\$45,000
Osamu Inoue <sup>(2)</sup>	Director	\$45,000
Teo Ek Tor	Director AC Member	\$60,000
Nihal Vijaya Devadas Kaviratne	Director AC Member	\$60,000
Liu Chee Ming	Director	\$45,000
Robert J. Sachs <sup>(3)</sup>	Director	\$60,452

<sup>(1)</sup> Mr Tan Guong Ching retired as Permanent Secretary of the Ministry of Home Affairs with effect from 31 July 2005. Fees are pro-rated and payable to the Directorship and Consultancy Appointments Council for the period from 1 January 2005 to 31 July 2005.

<sup>(2)</sup> Fees are payable to Director's employer company.

<sup>(3)</sup> Appointed as Director with effect from 29 April 2005. The Director's Fee comprises pro-rated annual board retainer and overseas travel allowance for director domiciled outside Southeast Asia.

## Corporate Governance

## Annex 2

## 2. Senior Management's Remuneration

Set out in the table below is the aggregate annual compensation paid and accruing in bands of \$250,000 (including any benefits-in-kind) for the financial year ended 31 December 2005 of the President & CEO and executive Director, and each of the top five members of the Senior Management team (who are not also directors of the Company), for services rendered by them in all capacities to the Company and our 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 2005	Performance Share Awards granted in 2005 <sup>(7)</sup>
<b>President &amp; CEO and Executive Director</b>						
Steven Terrell Clontz <sup>(5)</sup>	27	54	19	C	Refer to details in Directors' Report	Refer to details in Directors' Report
<b>Senior Executives</b>						
Yong Lum Sung	57	35	8	B	180,000 <sup>(6)</sup>	320,000
Kwek Buck Chye	60	34	6	A	150,000 <sup>(6)</sup>	290,000
Michael Eugene Reynolds	41	24	35	B	150,000 <sup>(6)</sup>	290,000
David William Storrie	53	28	19	A	150,000 <sup>(6)</sup>	290,000
Philip Tan Swee Lim	61	32	7	A	150,000 <sup>(6)</sup>	290,000

<sup>(1)</sup> Fixed refers to base salary, AWS and fixed allowances earned for the year ended 31 December 2005.

<sup>(2)</sup> Variable refers to incentive payments pursuant to the Company's performance bonus scheme and equity compensation benefits for the year ended 31 December 2005. The Company's performance bonus scheme is the 'balanced scorecard' scheme. It is used to determine the annual performance bonuses to be paid to all the Company's employees. Under this scheme, each of the Company's employees is given clear objectives on his personal scorecard, which are aligned to the Company'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.

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

<sup>(4)</sup> Remuneration bands:

'A' refers to remuneration between \$500,001 and \$750,000 p.a.

'B' refers to remuneration between \$750,001 and \$1,000,000 p.a.

'C' refers to remuneration between \$3,250,001 and \$3,500,000 p.a.

<sup>(5)</sup> For Mr Clontz's employment with the Company as the President & CEO, he receives compensation (including any benefits-in-kind and any deferred compensation accrued for the financial year and payable at a later date) paid by the Company for services rendered in all capacities to the Company and its related corporations.

<sup>(6)</sup> Exercise period is 31 May 2006 to 30 May 2015 and exercise price is \$1.52 per share.

<sup>(7)</sup> The performance share award is conditional upon the participant achieving prescribed performance targets over the performance period 1 January 2005 to 31 December 2007. The performance targets benchmark (a) the performance of the Company's Total Shareholders' Return ('TSR') measured against the MSCI Asia-Pacific Telecommunications Index (including Japan) over the performance period, and (b) the Wealth Added which measures investment performance in terms of the Company's TSR against shareholders' expected returns using cost of equity. The actual number of shares given will depend on the level of achievement of the performance targets. No performance shares will be delivered if the threshold performance targets are not achieved while up to twice the number of performance shares that are the subject of the award will be delivered if the stretched performance targets are exceeded.

## 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 \$100,000)</b>
	<b>1 January 2005 to 31 December 2005</b>
	<b>\$m</b>
<hr/>	
<b>Transactions for the Sales of Goods &amp; Services</b>	
Chartered Semiconductor Manufacturing Ltd & its associates	0.2
CapitalLand Limited & its associates	0.3
Pacific Internet Limited & its associates	1.6
PT Indosat Tbk & its associates	1.4
Singapore Computer Systems Limited & its associates	0.1
Singapore Telecommunications Limited & its associates	34.3
TeleChoice International Limited & its associates	0.3
Temasek Holdings (Private) Limited & its associates	9.4
	<hr/>
	47.6
<b>Transactions for the Purchase of Goods &amp; Services</b>	
Global Crossing Limited & its associates	0.7
Neptune Orient Lines Limited & its associates	0.6
PT Indosat Tbk & its associates	9.1
Singapore Computer Systems Limited & its associates	5.5
Singapore Power Limited & its associates	25.5
Singapore Telecommunications Limited & its associates	77.9
SMRT Corporation Ltd & its associates	0.3
SNP Corporation Limited & its associates	5.4
STT Communications Ltd & its associates	1.2
TeleChoice International Limited & its associates	150.0
Temasek Holdings (Private) Limited & its associates	12.4
	<hr/>
	288.5

There were no interested person transactions (excluding transactions less than \$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 January 2005 to 31 December 2005.

During the financial year ended 31 December 2005, 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 pursuant to Rule 1207(8) of the SGX-ST Listing Manual.

## 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 December 2005)	Past Principal Directorships/Chairmanships & Appointments (from 1 January 2003 to 30 December 2005)
Tan Guong Ching	60	Singapore Power Limited Singapore Technologies Telemedia Pte Ltd SP PowerGrid Ltd Singapore Technologies Aerospace Limited STT Communications Ltd Singapore Pools (Private) Limited Allco (Singapore) Limited	PowerGrid Limited Singapore Technologies Engineering Ltd Techpower Communications Pte Ltd SRCC Pte Ltd
Steven Terrell Clontz	56	Global Crossing Limited (as Executive Committee Member) InterDigital Communications Corporation Equinix, Inc. LiveCargo Inc.	e-station Pte Ltd Southeast Asia Crossing Pte Ltd
Kua Hong Pak	62	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 Beijing ComfortDelgro Ya Tai Intelligence Transportation Technology Co., Ltd ComfortDelGro Cabcharge Pty Ltd ComfortDelGro Savico Taxi Company Megacity Limited Scottish Citylink Coaches Limited	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	60	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 Singapore Computer Systems Limited Chinese Chamber Realty Private Limited The National Kidney Foundation Alliance Bank Malaysia Berhad	Board of Commissioners of Currency, Singapore Overseas Union Bank Limited Singapore Technologies Pte Ltd Singapore Technologies Semiconductors Pte Ltd

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 December 2005)	Past Principal Directorships/Chairmanships & Appointments (from 1 January 2003 to 30 December 2005)
Lee Theng Kiat	53	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. SpiceCorp Limited Teletech Park Pte Ltd Equinix, Inc.
Lim Ming Seong	59	Accuron Technologies Pte 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 Tucas Power Ltd WhiteRock Management Ltd WhiteRock Healthcare Pte 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 Chartered Semiconductor Manufacturing Ltd
Lim Chin Beng	74	CapitaLand Ltd Pontiac Hotel Pte Ltd Pontiac Land Pte Ltd RCMS Hotels Ltd RCMS Properties Pte Ltd The Ascott Group Limited Changi International Airshow & Events Pte Ltd CapitaLand Hope Foundation	Singapore Technologies Aerospace Ltd Value Management Pte Ltd SPH Foundation Ltd SPH MediaWorks Ltd (in liquidation) Singapore Press Holdings Limited Singapore Technologies Engineering Ltd Asian Aerospace Pte Ltd Valuair Limited
Osamu Inoue	57	NTT Communications Corporation NTT Europe Ltd. NTT Singapore Pte. Ltd. NTT Worldwide Telecommunications Corporation NTT America, Inc. Verio, Inc.	–

## Directors' Particulars

Director	Age	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding three years	Past Principal Directorships/Chairmanships & Appointments (from 1 January 2003 to 30 December 2005)
Teo Ek Tor	53	ECS Holdings Limited Nylex (M) Bhd United Pacific Industries Limited ServTouch Holdings Pte Ltd PFA Consulting Sdn Bhd Tamco Corporate Holdings Berhad WhiteRock Healthcare Pte Ltd PrimePartners Asset Management Pte Ltd PrimePartners Corporate Finance Pte Ltd	PrimePartners Asset Management (HK) Limited WhiteRock Partners Pte Ltd
Nihal Vijaya Devadas Kaviratne CBE	62	GlaxoSmithKline Pharmaceuticals Limited	PT Kimberly Lever Indonesia PT Technopia Lever PT Unilever Indonesia Tbk Unilever de Argentina S.A.
Liu Chee Ming	55	Access Investment Management (HK) Limited Brienne Investments Limited CAV-Thakral Home Entertainment LTD. Kader Holdings Company Limited Kelttyhill Incorporated Odlins Holdings Limited Platinum Broking Company Limited Platinum Holdings Company Limited Platinum Securities Company Limited Platinum Securities Company Limited (Singapore) Rainbow City Limited L.K. Technology Holdings Ltd Media Asia Entertainment Group Ltd Yantai Raffles Shipyard Pte Ltd	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 (Dissolved) Tiye Limited China Yuchai International Ltd.
Robert J. Sachs	58	Continental Consulting Group, LLC. (as Principal) Global Crossing Limited Dana-Farber Cancer Institute, Inc. The Wang Center For the Performing Arts WGBH Educational Foundation	National Cable and Telecommunications Association

# Financial Statements

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# Directors' Report

Year ended 31 December 2005

We are pleased to submit this report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2005.

## Directors

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

Tan Guong Ching	Chairman
Steven Terrell Clontz	President & CEO
Kua Hong Pak	
Peter Seah Lim Huat	
Lee Theng Kiat	
Lim Ming Seong	
Lim Chin Beng	
Osamu Inoue	
Teo Ek Tor	
Nihal Vijaya Devadas Kaviratne	
Liu Chee Ming	
Robert J. Sachs	Appointed on 29 April 2005
Sio Tat Hiang	Alternate to Peter Seah Lim Huat
Stephen Geoffrey Miller	Alternate to Lee Theng Kiat, appointed on 29 April 2005
Tadashi Imachi	Alternate to Osamu Inoue, appointed on 7 February 2005

## Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50 of Singapore, 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, share options and share awards 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 2005 or date of appointment	31 December 2005
<b>The Company</b>		
Ordinary shares of \$0.40 each		
Steven Terrell Clontz	1,485,002	1,735,002
Peter Seah Lim Huat	60,000	60,000
Lim Ming Seong	60,000	60,000
Lim Chin Beng	70,000	–
Nihal Vijaya Devadas Kaviratne	60,000	60,000
Liu Chee Ming	60,000 <sup>+</sup>	60,000 <sup>+</sup>

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

# Directors' Report

Year ended 31 December 2005

## Shares in the Company and in related corporations (continued)

	1 January 2005 or date of appointment	31 December 2005
<b>Related Corporations</b>		
<b>Singapore Telecommunications Limited</b>		
Ordinary shares of \$0.15 each		
Tan Guong Ching	3,362	2,990
Kua Hong Pak	3,176	3,176
Peter Seah Lim Huat	3,176	3,176
Lee Theng Kiat	1,690	1,690
Lim Ming Seong	3,390	3,390
Lim Chin Beng	1,430	1,430
Teo Ek Tor	2,340	2,340
Sio Tat Hiang	1,560	1,560
<b>Vertex Technology Fund Ltd</b>		
Ordinary shares of US\$1 each		
Lim Ming Seong	300 <sup>+</sup>	300 <sup>+</sup>
<b>Vertex Technology Fund (II) Ltd</b>		
Ordinary shares of US\$1 each		
Lee Theng Kiat	100 <sup>+</sup>	100 <sup>+</sup>
Lim Ming Seong	50 <sup>+</sup>	50 <sup>+</sup>
<b>Redeemable preference shares of US\$0.01 each</b>		
Lee Theng Kiat	100 <sup>+</sup>	100 <sup>+</sup>
Lim Ming Seong	50 <sup>+</sup>	48.51 <sup>+</sup>
<b>Singapore Airlines Limited</b>		
Ordinary shares of \$0.50 each		
Tan Guong Ching	2,000	2,000
<b>Asia-Pacific Mobile Telecommunications (Singapore) Pte Ltd</b>		
Ordinary shares of \$1 each (held in trust for Sunburst Technologies Investments Pte Ltd)		
Lee Theng Kiat	1	–
<b>I-STT Investments Pte Ltd</b>		
Ordinary shares of \$1 each (held in trust for STT Communications Ltd)		
Lee Theng Kiat	1	1

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

# Directors' Report

Year ended 31 December 2005

## Shares in the Company and in related corporations (continued)

	1 January 2005 or date of appointment	31 December 2005
<b>Related Corporations (continued)</b>		
<b>Chartered Semiconductor Manufacturing Ltd</b>		
Ordinary shares of \$0.26 each		
Tan Guong Ching	15,000	15,000
<b>SMRT Corporation Ltd</b>		
Ordinary shares of \$0.10 each		
Tan Guong Ching	11,000	11,000
<b>SembCorp Industries Limited</b>		
Ordinary shares of \$0.25 each		
Peter Seah Lim Huat	–	140,000
Lim Ming Seong	91,551	86,056
<b>TeleChoice International Limited</b>		
Ordinary shares of \$0.02 each		
Steven Terrell Clontz	120,000	120,000
Peter Seah Lim Huat	50,000	50,000
Lim Ming Seong	60,000	60,000
Sio Tat Hiang	150,000	150,000
<b>SembCorp Logistics Ltd</b>		
Ordinary shares of \$0.25 each		
Lee Theng Kiat	20,000	16,790
Teo Ek Tor	16,000	13,427
<b>SP Australia Networks (Transmission) Ltd ("SPANTL")</b>		
<b>SP Australia Networks (Distribution) Ltd ("SPANDL")</b>		
<b>SP Australia Networks (Finance) Trust ("SPANFT")</b>		
Stapled securities comprising 100,000 shares in each of SPANTL and SPANDL respectively and 100,000 units in SPANFT		
Tan Guong Ching	–	100,000
<b>Global Crossing Limited</b>		
Common stock of US\$0.01 each		
Steven Terrell Clontz	–	500
Peter Seah Lim Huat	–	750
Lee Theng Kiat	–	500
Robert J. Sachs	500	500

# Directors' Report

Year ended 31 December 2005

## Options and other interests in the Company and in related corporations

	1 January 2005 or date of appointment	31 December 2005	Exercise price \$	Exercise period
<b>The Company</b>				
Options to subscribe for ordinary shares of \$0.40 each				
Steven Terrell Clontz	458,334	458,334	0.40	01.01.2002 to 16.06.2010
	458,334	458,334	0.48	01.01.2002 to 16.06.2010
	458,334	458,334	0.48	01.01.2003 to 16.06.2010
	458,334	458,334	0.56	01.01.2002 to 16.06.2010
	458,334	458,334	0.56	01.01.2003 to 16.06.2010
	458,334	458,334	0.56	01.01.2004 to 16.06.2010
	458,334	458,334	0.68	01.01.2003 to 16.06.2010
	458,334	458,334	0.68	01.01.2004 to 16.06.2010
	458,334	458,334	0.68	01.01.2005 to 16.06.2010
	458,334	458,334	0.84	01.01.2004 to 16.06.2010
	458,334	458,334	0.84	01.01.2005 to 16.06.2010
	458,334	458,334	0.84	01.01.2006 to 16.06.2010
Peter Seah Lim Huat	37,500	37,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.05.2004 to 30.05.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	18,750	18,750	0.96	03.04.2005 to 02.04.2009
	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010
Lee Theng Kiat	87,500	87,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.05.2004 to 30.05.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	18,750	18,750	0.96	03.04.2005 to 02.04.2009
	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010
Lim Ming Seong	62,500	62,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.05.2004 to 30.05.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	18,750	18,750	0.96	03.04.2005 to 02.04.2009
	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010
Lim Chin Beng	87,500	87,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.05.2004 to 30.05.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	18,750	18,750	0.96	03.04.2005 to 02.04.2009
	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010

# Directors' Report

Year ended 31 December 2005

## Options and other interests in the Company and in related corporations (continued)

	1 January 2005 or date of appointment	31 December 2005	Exercise price \$	Exercise period
<b>The Company</b> (continued)				
Options to subscribe for ordinary shares of \$0.40 each				
Teo Ek Tor	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010
Nihal Vijaya Devadas Kaviratne	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010
Liu Chee Ming	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.05.2006 to 30.05.2010
Robert J. Sachs	–	25,500	1.52	31.05.2006 to 30.05.2010

	1 January 2005 or date of appointment	31 December 2005
<b>The Company</b>		
Conditional award of performance shares of \$0.40 each		
Steven Terrell Clontz	–	875,000*

\*A conditional award under the StarHub Performance Share Plan was granted. The actual number of shares to be delivered under the award will depend on the level of achievement of set performance targets in the Company over a three-year period from 2005 to 2007. No shares will be delivered if the threshold performance targets are not achieved while up to twice the number of shares that are the subject of the award will be delivered if the stretched performance targets are exceeded.

## Related Corporations

### Chartered Semiconductor Manufacturing Ltd

Options to subscribe for ordinary shares of \$0.26 each

Peter Seah Lim Huat	23,443	23,443	3.46	22.02.2003 to 22.02.2007
	46,887	46,887	1.86	30.08.2003 to 30.08.2007
	40,000	40,000	0.72	28.02.2004 to 28.02.2008
	45,000	45,000	1.10	29.08.2004 to 29.08.2008
	85,000	85,000	1.70	27.02.2005 to 27.02.2009
	–	85,000	1.16	26.08.2006 to 26.08.2010
Lim Ming Seong	58,609	58,609	4.05	28.03.2002 to 28.03.2006
	58,609	58,609	4.26	15.08.2002 to 15.08.2006
	58,609	58,609	3.46	22.02.2003 to 22.02.2007
	58,609	58,609	1.86	30.08.2003 to 30.08.2007
	45,000	45,000	0.72	28.02.2004 to 28.02.2008
	45,000	45,000	1.10	29.08.2004 to 29.08.2008
	90,000	90,000	1.70	27.02.2005 to 27.02.2009

# Directors' Report

Year ended 31 December 2005

## Options and other interests in the Company and in related corporations (continued)

	1 January 2005 or date of appointment	31 December 2005	Exercise price \$	Exercise period
<b>Related Corporations (continued)</b>				
<b>STT Communications Ltd</b>				
Options to subscribe for ordinary shares of \$0.50 each				
Peter Seah Lim Huat	8,000	2,000	0.50	29.06.2003 to 28.06.2012
	39,000	19,500	0.57	30.07.2004 to 29.07.2013
	130,000	130,000	1.08	29.07.2005 to 28.07.2014
Lee Theng Kiat	1,200,000	1,200,000	1.42	19.09.2001 to 18.09.2010
	400,000	–	0.92	28.04.2002 to 27.04.2011
	800,000	200,000	0.50	24.11.2002 to 23.11.2011
	1,500,000	375,000	0.50	29.06.2003 to 28.06.2012
	2,000,000	1,000,000	0.57	30.07.2004 to 29.07.2013
	3,000,000	3,000,000	1.08	29.07.2005 to 28.07.2014
Lim Ming Seong	25,000	25,000	0.92	28.04.2002 to 27.04.2011
	50,000	50,000	0.50	24.11.2002 to 23.11.2011
	100,000	100,000	0.50	29.06.2003 to 28.06.2007
	150,000	150,000	0.57	30.07.2004 to 29.07.2008
	200,000	200,000	1.08	29.07.2005 to 28.07.2009
Sio Tat Hiang	600,000	600,000	1.42	19.09.2001 to 18.09.2010
	150,000	–	0.92	28.04.2002 to 27.04.2011
	300,000	75,000	0.50	24.11.2002 to 23.11.2011
	600,000	150,000	0.50	29.06.2003 to 28.06.2012
	700,000	350,000	0.57	30.07.2004 to 29.07.2013
	1,300,000	975,000	1.08	29.07.2005 to 28.07.2014
<b>Singapore Technologies Engineering Ltd</b>				
Options to subscribe for ordinary shares of \$0.10 each				
Tan Guong Ching	–	10,750	2.57	11.08.2006 to 10.08.2010
Peter Seah Lim Huat	89,000	89,000	1.92	13.08.2003 to 12.08.2007
	44,500	44,500	1.79	07.02.2004 to 06.02.2008
	40,500	40,500	1.86	12.08.2004 to 11.08.2008
	44,500	44,500	2.09	10.02.2005 to 09.02.2009
	44,500	44,500	2.12	11.08.2005 to 10.08.2009
	–	44,500	2.37	08.02.2006 to 07.02.2010
	–	44,500	2.57	11.08.2006 to 10.08.2010

# Directors' Report

Year ended 31 December 2005

## Options and other interests in the Company and in related corporations (continued)

	1 January 2005 or date of appointment	31 December 2005	Exercise price \$	Exercise period
<b>Related Corporations (continued)</b>				
<b>Singapore Technologies Engineering Ltd</b>				
Options to subscribe for ordinary shares of \$0.10 each				
Lim Ming Seong	15,000	15,000	2.29	08.02.2003 to 07.02.2007
	7,500	7,500	1.79	07.02.2004 to 06.02.2008
	7,500	7,500	1.86	12.08.2004 to 11.08.2008
	7,500	7,500	2.09	10.02.2005 to 09.02.2009
	7,500	7,500	2.12	11.08.2005 to 10.08.2009
	–	7,500	2.37	08.02.2006 to 07.02.2010
	–	7,500	2.57	11.08.2006 to 10.08.2010
Lim Chin Beng	35,000	35,000	2.72	20.02.2002 to 19.02.2006
	27,000	27,000	2.29	08.02.2003 to 07.02.2007
	13,500	13,500	1.79	07.02.2004 to 06.02.2008
	13,500	13,500	1.86	12.08.2004 to 11.08.2008
	13,500	13,500	2.09	10.02.2005 to 09.02.2009
	13,500	13,500	2.12	11.08.2005 to 10.08.2009
	–	7,166	2.57	11.08.2006 to 10.08.2010
<b>SembCorp Industries Limited</b>				
Options to subscribe for ordinary shares of \$0.25 each				
Peter Seah Lim Huat	140,000	–	1.94	27.06.2001 to 26.06.2005
	140,000	140,000	1.50	20.04.2002 to 19.04.2006
	70,000	70,000	1.54	08.05.2003 to 07.05.2007
	70,000	70,000	0.93	18.10.2003 to 17.10.2007
	70,000	70,000	1.09	03.06.2004 to 02.06.2008
	70,000	70,000	1.24	19.11.2004 to 18.11.2008
	70,000	70,000	1.30	18.05.2005 to 17.05.2009
	70,000	70,000	1.47	23.11.2005 to 22.11.2009
	–	70,000	2.68	02.07.2006 to 01.07.2010
	–	70,000	2.67	22.11.2006 to 21.11.2010
<b>PT Indosat Tbk</b>				
Options to subscribe for common shares of Rp 100 each				
Peter Seah Lim Huat	150,000	–	Rp 1,567.44	01.08.2004 to 31.07.2005
	150,000	150,000	Rp 3,702.60	01.08.2005 to 31.07.2006
Lee Theng Kiat	135,000	–	Rp 1,567.44	01.08.2004 to 31.07.2005
	135,000	135,000	Rp 3,702.60	01.08.2005 to 31.07.2006
Sio Tat Hiang	135,000	135,000	Rp 3,702.60	01.08.2005 to 31.07.2006

# Directors' Report

Year ended 31 December 2005

## Options and other interests in the Company and in related corporations (continued)

	1 January 2005 or date of appointment	31 December 2005	Exercise price \$	Exercise period
<b>Related Corporations (continued)</b>				
<b>Global Crossing Limited</b>				
Options to subscribe for common stock of US\$0.01 each				
Steven Terrell Clontz	12,000	12,000	US\$10.16	12.01.2005 to 12.01.2014
Peter Seah Lim Huat	40,000	40,000	US\$10.16	12.01.2005 to 12.01.2014
Lee Theng Kiat	222,000	222,000	US\$10.16	12.01.2005 to 12.01.2014
Lim Ming Seong	11,000	11,000	US\$10.16	12.01.2005 to 12.01.2014
Sio Tat Hiang	80,000	80,000	US\$10.16	12.01.2005 to 12.01.2014

	1 January 2005 or date of appointment	31 December 2005	Vesting period
<b>Global Crossing Limited</b>			
<b>Restricted stock units</b>			
Steven Terrell Clontz	5,000	4,500	08.03.2005 to 08.03.2009
Peter Seah Lim Huat	7,500	6,750	08.03.2005 to 08.03.2009
Lee Theng Kiat	5,000	4,500	08.03.2005 to 08.03.2009
Robert J. Sachs	4,500	4,500	08.03.2005 to 08.03.2009

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or share awards 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 2006.

Except as disclosed under the "Options and other interests" 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.

# Directors' Report

Year ended 31 December 2005

## 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 the 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 ("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.

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

Date of grant	Number of participants granted and accepted	Exercise period	Exercise price per share	Number of options granted and accepted	Average fair value of options
<b>StarHub Share Option Plan 2004</b>					
30.05.2005	2,154	31.05.2006 to 30.05.2015	\$1.52	14,641,500	\$0.33
30.05.2005	8	31.05.2006 to 30.05.2010	\$1.52	204,000	\$0.33
Total				14,845,500	

# Directors' Report

Year ended 31 December 2005

## Equity Compensation Benefits (continued)

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>				
Steven Terrell Clontz	–	6,875,010	1,375,002	5,500,008
Peter Seah Lim Huat	–	93,750	–	93,750
Lee Theng Kiat	–	143,750	–	143,750
Lim Ming Seong	–	118,750	–	118,750
Lim Chin Beng	–	143,750	–	143,750
<b>StarHub Share Option Plan 2004</b>				
Tan Guong Ching <sup>@</sup>	51,500	–	–	–
Kua Hong Pak	25,500	–	–	–
Peter Seah Lim Huat	25,500	44,250	–	44,250
Lee Theng Kiat	25,500	44,250	–	44,250
Lim Ming Seong	25,500	44,250	–	44,250
Lim Chin Beng	25,500	44,250	–	44,250
Osamu Inoue	25,500	–	–	–
Teo Ek Tor	25,500	44,250	–	44,250
Nihal Vijaya Devadas Kaviratne	25,500	44,250	–	44,250
Liu Chee Ming	25,500	44,250	–	44,250
Robert J. Sachs	25,500	25,500	–	25,500

<sup>@</sup> Until 31 July 2005, Mr Tan was precluded under the terms of his employment in the civil service from participating in the Share Option Plans.

- 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 19,040,719 ordinary shares of \$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 \$0.985 per share.

# Directors' Report

Year ended 31 December 2005

## Equity Compensation Benefits (continued)

ix) 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
12	17.06.2001 to 16.06.2010	61,165	0.480
1	01.01.2002 to 16.06.2010	458,334	0.400
1	01.01.2002 to 16.06.2010	458,334	0.480
1	01.01.2002 to 16.06.2010	458,334	0.560
1	01.01.2003 to 16.06.2010	458,334	0.480
1	01.01.2003 to 16.06.2010	458,334	0.560
1	01.01.2003 to 16.06.2010	458,334	0.680
1	01.01.2004 to 16.06.2010	458,334	0.560
1	01.01.2004 to 16.06.2010	458,334	0.680
1	01.01.2004 to 16.06.2010	458,334	0.840
1	01.01.2005 to 16.06.2010	458,334	0.680
1	01.01.2005 to 16.06.2010	458,334	0.840
1	01.01.2006 to 16.06.2010	458,334	0.840
5	03.10.2001 to 02.10.2010	13,000	0.480
36	28.04.2002 to 27.04.2011	43,362	0.880
121	27.10.2002 to 26.10.2011	370,575	0.880
186	27.04.2003 to 26.04.2012	271,000	0.880
140	29.11.2002 to 29.11.2012	1,708,795	0.680
1,287	30.11.2003 to 29.11.2012	4,398,472	0.880
4	30.11.2003 to 29.11.2007	275,000	0.880
1,730	31.05.2004 to 30.05.2013	3,476,839	0.880
4	31.05.2004 to 30.05.2008	75,000	0.880
1,900	29.11.2004 to 28.11.2013	5,183,418	0.880
4	29.11.2004 to 28.11.2008	75,000	0.880
2,041	03.04.2005 to 02.04.2014	5,915,666	0.960
4	03.04.2005 to 02.04.2009	75,000	0.960
1,867	27.11.2005 to 26.11.2014	7,451,302	0.985
7	27.11.2005 to 26.11.2009	131,250	0.985
2,058	31.05.2006 to 30.05.2015	14,120,100	1.520
8	31.05.2006 to 30.05.2010	204,000	1.520
Total		49,348,952	

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

# Directors' Report

Year ended 31 December 2005

## 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 of performance shares are granted on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year period. 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 set based on medium-term corporate objectives.

Awards are released once the ERCC is satisfied that the prescribed performance targets have been achieved. The actual number of performance shares given will depend on the level of achievement of the prescribed performance targets over the performance period. The first performance target benchmarks the performance of the Company's Total Shareholder Return ("TSR") measured against the MSCI Asia-Pacific Telecommunications Index including Japan, over the performance period. The second performance target used is Wealth Added which measures the investment performance in terms of the Company's TSR against shareholders' expected returns by using cost of equity as a benchmark.

No performance shares will be delivered if the threshold performance targets are not achieved, while up to twice the number of performance shares that are the subject of the award will be delivered if the stretched performance targets are exceeded.

During the financial year ended 31 December 2005, the first conditional award aggregating 2,555,000 performance shares was made to key executives of the Group. The key executives included Steven Terrell Clontz, an executive Director of the Board, who was conditionally awarded 875,000 performance shares. This conditional award was for the performance period of 2005 to 2007. Depending on the actual achievement of the set performance targets, the total number of performance shares to be released could range from zero to twice the number of performance shares that are the subject of the award.

The release of the performance shares can take the form of either a new issue of shares or purchase of existing shares as permitted under the StarHub Performance Share Plan.

No performance shares were released during the financial year ended 31 December 2005 for the first conditional award covering the performance period of 2005 to 2007 as they are not due to be released yet.

- 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.

Since the commencement of the StarHub Restricted Stock Plan, there has been no grant of awards under the aforesaid plan to participants.

# Directors' Report

Year ended 31 December 2005

## 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 2006

# Statement by Directors

Year ended 31 December 2005

In our opinion:

- a) the financial statements set out on pages 81 to 121 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 2005 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 2006

## 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 2005 as set out on pages 81 to 121. 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 account 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 2005 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 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 2006

# Balance Sheets

As at 31 December 2005

	Notes	Group		Company	
		2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
<b>Non-current assets</b>					
Property, plant and equipment	3	957,443	919,739	278,846	282,809
Intangible assets	4	327,596	337,829	13,531	17,293
Investments in subsidiaries	5	-	-	1,063,245	1,040,083
Deferred tax assets	6	145,015	140,493	119,714	125,662
Amounts due from subsidiaries	8	-	-	103,241	401,067
		1,430,054	1,398,061	1,578,577	1,866,914
<b>Current assets</b>					
Inventories	9	13,117	6,351	9,101	3,704
Trade receivables	7	99,331	90,067	63,872	56,872
Other receivables, deposits and prepayments	10	106,180	103,494	39,817	36,569
Balances with related parties	8	17,240	18,078	545,441	244,751
Cash and bank balances	11	174,477	126,653	156,661	119,415
		410,345	344,643	814,892	461,311
Less:					
<b>Current liabilities</b>					
Trade payables and accruals		325,155	288,071	201,317	164,678
Other payables	12	168,840	177,912	85,369	95,643
Balances with related parties	8	63,464	61,104	84,395	81,923
Interest-bearing borrowings	13	110,500	73,527	17,000	-
Provisions	14	9,811	12,058	3,367	4,944
		677,770	612,672	391,448	347,188
<b>Net current (liabilities)/assets</b>		(267,425)	(268,029)	423,444	114,123
<b>Non-current liabilities</b>					
Interest-bearing borrowings	13	(132,500)	(246,000)	-	-
Deferred income	15	(21,815)	(25,666)	-	-
Deferred tax liabilities	6	(31,409)	-	-	-
		(185,724)	(271,666)	-	-
<b>Net assets</b>		976,905	858,366	2,002,021	1,981,037
<b>Shareholders' equity</b>					
Share capital	16	854,779	847,163	854,779	847,163
Reserves	17	122,126	11,203	1,147,242	1,133,874
<b>Total equity</b>		976,905	858,366	2,002,021	1,981,037

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

# Profit and Loss Accounts

Year ended 31 December 2005

	Notes	Group		Company	
		2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
Operating revenue	19	1,570,721	1,355,205	555,576	490,820
Operating expenses	20	(1,314,430)	(1,372,852)	(650,358)	(689,388)
Other operating income	22	-	920	213,037	104,619
Net finance income/ (charges)	23	(8,001)	(13,568)	7,583	573
<b>Profit/(loss) before taxation</b>		<b>248,290</b>	<b>(30,295)</b>	<b>125,838</b>	<b>(93,376)</b>
Taxation - credit/(charge)	24	(26,887)	(24,390)	(5,948)	7,180
<b>Profit/(loss) for the year</b>		<b>221,403</b>	<b>(54,685)</b>	<b>119,890</b>	<b>(86,196)</b>
Attributable to:					
Equity holders of the parent		221,403	(54,689)	119,890	(86,196)
Minority interests		-	4	-	-
<b>Profit/(loss) for the year</b>		<b>221,403</b>	<b>(54,685)</b>	<b>119,890</b>	<b>(86,196)</b>
<b>Earnings/(Loss) per share (In cents)</b>	25				
Basic		10.41	(2.59)		
Diluted		10.30	(2.59)		
<b>EBITDA</b>	26	<b>460,089</b>	<b>322,880</b>		

# Statements of Changes in Equity

Year ended 31 December 2005

	Note	Group		Company	
		2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
<b>Share Capital</b>					
Balance at 1 January		847,163	838,043	847,163	838,043
Issue of shares under:					
– StarHub Share Option Plans		7,616	9,120	7,616	9,120
Balance at 31 December		854,779	847,163	854,779	847,163
<b>Share Premium</b>					
Balance at 1 January		9,955	1,654	9,955	1,654
Issue of shares under:					
– StarHub Share Option Plans		8,527	8,301	8,527	8,301
Balance at 31 December		18,482	9,955	18,482	9,955
<b>Goodwill Written Off</b>					
Balance at 1 January and 31 December		(276,290)	(276,290)	–	–
<b>Merger Reserve</b>					
Balance at 1 January and 31 December		213,509	213,509	–	–
<b>Capital Reserve</b>					
Balance at 1 January and 31 December		191,925	191,925	718,822	718,822
<b>Share-Based Payment Reserve</b>					
Balance at 1 January, as previously stated		–	–	–	–
Effects of adopting FRS 102	27	2,998	752	2,998	752
Balance at 1 January, as restated		2,998	752	2,998	752
Share-based expenses	27	5,539	2,246	5,539	2,246
Balance at 31 December		8,537	2,998	8,537	2,998
Balance carried forward		1,010,942	989,260	1,600,620	1,578,938

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

# Statements of Changes in Equity

Year ended 31 December 2005

	Note	Group		Company	
		2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
Balance brought forward		1,010,942	989,260	1,600,620	1,578,938
<b>Hedging Reserve</b>					
Balance at 1 January, as previously stated		-	-	-	-
Effects of adopting FRS 39	27	(4,057)	-	-	-
Balance at 1 January, as restated		(4,057)	-	-	-
Effective portion of changes in fair value of cash flow hedge		5,912	-	-	-
Balance at 31 December		1,855	-	-	-
<b>Retained Profits /(Accumulated Losses)</b>					
Balance at 1 January, as previously stated		(127,896)	(75,453)	404,075	488,799
Effects of adopting FRS 102	27	(2,998)	(752)	(1,976)	(504)
Balance at 1 January after FRS 102 restatement, as restated		(130,894)	(76,205)	402,099	488,295
Effects of adopting FRS 39	27	12,292	-	18,105	-
Balance at 1 January, as restated		(118,602)	(76,205)	420,204	488,295
Net profit/(loss) for the year		221,403	(54,689)	119,890	(86,196)
Interim dividend of \$0.065 per ordinary share (1-tier tax exempt) paid in respect of the year ended 31 December 2005		(138,693)	-	(138,693)	-
Balance at 31 December		(35,892)	(130,894)	401,401	402,099
<b>Total Attributable to Equity Shareholders of the Parent</b>		<b>976,905</b>	<b>858,366</b>	<b>2,002,021</b>	<b>1,981,037</b>
<b>Minority Interest</b>					
Balance at 1 January		-	624	-	-
Net profit for the year		-	4	-	-
Disposal of subsidiary		-	(628)	-	-
Balance at 31 December		-	-	-	-
<b>Total Equity</b>		<b>976,905</b>	<b>858,366</b>	<b>2,002,021</b>	<b>1,981,037</b>
Total recognised income and expense (including those recognised directly in equity) for the year		227,315	(54,689)	119,890	(86,196)

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

# Consolidated Statement of Cash Flows

Year ended 31 December 2005

	2005 \$'000	2004 \$'000 (Restated)
<b>Operating activities</b>		
Profit/(Loss) before taxation	248,290	(30,295)
Adjustments for:		
Provision for charity fund	842	582
Provision for loyalty programme	7,515	11,830
Depreciation and amortisation (net of asset grant)	203,798	339,607
Loss on disposal/write-off of property, plant and equipment	1,019	7,981
Share-based compensation expenses	5,539	2,246
Interest expense	11,944	14,362
Interest income	(3,943)	(794)
Operating cash flow before working capital changes	475,004	345,519
Changes in working capital:		
Inventories	(6,766)	(367)
Trade receivables	(9,264)	(1,626)
Other receivables, deposits and prepayments	(746)	(31,974)
Trade payables, accruals and other payables	43,171	48,061
Related corporations balances (trade)	3,198	(21,144)
<b>Net cash inflow from operating activities</b>	<b>504,597</b>	<b>338,469</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment and intangible assets	292	569
Purchase of property, plant and equipment and intangible assets	(247,663)	(220,557)
Interest received	3,858	697
Net cash outflow from liquidation of subsidiary	-	(628)
<b>Net cash outflow from investing activities</b>	<b>(243,513)</b>	<b>(219,919)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	16,143	17,421
Repayment of finance lease liabilities and grants received	(27)	(394)
Interest paid	(14,183)	(16,242)
Proceeds from loans	17,000	36,000
Repayment of loans	(93,500)	(102,500)
Dividends paid	(138,693)	-
<b>Net cash outflow from financing activities</b>	<b>(213,260)</b>	<b>(65,715)</b>
<b>Net increase in cash and cash equivalents</b>	<b>47,824</b>	<b>52,835</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>126,653</b>	<b>73,818</b>
<b>Cash and cash equivalents at end of the year (note 11)</b>	<b>174,477</b>	<b>126,653</b>

## Significant non-cash transactions

During the financial year ended 31 December 2005, the Group entered into capacity swap transactions to exchange network capacity with a carrying amount of \$2.2 million (2004: \$2.9 million) with other operators.

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

# Notes to the Financial Statements

Year ended 31 December 2005

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 23 February 2006.

## 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 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").

In 2005, the Group adopted the following new/revised FRSs which are relevant to its operations:

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events After the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 36 (revised)	Impairment of Assets
FRS 38 (revised)	Intangible Assets
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations

The effects of adopting the new/revised FRSs in 2005 are set out in note 27.

The historical cost basis is used. Amounts are expressed in Singapore dollars, unless stated otherwise.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

The preparation of financial statements in conformity with FRSs requires the use of judgements in the application of FRSs that have a significant effect on the financial statements and in deriving at the estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. These estimates are based on management's best knowledge and judgement of current events and environment. Changes in assumptions could significantly affect the estimates and actual results may differ from the estimates made. The carrying amounts of assets and liabilities may be affected by changes in the estimates in the next financial year.

### FRSs yet to be adopted

Certain new accounting standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2006. The Group has assessed those standards and interpretations issued as of balance sheet date. The initial application of these standards and interpretations is not expected to have any material impact on the Group's financial statements.

The Group has not considered the impact of the accounting standards issued after the balance sheet date.

## 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 of 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. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

### 2.3 Property, Plant and Equipment and Depreciation

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

The cost of an item of asset includes the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent expenditure relating to existing property, plant and equipment 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.

### 2.4 Intangible Assets

#### Goodwill

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 tested for impairment on an annual basis as described in note 2.5. Negative goodwill arising on acquisition is recognised directly in profit and loss account.

Prior to 1 January 2005, goodwill was stated at cost less accumulated amortisation and impairment losses. Goodwill was 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 was written-off against reserves and has not been retrospectively capitalised and amortised.

Goodwill that has previously been taken to reserves is not taken to the profit and loss account when the business is disposed or the goodwill is impaired. Similarly negative goodwill that has previously been taken to reserves is not taken to profit and loss account when the business is disposed of.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

### Other intangible assets

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 with definite lives, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is added to the carrying value 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. 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 systems – 2 years to 5 years

Telecommunications licences – 10 years to 20 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 unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis.

### Calculation of recoverable amount

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.

### Reversals of impairment

An impairment loss recognised in prior periods for an asset other than goodwill 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 2005

## 2 Summary of Significant Accounting Policies (continued)

### 2.6 Interest-free Inter company loans – non-quasi equity

#### Loans to subsidiaries

In the Company's financial statements, interest-free loans to subsidiaries are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the profit and loss account over the expected repayment period.

Such balances are eliminated in full in the Group consolidated financial statements.

### 2.7 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 of 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.

### 2.8 Trade and Other Receivables

Trade and other receivables (including balances with related parties) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful receivables. Allowance for doubtful receivables is made based on historical write-off patterns and ageing of accounts receivables. Bad debts are written off when incurred.

Prior to 1 January 2005, allowance for doubtful receivables was made primarily based on expectation of future customer payments.

### 2.9 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.

### 2.10 Trade and Other Payables

Trade and other payables (including balances with related parties) are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

### 2.11 Interest-Bearing Loans and Borrowings

Interest-bearing bank loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis. Prior to 1 January 2005, interest-bearing bank loans and borrowings were stated at cost.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

### 2.12 Employee Benefits

#### Share-based payment

##### *Share option plans*

The share option plans allow the Group employees and directors to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees and directors become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

##### *Performance share plan and restricted stock plan*

The performance share plan and restricted stock plan are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expense is amortised and recognised in the income statement on a straight line basis over the vesting period. At each balance sheet date, the Company revises its estimates of the number of shares that the participating employees are expected to receive based on vesting conditions. The difference is charged or credited to the profit and loss account, with a corresponding adjustment to equity.

Prior to 1 January 2005, the Group and the Company did not record any compensation cost or obligation to reflect the benefit received by employees and directors when options or awards of performance shares and/or restricted stock were granted. When the options are exercised, equity is increased by the amount of the cash proceeds received from option holders.

#### Employee leave entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for the annual leave as a result of services rendered by the employees up to balance sheet date.

#### Defined contribution plans

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

### 2.13 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.

### 2.14 Provisions

A provision is recognised in the balance sheet when the Group and the Company have 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 Group's and the Company's commitment to donate a portion of the Group's 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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

### 2.15 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, broadband 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 sale of pre-paid 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 pre-paid and phone cards, any unutilised value of the cards is taken to the profit and loss account.
- Revenue from sale 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.

### 2.16 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.

The interest component of finance lease payments is recognised in the profit and loss account using the effective interest rate method.

### 2.17 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.

### 2.18 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.

### 2.19 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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

### 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 be reversed 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 profit will be available against which the temporary differences can be utilised.

### 2.22 Dividends

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

### 2.23 Foreign Currencies

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 are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described in note 2.25.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

# Notes to the Financial Statements

Year ended 31 December 2005

## 2 Summary of Significant Accounting Policies (continued)

### 2.25 Hedging

#### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and loss account (i.e. when interest income or expense is recognised). For other cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects the profit and loss account. The ineffective part of any gain or loss is recognised immediately in the profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the profit and loss account.

#### Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the profit and loss account.

### 2.26 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, sale 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 2005

## 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
At 1 January 2005	46,719	1,657	1,923,951	98,269	8,703	144,511	2,223,810
Additions	373	–	41,374	2,656	302	179,118	223,823
Transfers	761	–	219,308	21,242	–	(241,311)	–
Disposals	(96)	–	(3,110)	(2,777)	(708)	(31)	(6,722)
Write-offs	(2,911)	–	(12,113)	(2,332)	(656)	(442)	(18,454)
At 31 December 2005	44,846	1,657	2,169,410	117,058	7,641	81,845	2,422,457
<b>Accumulated depreciation and impairment losses</b>							
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)	(1,293)	(52)	(2,591)	(14,794)
At 31 December 2004	40,222	–	1,181,779	66,836	7,941	7,293	1,304,071
At 1 January 2005	40,222	–	1,181,779	66,836	7,941	7,293	1,304,071
Charge for the year	2,931	–	164,554	17,008	364	–	184,857
Disposals	(96)	–	(3,004)	(2,701)	(706)	–	(6,507)
Write-offs	(2,762)	–	(11,665)	(2,324)	(656)	–	(17,407)
At 31 December 2005	40,295	–	1,331,664	78,819	6,943	7,293	1,465,014
<b>Carrying amount</b>							
At 1 January 2004	10,096	1,657	863,247	36,301	1,402	63,202	975,905
At 31 December 2004	6,497	1,657	742,172	31,433	762	137,218	919,739
At 1 January 2005	6,497	1,657	742,172	31,433	762	137,218	919,739
At 31 December 2005	4,551	1,657	837,746	38,239	698	74,552	957,443

	2005 \$'000	2004 \$'000
<b>Amounts capitalised in construction in progress during the year:</b>		
– Staff costs	4,002	4,713
– Operating lease expense	36	29

# Notes to the Financial Statements

Year ended 31 December 2005

## 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
At 1 January 2005	29,171	630,795	69,787	3,226	58,775	791,754
Additions	32	395	1,716	40	55,836	58,019
Transfers	761	58,172	21,241	–	(80,174)	–
Disposals	(96)	(340)	(1,818)	(48)	(30)	(2,332)
Write-offs	(193)	(45)	(47)	–	–	(285)
At 31 December 2005	29,675	688,977	90,879	3,218	34,407	847,156
<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
At 1 January 2005	23,035	428,175	47,435	3,008	7,292	508,945
Charge for the year	2,664	45,798	13,051	137	–	61,650
Disposals	(96)	(273)	(1,748)	(45)	–	(2,162)
Write-offs	(45)	(37)	(41)	–	–	(123)
At 31 December 2005	25,558	473,663	58,697	3,100	7,292	568,310
<b>Carrying amount</b>						
At 1 January 2004	8,981	258,625	25,693	791	33,972	328,062
At 31 December 2004	6,136	202,620	22,352	218	51,483	282,809
At 1 January 2005	6,136	202,620	22,352	218	51,483	282,809
At 31 December 2005	4,117	215,314	32,182	118	27,115	278,846

With effect from 1 January 2005, the Group and the Company revised the estimated useful lives of certain network assets from five to eight years to reflect their expected future utility and benefits to the Group and the Company. This has the effect of reducing the depreciation charge and increasing the net profit before tax of the Group and the Company for 2005 by \$79 million and \$33 million respectively.

# Notes to the Financial Statements

Year ended 31 December 2005

## 4 Intangible Assets

Group	Telecommunications licences \$'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
At 1 January 2005, as previously stated	97,087	171,101	2,365	267,801	538,354
Effects of adopting FRS 103	-	-	-	(44,633)	(44,633)
At 1 January 2005, restated	97,087	171,101	2,365	223,168	493,721
Additions	1,032	3,823	8,133	-	12,988
Transfers	-	3,742	(3,742)	-	-
Disposals	-	(95)	-	-	(95)
Write-offs	-	(14)	(45)	-	(59)
At 31 December 2005	98,119	178,557	6,711	223,168	506,555
<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
At 1 January 2005, as previously stated	17,226	138,666	-	44,633	200,525
Effects of adopting FRS 103	-	-	-	(44,633)	(44,633)
At 1 January 2005, restated	17,226	138,666	-	-	155,892
Charge for the year	4,749	18,423	-	-	23,172
Disposals	-	(91)	-	-	(91)
Write-offs	-	(14)	-	-	(14)
At 31 December 2005	21,975	156,984	-	-	178,959
<b>Carrying amount</b>					
At 1 January 2004	84,559	60,030	2,551	241,021	388,161
At 31 December 2004	79,861	32,435	2,365	223,168	337,829
At 1 January 2005	79,861	32,435	2,365	223,168	337,829
At 31 December 2005	76,144	21,573	6,711	223,168	327,596

# Notes to the Financial Statements

Year ended 31 December 2005

## 4 Intangible Assets (continued)

### Impairment tests for cash-generating units containing goodwill

The Group's fixed, mobile, cable and broadband networks are integrated operationally. Accordingly, the Group as a whole is a cash-generating unit ("CGU") for the purposes of impairment tests for goodwill.

The recoverable amount of the Group's CGU is determined based on fair value less costs to sell. The fair value is determined by the market price of the Company's shares which is quoted on the Singapore Exchange.

No impairment loss was required for the financial year ended 31 December 2005 for the goodwill assessed as its recoverable amount was in excess of its carrying value.

Company	Telecommunications licences \$'000	Software \$'000	Software in development \$'000	Total \$'000
<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
At 1 January 2005	–	137,962	1,601	139,563
Additions	1,032	1,171	7,572	9,775
Transfers	–	2,832	(2,832)	–
Disposals	–	(7)	–	(7)
Write-offs	–	(4)	(45)	(49)
At 31 December 2005	1,032	141,954	6,296	149,282
<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
At 1 January 2005	–	122,270	–	122,270
Charge for the year	52	13,436	–	13,488
Disposals	–	(3)	–	(3)
Write-offs	–	(4)	–	(4)
At 31 December 2005	52	135,699	–	135,751
<b>Carrying amount</b>				
At 1 January 2004	–	44,225	2,551	46,776
At 31 December 2004	–	15,692	1,601	17,293
At 1 January 2005	–	15,692	1,601	17,293
At 31 December 2005	980	6,255	6,296	13,531

# Notes to the Financial Statements

Year ended 31 December 2005

## 4 Intangible Assets (continued)

Group and Company

	2005 \$'000	2004 \$'000
<b>Amounts capitalised in software development during the year:</b>		
– Staff costs	3,823	3,836
– Operating lease expense	–	3

## 5 Investments in Subsidiaries

Company

	Note	2005 \$'000	2004 \$'000
Investments in subsidiaries, at cost		1,069,000	1,069,000
Discount implicit in the interest-free loan to a subsidiary	27	23,162	–
		1,092,162	1,069,000
Less:			
Allowance for impairment losses			
Balance at 1 January		28,917	30,689
Allowance utilised on liquidation of a subsidiary		–	(1,772)
Balance at 31 December		28,917	28,917
		1,063,245	1,040,083

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation/ business	Effective equity interest held by the Group	
			2005 %	2004 %
StarHub Cable Vision Ltd. <sup>(1)</sup> ("SCV")	Provision of subscription television and television broadcasting services	Singapore	100	100
StarHub Mobile Pte Ltd <sup>(1)</sup>	Provision of mobile telecommunications services	Singapore	100	100
StarHub Internet Pte Ltd <sup>(1)</sup>	Provision and operation of internet services	Singapore	100	100
StarHub Online Pte Ltd <sup>(1),(3)</sup>	Provision of broadband access services	Singapore	100	–
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

<sup>(1)</sup> Audited by KPMG Singapore.

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

<sup>(3)</sup> Incorporated on 11 February 2005.

# Notes to the Financial Statements

Year ended 31 December 2005

## 6 Deferred Tax Assets/(Liabilities)

Recognised deferred tax assets/(liabilities) are attributable to the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Deferred tax assets</b>				
Property, plant and equipment and intangible assets	137,184	132,604	117,721	122,910
Receivables	2,770	5,174	1,427	2,282
Inventories	368	293	368	292
Provisions	1,418	908	198	178
Tax losses carried forward	3,275	1,514	-	-
<b>Total</b>	<b>145,015</b>	<b>140,493</b>	<b>119,714</b>	<b>125,662</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(34,336)	-	-	-
Receivables	1,409	-	-	-
Inventories	1,043	-	-	-
Provisions	475	-	-	-
<b>Total</b>	<b>(31,409)</b>	<b>-</b>	<b>-</b>	<b>-</b>

In relation to a deferred tax benefit of \$3.3 million (2004: \$0.7 million) recognised by the Group on a tax loss of \$16.5 million (2004: \$3.7 million), 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, cable television and internet services businesses, after considering the projections of income which it expects to earn in future years based on financial budget approved by management for the year 2006 and financial forecasts from management's best estimate for subsequent years.

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Temporary differences (relating mainly to property, plant and equipment)	443,434	486,648	-	-
Unutilised capital allowances	-	34,269	-	-
Tax losses	171,393	210,548	141,580	141,580
	<b>614,827</b>	<b>731,465</b>	<b>141,580</b>	<b>141,580</b>
Deferred tax assets	122,965	146,293	28,316	28,316

The Group and the Company 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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 6 Deferred Tax Assets/(Liabilities) (continued)

The Group has not recognised its other deferred tax assets, comprising principally the temporary differences and unutilised tax losses relating to certain subsidiaries, 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.

At 31 December 2004, included in the deferred tax assets not recognised was the deferred tax assets of \$12.9 million of SCV arising from tax losses of which 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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables	139,666	164,838	96,857	121,953
Allowance for doubtful receivables	(40,335)	(74,771)	(32,985)	(65,081)
	99,331	90,067	63,872	56,872

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

## 8 Balances with Related Parties

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000 (Restated)
<b>Non-current:</b>				
Amounts due from subsidiaries (non-trade)	-	-	105,760	403,584
Allowance for doubtful receivables	-	-	(2,519)	(2,517)
	-	-	103,241	401,067
<b>Current:</b>				
Loan to a subsidiary	-	-	258,500	180,500
Amounts due from subsidiaries (non-trade)	-	-	235,695	-
Amounts due from (trade):				
- Subsidiaries	-	-	35,208	47,388
- Immediate holding company	150	2,317	139	2,292
- Related corporations	17,090	15,761	15,899	14,571
	17,240	18,078	545,441	244,751
<b>Amounts due to (trade):</b>				
- Subsidiaries	-	-	30,696	32,926
- Related corporations	63,464	61,104	53,699	48,997
	63,464	61,104	84,395	81,923

# Notes to the Financial Statements

Year ended 31 December 2005

## 8 Balances with Related Parties (continued)

In the Company's financial statement, the non-current non-trade balances with subsidiaries are unsecured and interest-free, and are not expected to be repaid within the next 12 months. Included in these balances is an amount of \$100 million which was capitalised as share capital of a subsidiary subsequent to year end. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment.

The remaining non-trade amounts are interest-free loans to subsidiaries which are stated at fair valuation at inception. The difference between the fair value and the loan amount at inception is recognised as additional investment in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the profit and loss account over the expected repayment period. Such balances are eliminated in full in the Group consolidated financial statements.

The loan to the subsidiary is unsecured and bore rates of interest ranging from 1.44% to 3.46% (2004: 0.80% to 1.48%) 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.

## 9 Inventories

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Inventories, at cost	20,268	8,660	16,154	5,166
Allowance for obsolescence	(7,151)	(2,309)	(7,053)	(1,462)
	13,117	6,351	9,101	3,704

## 10 Other Receivables, Deposits and Prepayments

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accrued revenue	52,144	44,915	23,954	20,157
Deposits	4,514	4,148	3,090	3,125
Prepayments	47,344	50,701	12,577	13,105
Other receivables	323	3,730	196	182
Fair value derivatives	1,855	-	-	-
	106,180	103,494	39,817	36,569

## 11 Cash and Cash Equivalents

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Fixed deposits	155,083	113,864	138,853	109,263
Cash at bank and in hand	19,394	12,789	17,808	10,152
	174,477	126,653	156,661	119,415

# Notes to the Financial Statements

Year ended 31 December 2005

## 12 Other Payables

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current portion of deferred income	15	3,851	4,231	-	380
Property, plant and equipment vendors		80,718	91,570	64,793	76,987
Unearned revenue		74,658	73,945	17,437	15,362
Deposits from customers		9,613	8,166	3,139	2,914
		168,840	177,912	85,369	95,643

## 13 Interest-Bearing Borrowings

	Notes	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Finance leases		-	27	-	-
Short term bank loans	(a)	17,000	-	17,000	-
Floating rate loans	(b)	226,000	319,500	-	-
		243,000	319,527	17,000	-
Current portion					
- Finance leases		-	27	-	-
- Short term bank loans		17,000	-	17,000	-
- Floating rate loans		93,500	73,500	-	-
		110,500	73,527	17,000	-
Non-current portion					
- Finance leases		-	-	-	-
- Floating rate loans		132,500	246,000	-	-
		132,500	246,000	-	-
<b>Total</b>		<b>243,000</b>	<b>319,527</b>	<b>17,000</b>	<b>-</b>
Repayable:					
Within 1 year		110,500	73,527	17,000	-
After 1 year but within 5 years		132,500	236,000	-	-
After 5 years		-	10,000	-	-
		243,000	319,527	17,000	-

(a) The short term loans bore interest at rates ranging from 2.97% to 4.16% per annum during the year and are repayable by 2006.

(b) These floating rate loans bore interest at rates ranging from 1.93% to 3.96% (2004: 1.46% to 2.43%) per annum during the year and are repayable in instalments by 2009.

# Notes to the Financial Statements

Year ended 31 December 2005

## 14 Provisions

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Charity Fund</b>				
Balance at 1 January	850	562	850	562
Provision made	842	582	842	582
Provision utilised	(727)	(294)	(727)	(294)
Balance at 31 December	965	850	965	850
<b>Loyalty Programme</b>				
Balance at 1 January	11,208	5,536	4,094	750
Provision made	7,515	11,830	30	53
Provision recharged to subsidiary	-	-	2,930	5,256
Provision utilised	(9,877)	(6,158)	(4,652)	(1,965)
Balance at 31 December	8,846	11,208	2,402	4,094
<b>Total</b>	<b>9,811</b>	<b>12,058</b>	<b>3,367</b>	<b>4,944</b>

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

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

## 15 Deferred Income

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Deferred grants</b>				
Balance at 1 January	29,897	34,537	380	1,033
Amount received and receivable	-	72	-	-
Amount accreted to the profit and loss account	(4,231)	(4,712)	(380)	(653)
Balance at 31 December	25,666	29,897	-	380
Deferred grants to be accreted:				
- Current	3,851	4,231	-	380
- Non-current				
- After 1 year but within 5 years	15,403	15,403	-	-
- After 5 years	6,412	10,263	-	-
	21,815	25,666	-	-
<b>Total</b>	<b>25,666</b>	<b>29,897</b>	<b>-</b>	<b>380</b>

# Notes to the Financial Statements

Year ended 31 December 2005

## 16 Share Capital - Company

	No. of shares 2005 '000	2005 \$'000	No. of shares 2004 '000	2004 \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.40 each	5,000,000	2,000,000	5,000,000	2,000,000
<b>Issued and fully paid:</b>				
At 1 January				
– ordinary shares of \$0.10 each	–	–	8,380,432	838,043
– ordinary shares of \$0.40 each	2,117,907	847,163	–	–
Issue of ordinary shares of \$0.10 each for cash pursuant to the exercise of options under the StarHub Share Option Plan 2000	–	–	84,929	8,493
Capitalisation of share premium account in bonus issue of 598 ordinary shares of par value \$0.10 each	–	–	1	–
Consolidation of four ordinary shares of \$0.10 each into one ordinary share of \$0.40 each	–	–	(6,349,021)	–
Issue of ordinary shares of \$0.40 each for cash pursuant to the exercise of options under the StarHub Share Option Plan 2000	18,500	7,400	1,566	627
Issue of ordinary shares of \$0.40 each for cash pursuant to the exercise of options under the StarHub Share Option Plan 2004	541	216	–	–
At 31 December				
– ordinary shares of \$0.40 each	2,136,948	854,779	2,117,907	847,163

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with one another with regards to the Company's residual assets.

## 17 Reserves

	Group		Company	
	2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
Merger reserve	213,509	213,509	–	–
Capital reserve	191,925	191,925	718,822	718,822
Share premium	18,482	9,955	18,482	9,955
Goodwill written off	(276,290)	(276,290)	–	–
Share-based payment reserve	8,537	2,998	8,537	2,998
Hedging reserve	1,855	–	–	–
Retained profits/(Accumulated losses)	(35,892)	(130,894)	401,401	402,099
	122,126	11,203	1,147,242	1,133,874

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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 17 Reserves (continued)

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.

The share-based payment reserve comprises the cumulative value of services received from employees and directors recorded in respect of the grant of share options and performance share awards.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## 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 ("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.
- 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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 18 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) Under the StarHub Performance Share Plan, conditional awards of performance shares 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 set based on medium-term corporate objectives. 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.
- 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) During the financial year ended 31 December 2005, the first conditional award of performance shares was made to key executives of the Group. There has been no grant of awards under the StarHub Restricted Stock Plan since its commencement.

Share options outstanding under the Share Option Plans are as follows:

Company	Number of share options		Weighted average exercise price per share	
	2005 '000	2004 '000	2005 \$	2004 \$
Outstanding at 1 January	57,773	66,902	0.86	0.80
New grants	14,846	18,475	1.52	0.97
Exercised	(19,041)	(22,799)	0.85	0.76
Lapsed	(4,229)	(4,805)	1.00	0.88
Outstanding at 31 December	49,349	57,773	1.06	0.86

Company	2005 '000	2004 '000
The outstanding share options have the following exercise prices:		
Exercise price range		
\$1.50 to \$1.99	14,324	–
\$1.00 to \$1.49	–	–
\$0.40 to \$0.99	35,025	57,773
	49,349	57,773
Weighted average remaining contractual life	7.88 years	8.28 years

The share options have a maximum validity period of 10 years from the date of grant and vesting periods according to the terms and conditions of the Share Option Plans and respective grants. The share options granted have a vesting period of 0 to 3 years.

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for details of non-transferability, exercise restrictions and behavioural considerations.

# Notes to the Financial Statements

Year ended 31 December 2005

## 18 Equity Compensation Benefits (continued)

Date of grant of options	29 Nov 2002	30 May 2003	28 Nov 2003	02 Apr 2004	26 Nov 2004	30 May 2005
Fair value at measurement date	\$0.22	\$0.22	\$0.24	\$0.25	\$0.31	\$0.33
Share price	\$0.88	\$0.88	\$0.88	\$0.96	\$1.06	\$1.58
Exercise price	\$0.88	\$0.88	\$0.88	\$0.96	\$0.985	\$1.52
Expected volatility	29.00%	29.00%	29.00%	29.00%	29.00%	31.93%
Expected option life	4 years	4 years	4 years	4 years	4 years	4 years
Expected dividends	–	–	–	–	–	5%
Risk-free interest rate	1.65%	1.11%	2.48%	1.74%	1.91%	2.22%

The expected volatility is based on the historical volatility.

There are no market conditions associated with the share option grants.

Performance share awards under the StarHub Performance Share Plan granted on 17 November 2005 are as follows:

	Company
<b>Number of performance shares ('000)</b>	
At grant date and at 31 December 2005	2,555
Fair value at 31 December 2005	\$1.15
<b>Assumptions under Monte-Carlo Model Expected Volatility</b>	
StarHub	30.8%
MSCI Asia-Pacific Telecommunications Component Stock	12.7%
<b>Risk-free interest rates</b>	
Zero-coupon Singapore Sovereign	2.9%

The fair value of the performance shares are estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the performance share awards. For the purpose of accrual for the performance share expense, vesting is estimated at 100% of the grants until the achievement of the targets can be accurately ascertained.

# Notes to the Financial Statements

Year ended 31 December 2005

## 19 Operating Revenue

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Mobile revenue	821,598	712,729	-	-
Cable television revenue	262,416	223,685	-	-
Cable broadband	177,231	125,913	-	-
Fixed Network services	221,717	224,573	359,608	314,314
Sale of equipment	87,759	68,305	195,968	176,506
	<b>1,570,721</b>	<b>1,355,205</b>	<b>555,576</b>	<b>490,820</b>

## 20 Operating Expenses

	Group		Company	
	2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
Cost of equipment sold	173,409	155,652	170,698	150,896
Cost of services	143,370	131,567	14,340	15,520
Traffic expenses	178,614	172,870	86,324	95,608
Depreciation and amortisation	203,798	339,607	74,758	154,514
Marketing and promotion	151,192	121,615	16,346	15,410
Staff costs	216,954	194,518	169,526	135,075
Allowance for doubtful receivables	7,622	19,392	(2,179)	2,367
Repairs and maintenance	61,900	52,914	29,373	26,544
Operating leases	115,231	120,431	53,685	52,839
Other expenses	62,340	64,286	37,487	40,615
	<b>1,314,430</b>	<b>1,372,852</b>	<b>650,358</b>	<b>689,388</b>

# Notes to the Financial Statements

Year ended 31 December 2005

## 20 Operating Expenses (continued)

Depreciation and amortisation expense comprises the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Depreciation of property, plant and equipment	184,857	283,702	61,650	120,639
Accretion of asset grants to the profit and loss account	(4,231)	(4,698)	(380)	(653)
	180,626	279,004	61,270	119,986
Amortisation of intangible assets	23,172	60,603	13,488	34,528
<b>Total</b>	<b>203,798</b>	<b>339,607</b>	<b>74,758</b>	<b>154,514</b>

The following are included in staff costs:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Defined contribution plans	17,421	16,946	12,953	11,033
Value of employee services received for issue of share-based compensation	5,539	2,246	4,056	1,472

Included in other expenses are the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-audit fees paid to auditors of the Company	219	187	125	122
Exchange (gain)/loss	470	(858)	(47)	(350)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	(73)	(96)	(20)	174
Property, plant and equipment and intangible assets written off	1,092	8,077	207	7,076

## 21 Key Management Personnel Compensation

The key management personnel compensation are as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Short-term employee benefits	8,243	7,465	8,243	7,465
Equity compensation benefits	585	263	585	263
	8,828	7,728	8,828	7,728

Included in the above is the total compensation to directors of the Company which amounted to \$4.0 million (2004: \$3.0 million).

# Notes to the Financial Statements

Year ended 31 December 2005

## 22 Other Operating Income

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Gain on liquidation of subsidiary	-	-	-	16
Government grants	-	920	-	905
Corporate recharges to subsidiaries	-	-	113,037	103,698
Dividend income	-	-	100,000	-
	-	920	213,037	104,619

In the current financial year, a subsidiary declared an interim dividend of \$100 million, tax exempt under the one-tier system, to the Company in respect of the financial year ended 31 December 2005. This dividend amount was offset against the amount due from the subsidiary.

## 23 Net Finance Income/(Charges)

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest income				
- Bank deposits	3,943	794	3,570	715
- Interest income arising from the unwinding of discount implicit in the interest-free loan to a subsidiary	-	-	2,503	-
- Subsidiaries	-	-	3,643	1,221
	3,943	794	9,716	1,936
Less:				
Interest on borrowings				
- Banks	11,942	14,232	2,133	1,363
- Finance lease creditors	2	130	-	-
	11,944	14,362	2,133	1,363
Net finance income/(charges)	(8,001)	(13,568)	7,583	573

# Notes to the Financial Statements

Year ended 31 December 2005

## 24 Taxation

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Current tax</b>				
- Results of current year	96,688	66,556	20,407	14,921
- Tax savings arising from utilisation of tax assets recognised	(73,185)	(60,870)	(20,407)	(14,921)
- Tax savings arising from utilisation of tax assets previously not recognised	(23,503)	(5,686)	-	-
- Under provision in prior year	-	586	-	586
	-	586	-	586
<b>Deferred tax</b>				
- Origination and reversal of temporary differences	48,319	(834)	5,948	(27,414)
- Under recognition of deferred tax assets in prior year	-	(84)	-	(528)
- Change in tax rate	-	14,936	-	10,718
- Benefit of tax losses utilised	440	9,786	-	9,458
- Recognition of deferred tax assets previously not recognised	(21,872)	-	-	-
	26,887	23,804	5,948	(7,766)
Total income tax (credit)/charge in profit and loss account	26,887	24,390	5,948	(7,180)

### Reconciliation of effective tax rate

	Group		Company	
	2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000 (Restated)
Profit/(loss) before taxation	248,290	(30,295)	125,838	(93,376)
Income tax using Singapore tax rate of 20%	49,658	(6,059)	25,168	(18,675)
Non-deductible expenses	2,453	5,557	1,281	719
Other deductible temporary differences not recognised as deferred tax asset	14,959	15,918	-	-
Utilisation of deferred tax assets previously not recognised	(23,503)	(5,686)	-	-
Under recognition of deferred tax assets in prior year	-	(84)	-	(528)
Under provision of current taxation in prior year	-	586	-	586
Deferred compensation and other income not taxable	(770)	(778)	(20,501)	-
Tax losses not recognised as deferred tax assets	5,962	-	-	-
Recognition of deferred tax assets previously not recognised	(21,872)	-	-	-
Change in tax rate	-	14,936	-	10,718
Total income tax (credit)/charge in profit and loss account	26,887	24,390	5,948	(7,180)

# Notes to the Financial Statements

Year ended 31 December 2005

## 25 Earnings/(Loss) Per Share

	Group	
	2005 \$'000	2004 \$'000 (Restated)
Profit/(loss) for the year	221,403	(54,685)
	Number of shares	
	2005 '000	2004 '000
Outstanding during the year	2,117,907	2,095,108
Weighted average number of shares issued under share option plans	9,709	14,838
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	2,127,616	2,109,946
Potential ordinary shares issued under		
– Share option plans	19,170	–
– Contingently issuable shares	2,555	–
Weighted average number of ordinary shares for calculation of dilutive earnings per share	2,149,341	2,109,946

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

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and contingently issuable shares, with the potential ordinary shares weighted for the period outstanding.

## 26 Earnings Before Interest, Tax, Depreciation and Amortisation

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	
	2005 \$'000	2004 \$'000 (Restated)
Profit/(loss) before taxation	248,290	(30,295)
Adjustments for:		
Depreciation and amortisation	203,798	339,607
Interest income	(3,943)	(794)
Interest on borrowings	11,944	14,362
<b>EBITDA</b>	<b>460,089</b>	<b>322,880</b>

# Notes to the Financial Statements

Year ended 31 December 2005

## 27 Changes in Accounting Policies and Estimates

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2005.

The changes in accounting policies and estimates arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement, FRS 102 Share-based Payment, FRS 103 Business Combinations, FRS 36 (revised) Impairment of Assets, FRS 38 (revised) Intangible Assets and FRS 8 (revised) Accounting Policies, Changes in Accounting Estimates and Errors are summarised below:

### FRS 39

The adoption of FRS 39 resulted in the Group measuring its derivative financial instruments as assets or liabilities at fair values. Financial assets and financial liabilities are stated at amortised cost instead of cost. Previously, derivative financial instruments were not recorded on balance sheet. Where a derivative financial instrument is an effective hedge in a cash flow hedge relationship, the change in fair value of the hedging instrument relating to the effective portion is recorded in equity.

On adoption of FRS 39, the Group applies cash flow hedge accounting on interest rate swaps which the Group entered into to hedge the interest rate functions on the bank loans. This has resulted in decreasing hedging reserve at 1 January 2005 by \$4.1 million.

With the adoption of FRS 39, allowance for doubtful trade receivables are made based on historical bad debts experienced. In the past, allowances for doubtful debts were primarily made based on expectation of future customer payments. This change in policy has resulted in decrease of the Group's opening accumulated losses by \$12.3 million.

In addition, with the adoption of FRS 39, interest-free loan granted by the Company to a subsidiary is stated at amortised cost. Previously, the loan was stated based on the loan amount disbursed. The change in accounting policy for the interest-free loan to subsidiary has been accounted for by increasing the retained profits and investments in subsidiaries of the Company at 1 January 2005 by \$18.1 million and \$23.2 million respectively.

In accordance with FRS 39, comparatives have not been restated.

### FRS 102

In accordance with the transitional provisions, FRS 102 has been applied to all grants of share options after 22 November 2002 that were not vested as at 1 January 2005. The adoption of FRS 102 has resulted in a change in the Group's and the Company's accounting policy for share-based payments, whereby the costs of the share options and performance shares are charged to the profit and loss account on a straight line basis over the vesting period. The adoption of FRS 102 resulted in:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Decrease in opening retained profits	(2,998)	(752)	(1,976)	(504)
Increase in opening share option reserve	2,998	752	2,998	752
Increase in operating expenses – staff costs	5,539	2,246	4,056	1,472
Decrease in basic earnings per share (cents)	(0.26)	(0.11)		
Decrease in diluted earnings per share (cents)	(0.26)	(0.11)		

### FRS 103, Revised FRS 36, Revised FRS 38

The adoption of FRS 103, FRS 36 (revised) and FRS 38 (revised) have resulted in a change in the accounting policy for goodwill.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Goodwill arising from acquisitions prior to 1 January 2001 that had been taken to reserves will no longer be taken to the profit and loss account when the related businesses are disposed or discontinued. Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2005 would decrease by \$17.9 million, being the annual amortisation charge of the goodwill.

# Notes to the Financial Statements

Year ended 31 December 2005

## 28 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 and the Company with related parties during the financial year were as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Related Corporations</b>				
Sales	76,679	77,468	407,914	349,905
Purchase of property, plant and equipment	18,625	22,082	7,063	11,766
Rental expenses	85,596	91,854	41,010	39,671
Purchase of services	94,116	86,021	41,088	52,737
Purchase of inventories	128,128	105,503	128,148	105,503

## 29 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, sale 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 2005

## 29 Segment Reporting (continued)

2005	Tele-communications \$'000	Cable TV and Broadband \$'000	Others \$'000	Elimination \$'000	Total \$'000
<b>Revenue and expenses</b>					
Revenue	1,115,873	439,647	15,201	-	1,570,721
Inter-segment revenue	47,917	3,364	957	(52,238)	-
<b>Total revenue</b>	<b>1,163,790</b>	<b>443,011</b>	<b>16,158</b>	<b>(52,238)</b>	<b>1,570,721</b>
<b>Segment results</b>					
Interest income	225,010	30,059	1,222	-	256,291
Interest on borrowings					3,943
<b>Profit before taxation</b>					<b>(11,944)</b>
Taxation					248,290
<b>Net profit for the year</b>					<b>(26,887)</b>
					221,403
<b>Assets and liabilities</b>					
Segment assets	1,058,817	470,365	9,803	(66,769)	1,472,216
Loans receivable	258,500	-	22,000	(280,500)	-
Allocated assets					1,472,216
Unallocated assets					368,183
<b>Total assets</b>					<b>1,840,399</b>
Segment liabilities	434,233	219,854	1,767	(66,769)	589,085
Interest-bearing borrowings	17,000	506,500	-	(280,500)	243,000
Allocated liabilities					832,085
Unallocated liabilities					31,409
<b>Total liabilities</b>					<b>863,494</b>
<b>Other segment information</b>					
Capital expenditure	167,319	69,508	57	(73)	236,811
Depreciation	114,466	69,980	411	-	184,857
Amortisation	18,195	4,970	7	-	23,172
Provisions	3,801	4,548	8	-	8,357

# Notes to the Financial Statements

Year ended 31 December 2005

## 29 Segment Reporting (continued)

2004 (Restated)

	Tele-communications \$'000	Cable TV and Broadband \$'000	Others \$'000	Elimination \$'000	Total \$'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>					
Amortisation of goodwill					(17,853)
Interest income					794
Interest on borrowings					(14,362)
<b>Loss before taxation</b>					<b>(30,295)</b>
Taxation					(24,390)
<b>Net loss for the year</b>					<b>(54,685)</b>
<b>Assets and liabilities</b>					
Segment assets	975,861	471,079	8,473	(76,370)	1,379,043
Loans 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 2005

## 30 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 \$174.5 million of cash with seven 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% 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 five years and have fixed payable 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.

### 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.

# Notes to the Financial Statements

Year ended 31 December 2005

## 30 Financial Instruments (continued)

### Group

	Effective Interest rate 2005 % per annum	Repricing periods within 1 year 2005 \$'000	Effective Interest rate 2004 % per annum	Repricing periods within 1 year 2004 \$'000
<b>Financial assets</b>				
Short-term deposits	2.98	155,083	1.22	113,864
<b>Financial liabilities</b>				
Unsecured bank loans				
– Short-term bank loans	4.16	17,000	–	–
– Floating rate loans <sup>(i)</sup>	3.01	226,000	3.67	319,500
– Finance lease liabilities	–	–	2.47	27
Total		243,000		319,527
Interest rate swaps <sup>(ii)</sup>		(230,000)		(325,000)

<sup>(i)</sup> The effective interest rate has been adjusted for the effect of interest rate swaps

<sup>(ii)</sup> Notional principal amounts

### Company

	Effective Interest rate 2005 % per annum	Repricing within 1 year 2005 \$'000	Effective Interest rate 2004 % per annum	Repricing within 1 year 2004 \$'000
<b>Financial assets</b>				
Loan to a subsidiary	2.23	258,500	1.42	180,500
Short-term deposits	3.00	138,853	1.23	109,264
		397,353		289,764
<b>Financial liabilities</b>				
Unsecured bank loans				
– Short-term bank loans	4.16	17,000	–	–
		17,000		–

# Notes to the Financial Statements

Year ended 31 December 2005

## 30 Financial Instruments (continued)

### g) Estimating the fair values

#### Derivatives

Marked to market valuations of the forward exchange contracts are provided by the banks. For interest rate swaps, valuations are also provided by the banks. Those quotes are back tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

#### Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

#### Finance lease liabilities

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

#### Other financial assets and liabilities

The notional amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

#### Interest rates used in determining fair values

The Group and the Company use the interbank swap yield as of 31 December 2005 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2005 %	2004 %
Derivatives	1.67 - 4.96	1.67 - 4.96
Loans and borrowings	2.00 - 3.27	2.00 - 3.27

## 31 Commitments

### a) Capital expenditure

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Contracted but not provided for in the financial statements	107,899	154,363	94,111	124,405

Included in the capital expenditure contracted by the Company is an amount of approximately \$39.2 million (2004: \$72.3 million) which has been entered into on behalf of a subsidiary.

# Notes to the Financial Statements

Year ended 31 December 2005

## 31 Commitments (continued)

### b) Operating leases

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

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Payable:				
- Within 1 year	80,918	79,312	41,149	41,948
- Within 2 to 5 years	250,300	254,183	121,941	126,471
- After 5 years	346,884	402,992	164,767	191,266
	<b>678,102</b>	<b>736,487</b>	<b>327,857</b>	<b>359,685</b>

Included in the operating lease commitment of the Company is \$7.5 million (2004: \$11.0 million) which is contracted on behalf of a subsidiary.

## 32 Contingencies

In June 2003, Singapore Telecommunications Limited ("SingTel") brought a legal action against StarHub Cable Vision Ltd. ("SCV") to seek damages against SCV for having transmitted cable services to certain buildings which SingTel claim is prohibited under a network lease agreement.

In April 2005, the High Court of Singapore adjudged that SCV had breached the network lease agreement, but SingTel cannot recover damages due to an exclusion of liability provisions in the agreement. SingTel filed an appeal against the High Court's decision and on 6 February 2006, the Court of Appeal allowed SingTel's appeal to recover damages. The amount of damages is subject to SingTel's ability to prove its loss and is to be assessed by the Court at a later hearing.

Disclosure of the information usually required by FRS 37 Provisions, Contingent Liabilities and Contingent Assets is not made so as not to prejudice the ongoing legal proceedings.

## 33 Subsequent Events

- Subsequent to year end, an amount of \$99,999,998 due from a subsidiary was capitalised into 99,999,998 ordinary shares of \$1 each in the subsidiary's share capital, and these ordinary shares were issued and allotted to the Company.
- The directors have proposed a final dividend of \$0.025 per share, tax exempt (one-tier), totalling \$53.4 million in respect of the financial year ended 31 December 2005. This proposed final tax exempt dividend has not been recognised as at year end and will be submitted for shareholders' approval at the forthcoming Annual General Meeting of the Company in 2006.
- Share capital

On 30 January 2006 when the Companies (Amendment) Act 2005 came into effect:

- the concepts of par value and authorised share capital were abolished; and
- the amount standing to the credit of the Company's share premium account became part of the Company's share capital.

## 34 Comparative Information

Certain comparatives in the financial statement have been changed from the previous year due to the changes in accounting policies as described in note 27 and to be consistent with the current year presentation.

# Shareholding Information

As at 6 March 2006

Issued and fully paid-up capital : S\$875,496,000.35  
 Class of shares : Ordinary share  
 Voting rights : One vote per share

## Distribution of shareholdings

Size of holdings	No. of shareholders	%	No. of shares	%
1 – 999	339	5.34	145,552	0.01
1,000 – 10,000	5,052	79.60	19,248,961	0.90
10,001 – 1,000,000	939	14.79	32,637,769	1.52
1,000,001 and above	17	0.27	2,087,403,806	97.57
Total	6,347	100.00	2,139,436,088	100.00

## Substantial shareholders

	Number of shares		%
	Direct Interest	Deemed Interest	
Temasek Holdings (Private) Limited	–	1,218,888,079 <sup>(1)</sup>	56.97
Singapore Technologies Telemedia Pte Ltd	–	1,053,343,142 <sup>(2)</sup>	49.23
STT Communications Ltd	1,053,343,142	–	49.23
MediaCorp Pte. Ltd.	162,739,937	–	7.61
NTT Communications Corporation	218,260,650	–	10.20

### Notes:

<sup>(1)</sup> Temasek Holdings (Private) Limited is deemed to have an interest in 1,218,888,079 shares of StarHub held by MediaCorp Pte. Ltd., Singapore Technologies Telemedia Pte Ltd group of companies, SNP Corporation Ltd and DBS Group Holdings Limited group of companies.

<sup>(2)</sup> Singapore Technologies Telemedia Pte Ltd is deemed to have an interest in 1,053,343,142 shares held by STT Communications Ltd.

# Shareholding Information

As at 6 March 2006

## Twenty largest shareholders

No.	Name of shareholder	Number of shares held	%
1	STT Communications Ltd	1,053,343,142	49.23
2	NTT Communications Corporation	218,260,650	10.20
3	DBS Nominees Pte Ltd	187,016,602	8.74
4	MediaCorp Pte. Ltd.	162,739,937	7.61
5	DBSN Services Pte Ltd	131,340,810	6.14
6	Citibank Nominees Singapore Pte Ltd	106,732,086	4.99
7	HSBC (Singapore) Nominees Pte Ltd	78,735,083	3.68
8	Raffles Nominees Pte Ltd	63,818,100	2.98
9	United Overseas Bank Nominees Pte Ltd	35,784,867	1.67
10	Singapore Press Holdings Limited	16,432,465	0.77
11	Morgan Stanley Asia (Singapore) Pte Ltd	14,040,000	0.66
12	DB Nominees (S) Pte Ltd	12,026,000	0.56
13	Steven Terrell Clontz	1,735,002	0.08
14	Merrill Lynch (Singapore) Pte Ltd	1,485,000	0.07
15	The Asia Life Assurance Society Ltd-Par Fund	1,400,000	0.07
16	Macquarie Securities (S) Pte Ltd	1,268,012	0.06
17	DBS Vickers Securities (Singapore) Pte Ltd	1,246,050	0.06
18	Royal Bank of Canada (Asia) Ltd	815,000	0.04
19	OCBC Securities Private Ltd	733,000	0.03
20	Nomura Singapore Limited	711,000	0.03
Total		2,089,662,806	97.67

## Shareholding held in hands of the public

Based on the information available to StarHub as at 6 March 2006, approximately 32.73% 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

(Incorporated in the Republic of Singapore)

Co. Reg. No. 199802208C

## Notice of Eighth Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of the Company will be held at Meritus Mandarin Singapore, Mandarin Ballroom III, 6th Floor – South Tower, 333 Orchard Road, Singapore 238867 on 26 April 2006 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 2005 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 Osamu Inoue  | Resolution 3  |
|   | b) Mr Tan Guong Ching  | Resolution 4  |
|   | c) Mr Lee Theng Kiat   | Resolution 5  |
|   | d) Mr Steven Terrell Clontz  | Resolution 6  |
| 4 | To re-elect Mr Robert J. Sachs, who will retire pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.   | Resolution 7  |
| 5 | To approve the sum of S\$685,452 as Directors' Fees for the year ended 31 December 2005 (2004: S\$322,982).  | Resolution 8  |
| 6 | To declare a final dividend of 2.5 cents per ordinary share, tax exempt (one-tier) for the financial year ended 31 December 2005.  | Resolution 9  |
| 7 | To re-appoint KPMG as Auditors of the Company and authorise the Directors to fix their remuneration.   | Resolution 10 |

### Special Business

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

- |   |  |               |
|---|--|---------------|
| 8 | That authority be and is hereby given to the Directors to:   | Resolution 11 |
|   | 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 shares in the capital of the Company (as calculated in accordance with subparagraph 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 shares in the capital of the Company (as calculated in accordance with subparagraph 2 below); |               |

# StarHub Ltd

(Incorporated in the Republic of Singapore)  
Co.Reg.No. 199802208C

## Notice of Eighth Annual General Meeting

### Special Business (continued)

- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under subparagraph 1 above, the percentage of issued shares shall be based on the number of issued shares in the 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 allot and issue from time to time such number of ordinary shares 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 12
- 10 That approval be and is hereby given to the Directors to: Resolution 13
- 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 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 number of issued shares in the 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 Lal Kwai-Yi  
Company Secretary

Singapore  
3 April 2006

# StarHub Ltd

(Incorporated in the Republic of Singapore)  
Co. Reg. No. 199802208C

## Notice of Eighth Annual General Meeting

### 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 11

Resolution 11 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 a number not exceeding in total 50% of the issued shares in the 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 shares shall be based on the number of issued shares in the capital of the Company at the time that Resolution 11 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 11 is passed, and (b) any subsequent consolidation or subdivision of shares.

#### Resolution 12

Resolution 12 is to empower the Directors to issue shares in the capital of the Company pursuant to the exercise of options granted under the StarHub Pte Ltd Share Option Plan.

#### Resolution 13

Resolution 13 is to empower the Directors to offer and grant options 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 total number of issued shares in the 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.

### Notice of Books Closure and Final Dividend Payment Date

Notice is hereby given that, subject to the approval of the shareholders to the final dividend being obtained at the Eighth Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed on 5 May 2006 ("Books Closure Date") for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's share registrar, M & C Services Private Limited, 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906 up to the close of business at 5.00 p.m. on 4 May 2006 ("Entitlement Date") will be registered to determine members' entitlements to the final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Entitlement Date will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 18 May 2006.

# StarHub Ltd

(Incorporated in the Republic of Singapore)  
Co. Reg. No. 199802208C

## Proxy Form

Eighth Annual General Meeting

I/We, \_\_\_\_\_ (NRIC/Passport/Co. Reg. No.) \_\_\_\_\_

of \_\_\_\_\_ (Address)

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 Wednesday, 26 April 2006 at 9.00 a.m. at Meritus Mandarin Singapore, Mandarin Ballroom III, 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 Osamu Inoue as Director		
4. To re-elect Mr Tan Guong Ching as Director		
5. To re-elect Mr Lee Theng Kiat as Director		
6. To re-elect Mr Steven Terrell Clontz as Director		
7. To re-elect Mr Robert J. Sachs as Director		
8. To approve Directors' Fees		
9. To declare Final Tax-exempt (one-tier) Dividend		
10. To re-appoint KPMG as Auditors and to authorise the Directors to fix their remuneration		
<b>Special Business</b>		
11. To authorise Directors to allot and issue shares		
12. To authorise Directors to allot and issue shares pursuant to exercise of options granted under the StarHub Pte Ltd Share Option Plan		
13. To authorise Directors to offer/grant options and/or grant awards and allot and issue shares pursuant to the StarHub Share Option Plan 2004, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Total Number of  
Shares Held

\_\_\_\_\_  
Signature(s) or Common Seal of members

3rd fold here & fold flap

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. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
- 2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. 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 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.
- 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 appointor 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)  
KUA Hong Pak  
Peter SEAH Lim Huat  
LEE Theng Kiat  
LIM Ming Seong  
LIM Chin Beng  
Osamu INOUE  
TEO Ek Tor  
Nihal Vijaya Devadas KAVIRATNE  
LIU Chee Ming  
Robert J. SACHS  
SIO Tat Hiang (Alternate to Peter SEAH Lim Huat)  
Stephen Geoffrey MILLER (Alternate to LEE Theng Kiat)  
Tadashi IMACHI (Alternate to Osamu INOUE)

### 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

### Registration Number

199802208C

### Registered Address

51 Cuppage Road  
#07-00 StarHub Centre  
Singapore 229469  
Tel : (65) 6825 5000  
Fax : (65) 6721 5000

### 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: Phillip LEE  
(appointed w.e.f. 1 January 2005)

### 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**

Reg. No.: 199802208C

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