StarHub

Hubbing is The Star

Annual Report 2006

CONTENTS

01 Star Transformation
02 Star Attraction
04 Star Factor
06 Star Value
08 StarHub at a Glance
10 Financial Highlights
12 Chairman's Message
16 Board of Directors
20 Senior Management's Message
24 Senior Management
26 Operations Review
40 Corporate Social Responsibility
42 Investor Relations
44 Group Financial Review
48 Corporate Governance
61 IPT Disclosure & Material Contracts
62 Directors' Particulars
65 Financial Statements
122 Shareholding Information
124 Notice of Ninth Annual General Meeting
127 Proxy Form
IBC Corporate Information

Hubbing is the star differentiator

As a fully integrated info-communications and entertainment company with 'quadruple services' – mobile, cable TV, broadband and fixed – our customers are connected to a seamless lifestyle; efficiently and reliably.

Each StarHub customer is a Hub; an individual who lives his life richly by playing different roles at any one time. In each role, he, as a Hub, is enjoying different passions and experiences, and interacting with all that is around him. StarHub is there with him, delivering the services that he demands, to live the life that he loves best.

Mobile

Mobile services is the largest source of revenue, accounting for 51% of our total revenue mix. It continues to be the most profitable line of business and the biggest contributor to our total EBITDA

Less churn

The significant subscription discounts for triple services customers keep them happy and encourage them to stay with us

Cost efficiency

Marketing and promotion costs are kept low through advertising multiple products in our advertisements, thus maximising return on our marketing expenditure

Fixed Network

Plays a key supporting role - shouldering the connectivity and providing the bandwidth for the other three lines of business so that they are able to function with greater competitiveness and efficiency

Hubbing

Cable TV

13 new channels were added in 2006, bringing the total number of channels on the digital platform to 95. We also launched more innovative services like Smart TV and FlexiWatch

Increased ARPU

Triple services households' growth is outpacing our new household growth, which means that existing households continue to take up more of StarHub's services, which in turn leads to greater ARPU

Cross selling

Our centralised retention and rewards programmes help keep our costs down when we upsell to existing customers

Broadband

Residential broadband service maintained its position as the fastest-growing line of business in 2006. We are the first in the world to launch a nationwide commercial 100Mbps residential broadband service

HUBBING IS THE

Star Attraction

It is the integrated power of Hubbing that attracts people and empowers every area of life with information, communications and entertainment

page 02

Star Factor

It is the ability to get so much out of one provider that gives us the leading edge in this competitive market

page 04

Star Value

Hubbing brings together an integrated model that returns even greater value in your investment

page 06

Star Transformation BEFORE AND AFTER Hubbing.

StarHub has grown tremendously with strong results for Hubbing.

Since the integration of our four services, the Company experienced rapid growth in revenue and customers (2006 over 2001):

132% growth for operating revenue

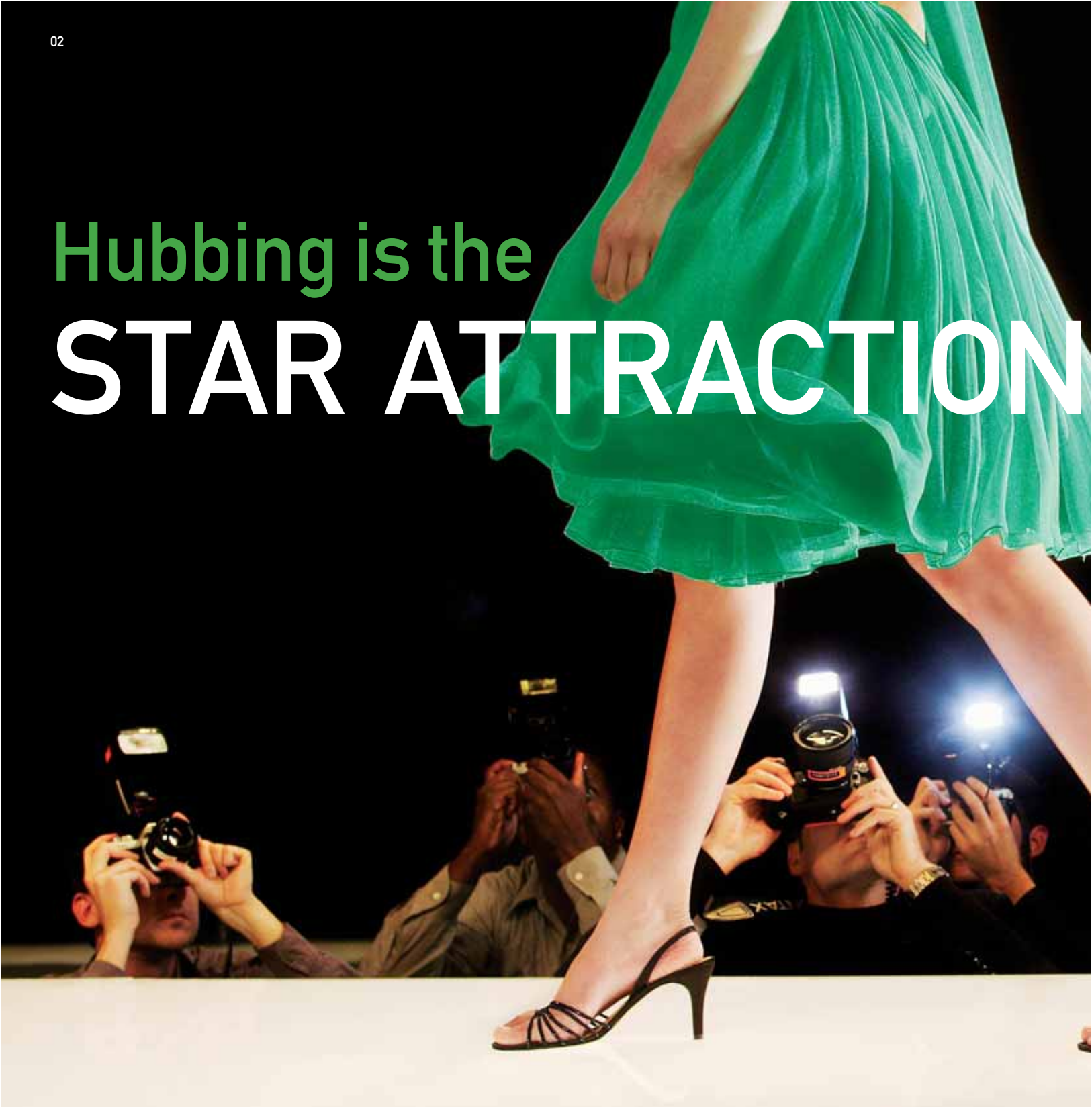
$709 million of EBITDA turnaround

1.08 million mobile customers added

184,000 households joined cable TV base

306% increase in the broadband base

Hubbing is the STAR ATTRACTION



Impressive number of Hubbing households

With the power of Hubbing, households subscribing to triple services have grown a phenomenal 72% between January 2005 and December 2006, with steady growth registered throughout the eight quarters. The number of households subscribing to at least one StarHub service has also leapt from 674,000 to 743,000.

Higher proportion of households subscribing to multiple services

The convenience of Hubbing is evident from the steady increase in proportion of households subscribing to double and triple services. From 2005 to 2006, the percentage of households subscribing to all three StarHub services surged from 11.6% to 18.1%, and for double services households, the proportion also increased from 30.8% to 32.6%.

Strong growth in households ARPU

In our recent study, we saw strong growth in our Hubbing households ARPU. For example, a 5% growth was recorded in the total households ARPU in 4Q2006 over 4Q2005. Triple services Hubbing ARPU was three times more than a single service household.

1 person, 3 services

Households Hubbing index '000

Proportion of households subscribing to single, double and triple services

Hubbing leads to strong growth in triple services.

Hubbing is the STAR FACTOR

Mobile customer base and ARPU remain strong with low churn

Mobile services have seen an uptake from 2005 in both pre-paid and post-paid services, with a jump from 1.16 million customers beginning 2005 to 1.54 million end 2006. Post-paid ARPU remains steady at $71 while pre-paid ARPU increased 13% to $27. The average monthly churn rate of post-paid customers has remained low even in the competitive environment.

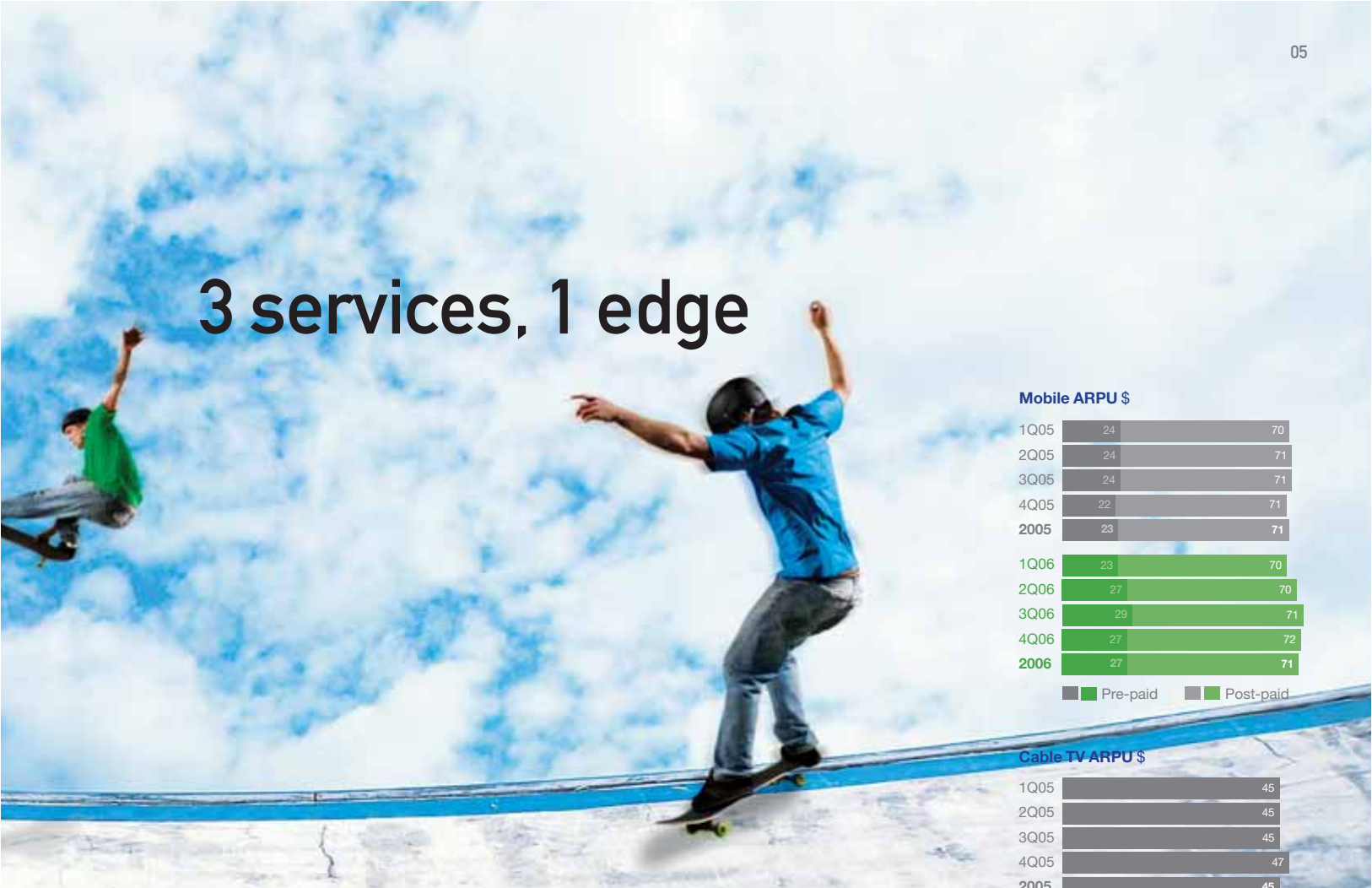
Strong Cable TV customer base and ARPU with low churn

Cable TV customers grew phenomenally especially digital tier customers, from just 53,000 beginning 2005 to 322,000 end 2006, bringing the total growth for analogue and digital customers from 412,000 to 487,000. The ARPU rose $3 from $45 in 2005 to $48 in 2006. The churn rate was at 1.0% in 2006.

Steady increase in Broadband customer base and ARPU with low churn

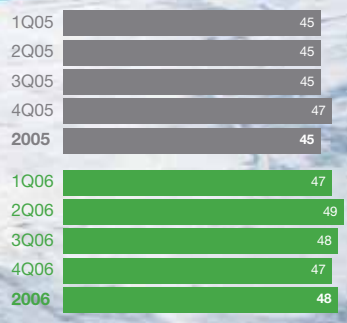
Broadband services customer base has experienced a steady increase from 215,000 customers beginning 2005 to 325,000 at end 2006. The ARPU has also gained $2 from $57 in 2005 to $59 in 2006. The churn rate has remained constantly low between 2005 to 2006.

3 services, 1 edge

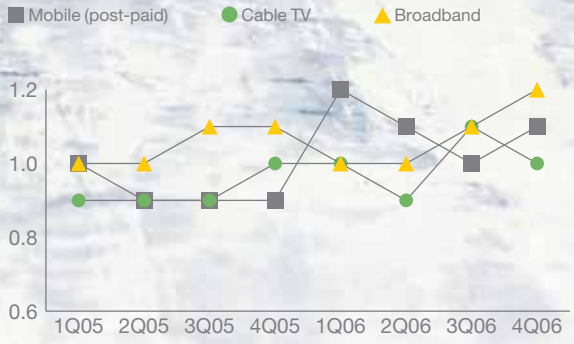


Mobile ARPU $

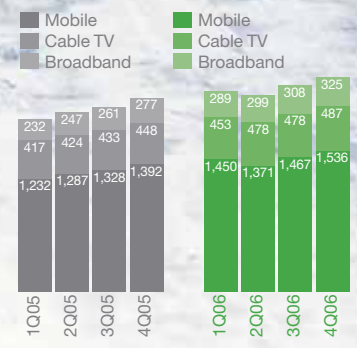
Cable TV ARPU $



Churn rate %



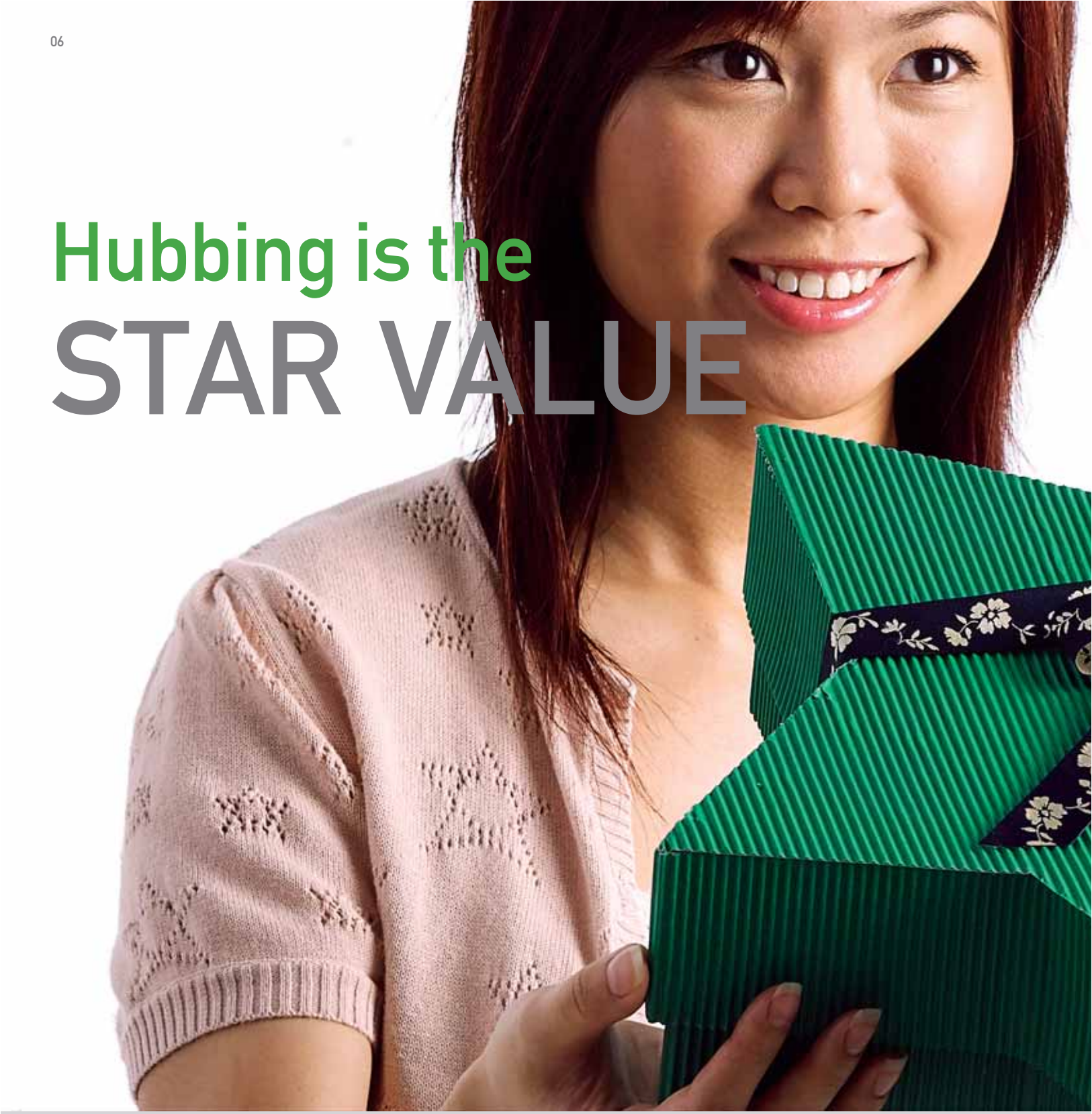
Customer base '000



Broadband ARPU $

Hubbing gives the power to sustain our competitive edge.

Hubbing is the STAR VALUE



Continued improvement in earnings per share

Since StarHub turned profitable in 2005, we continued to see better quarterly earnings per share in 2006. From full-year earnings per share of $0.1041 in 2005, StarHub continued our profitability growth to achieve an earnings per share of $0.1760 for 2006, an improvement of 69%.

Greater dividend returns

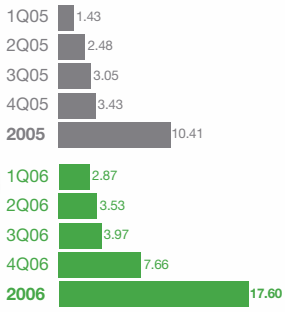
StarHub kept to our commitment to return surplus cash to shareholders with consistent quarterly dividends since the issuance of our first dividend in 2Q2005. A final dividend of 3.5 cents per share was recommended for 4Q2006, bringing the total to 11.5 cents for 2006.

Capital reduction to benefit shareholders

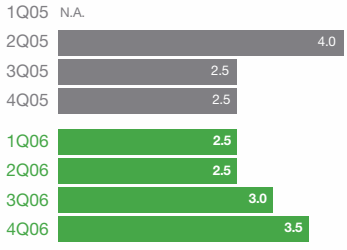
Besides the quarterly dividends, this year, we also paid $656 million to our shareholders as a result of the capital reduction exercise. One out of every seven issued shares was cancelled in exchange for $2.13 per cancelled share. A total of 308 million shares were cancelled.

1 edge, multiple returns

EPS (Basic) cents



Dividend cents



Hubbing delivers shareholder value.

STARHUB AT A GLANCE

A FULLY INTEGRATED INFO-COMMUNICATIONS AND ENTERTAINMENT COMPANY

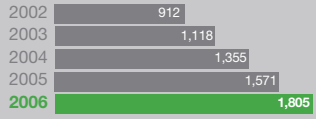
StarHub Today

Key facts

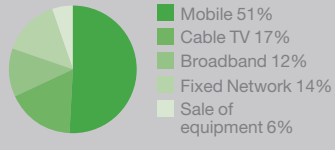
Singapore's second largest info-communications company and the sole operator delivering a full range of information, communications and entertainment services over mobile, cable, broadband and fixed platforms. This enables us to offer a 'quadruple play' of services.

StarHub operates a 3G mobile network in addition to our GSM network. We also operate our own nation-wide Hybrid Fibre Coaxial (HFC) network that delivers multi-channel cable TV services (including Digital Cable and High Definition Television), voice and up to 100Mbps Internet access speed for the residential market. StarHub also runs an over 2,000 kilometres fibre network providing a wide range of services like voice, data and Internet for corporate customers.

Total revenue $m



Revenue mix



Mobile

Customer base (million)

1.54

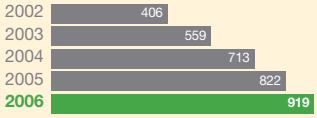
Year-on-year revenue growth

$919m +12%

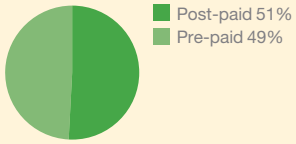
Key facts

- The largest source of revenue, accounting for 51% of StarHub's total revenue mix
- Most profitable line of business and the biggest contributor to total EBITDA
- Registered double-digit growth in both revenue and customer base
- Highly focused on maintaining profitable growth and does not subscribe to measures which would inevitably decrease the value of the market as a whole

Revenue $m



Post-paid and pre-paid customers



Cable TV

Customer base (households)

487,000

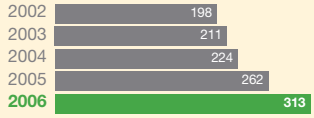
Year-on-year revenue growth

$313m +19%

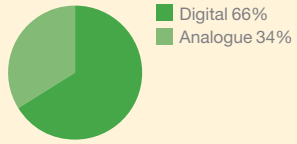
Key facts

- 13 channels were added to bring the total number of channels on the digital platform to 95
- Rolled out Smart TV and FlexiWatch
- Signed a new three-year contract for the broadcast rights for the EPL on TV, mobile and online platforms
- Launched commercial HDTV service in January 2007 - first operator in Southeast Asia to do so

Revenue $m



Digital and analogue customers



Broadband

Customer base (households)

325,000

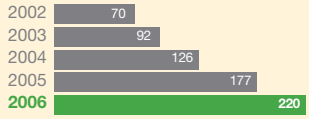
Year-on-year revenue growth

$220m +24%

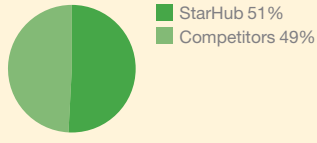
Key facts

- Maintained its position as the fastest-growing line of business
- All MaxOnline customers received free speed boosts
- First in the world to launch a nationwide commercial 100Mbps residential broadband service
- Launched a content collaboration programme called Velocity that offers better usage experience to our broadband customers with locally hosted content

Revenue $m



Residential broadband share



Fixed Network

Infrastructure (fibre kilometres)

2,000

Year-on-year revenue growth

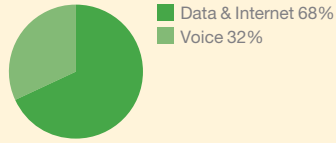
$260m +17%

Key facts

- Plays a key support role; shouldering the connectivity and providing the bandwidth for the other three lines of business
- Rise in revenue mainly driven by the growth in Data & Internet
- Data & Internet continues to contribute to the lion's share of the overall Fixed Network revenue, accounting for 68% of the mix
- Over 2,000 fibre kilometres in Singapore

Revenue $m

Fixed Network revenue mix



FINANCIAL HIGHLIGHTS

Key financial trends

In $m	2002 Restated [2]	2003 Restated [2]	2004 Restated [2]	2005	2006
Operating revenue	912	1,118	1,355	1,571	**1,805**
Mobile	406	559	713	822	**919**
Cable TV	198	211	224	262	**313**
Broadband	70	92	126	177	**220**
Fixed Network	203	213	225	222	**260**
Service revenue	877	1,075	1,287	1,483	**1,712**
Profit/(Loss)					
From operations	(268)	(131)	(17)	256	**361**
Before tax [1]	82	(54)	(30)	248	**353**
Attributable to shareholders	103	(47)	(55)	221	**360**
EBITDA [3]	46	202	323	460	**575**
EBITDA as a % of service revenue	5%	19%	25%	31%	**34%**
Free cash flow	(173)	43	118	257	**334**
Per share (cents)					
Earnings/(Loss) – Basic	5.1	(2.2)	(2.6)	10.4	**17.6**
Net asset	44.8	42.6	40.5	45.7	**26.3**

Current year performance

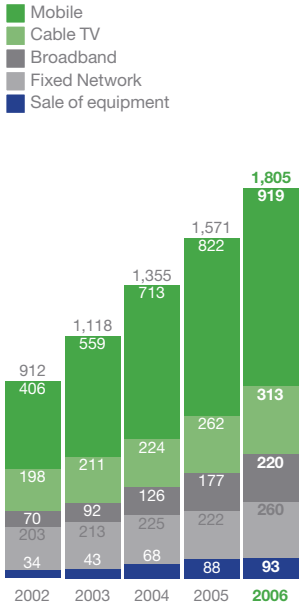
In $m	2005	2006
Operating revenue	1,571	**1,805**
– 1st half	757	**871**
– 2nd half	813	**934**
Profit attributable to shareholders	221	**360**
– 1st half	83	**137**
– 2nd half	138	**223**
EBITDA [3]	460	**575**
Free cash flow	257	**334**

[1] Includes Net other income of $1.08 billion compensation received from IDA, which was recognised over three years from April 2000.
[2] Certain figures in FY2002 – FY2004 have been restated due to adoption of FRS102 - Share-Based Payments.
[3] EBITDA is defined as profit from operations adding back depreciation, amortisation and accretion of assets grant.

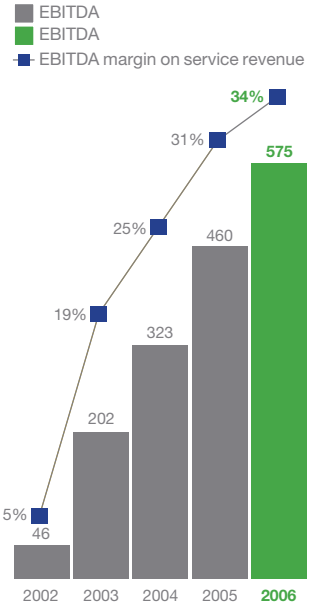
Highlights and achievements

- Operating revenue grew 15% for the year. Broadband registered the highest revenue growth at 24% while mobile revenue, the largest revenue contributor at 51% grew 12% YoY
- The strong revenue performance and a lower increase in variable cost of sales and cash operating expenses resulted in EBITDA expanding 25% to $575.3 million, recording a 33.6% margin on service revenue
- This drove profit from operations to increase 41%. Profit attributable to shareholders was further lifted by a tax credit to result in a 63% increase YoY to $360.2 million

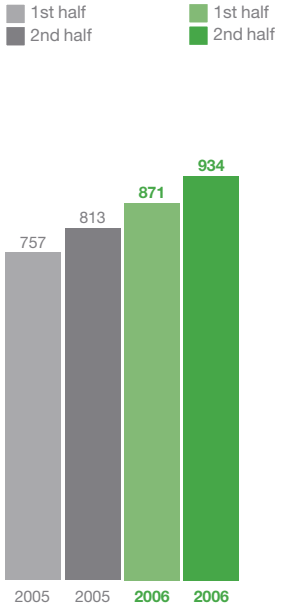
Operating revenue $m



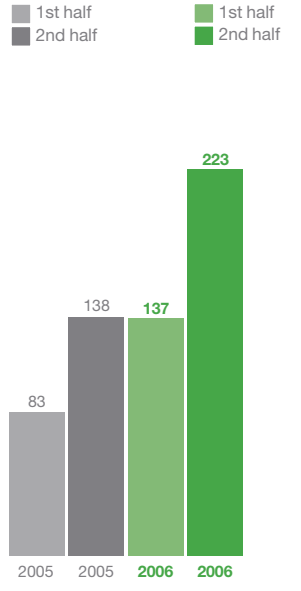
EBITDA $m



Operating revenue $m



Profit attributable to shareholders $m



CHAIRMAN'S MESSAGE

CONTINUED PROFITABLE GROWTH

'Despite the challenges, we stayed true to our focus of growing revenue in tandem with increasing profitability, while delivering value to our shareholders… registering double-digit growth in all lines of business.'

Chairman, Tan Guong Ching

Dear Shareholders,

2006 was another sterling year for StarHub as we maintained our strong momentum of profitable growth although operating in a very competitive market. This year, there was increased competition with aggressive price cutting from competitors, the entry of new pay TV providers and a highly penetrated mobile market which crossed the 100% penetration threshold.

Robust revenue growth on all fronts

Despite the challenges, we stayed true to our focus of growing revenue in tandem with increasing profitability, while delivering value to our shareholders. We registered double-digit growth in all lines of business, driven by robust customer growth and vigorous Average Revenue Per User (ARPU). Group revenue grew by 15% to set a new record of $1,804.8 million.

Mobile penetration in Singapore reached 103.4% at the end of the year. The matured market naturally accounted for a slower growth; post-paid lines only increased 4% year-on-year. Even in this tough environment, StarHub Mobile delivered a strong performance in 2006, registering 12% and 10% growth in revenue and customer base respectively. StarHub's focus on the expanding pre-paid business also paid off, garnering the majority of net adds (41%) for the year and growing its ARPU ($27) significantly.

Cable TV faced a different challenge – the end of its 10-year-old sole provider status and the entry of new pay TV providers. But it defended its turf with increased vivacity. Revenue surged 19% to hit a new high of $313.2 million in 2006. This was driven by a 9% expansion in customer base coupled with a 6% improvement in ARPU. Digital customers, the lynchpin behind generating greater ARPU, grew from 44% of total customer base in 2005 to 66% this year. For the very first time, the cable TV business became profitable in 2006.

Broadband continued to be the fastest growing business for StarHub, growing its revenue by 24% and customer base by 17%. This year saw competitive price cutting in the industry. We focused on providing more value to our customers, including increasing their access speeds at no additional cost. We completed the upgrade of our cable network to the next-generation DOCSIS 3.0® Standard which enabled us to be the first in the world to launch a nationwide 100Mbps residential broadband service. We now have a wider edge, with four times the download speed of our nearest competitor.

Fixed Network has always played an important supporting role, supplying bandwidth and connectivity for the other three lines of business, so that they can operate with greater efficiency. But it is also a revenue generator in its own right and this year it pulled its own weight, registering a 17% increase in revenue mainly because of the strong performance in Data and Internet services.

Maintaining profitable growth

While 2005 will never be forgotten as our inaugural year of profitability, 2006 is best remembered for our success in carrying the momentum forward. Profit from operations outpaced our own revenue growth by about three-fold, growing 41% to hit a record high of $361.4 million for the year while net profit after tax rose 63% to $360.2 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) also registered good growth, rising 25% to reach $575.3 million. We also continued to improve on our EBITDA margin, which is the ratio of EBITDA to service revenue, growing 260 basis points to 33.6%.

The strong profitability was driven by steady increases in revenue combined with more efficient operations. Cost of sales as a percentage of operating revenue remained

Profit from operations $m

Profit from operations outpaced our own revenue growth, growing 41% to hit a record high of $361.4 million

Net profit after tax $m

Net profit after tax rose 63% to $360.2 million

$575m

EBITDA also registered good growth, rising 25% to reach $575.3 million

CHAIRMAN'S MESSAGE

'We continue to deliver value to our shareholders by distributing our cash surplus. This year we returned an estimated $940 million back to our shareholders.'

relatively unchanged at 31% compared to 32% last year while the ratio of other operating expenses as a percentage of revenue fell by three percentage points to 49%. StarHub also continued to maintain a robust capital structure, reducing its capital expenditure as a percentage of operating revenue by 210 basis points this year to $247.6 million.

Hubbing gives us an edge

Hubbing continues to be our competitive strategy in improving customer retention and increasing ARPU through cross-selling of services. This year, the total number of households which subscribed to at least one StarHub service continues to grow by 5% but the number of households that subscribed to all three services – mobile, broadband and cable TV – rose three percentage points to 18.1% of the total StarHub households. Our studies have consistently shown that the triple services Hubbing ARPU is three times more than a single service household ARPU. Triple services households are also less likely to churn. In the case of a household taking only broadband service, the churn rate was as high as 120 basis points more when compared to a triple services Hubbing household.

Giving back to shareholders

With our profitable growth, free cash flow increased 30% to $333.9 million. We continue to deliver value to our shareholders by distributing our cash surplus. This year, we returned an estimated $940 million back to our shareholders through our quarterly dividend payouts and a one-off capital reduction exercise. In the beginning of 2005, we announced that we would be paying minimum annual dividends of eight cents per share. We paid nine cents in 2005 and this year we paid 11.5 cents. This year, we also paid $655.7 million to our shareholders as a result of the capital reduction exercise which saw the cancellation of one out of every seven issued shares in the Company, in exchange for $2.13 for every cancelled share. A total of 308 million shares were cancelled as a result of the exercise.

Outlook for 2007

For 2007, we are expecting revenue growth to moderate as various markets, especially the mobile market, continue to mature. While mobile penetration has crossed the 100% penetration mark, there is still opportunity for growth in the pre-paid business, which has been growing significantly while the post-paid market slowed. Future ARPU increases should come from Data and Internet services as we continue to focus on our 3G and i-mode® services. In 2007, we will also be deploying our 3.5G network called High Speed Download Packet Access (HSDPA) which will boost data speeds up to 14.4Mbps over time. The increase in speed will pave the way for better enjoyment of various services like video streaming, gaming and downloads, which in turn increases usage by consumers.

In broadband, StarHub has built a technology leadership over its competition with its upgrade to the DOCSIS 3.0 Standard, which enabled us to launch our 100Mbps service. Moving forward, the DOCSIS 3.0 technology is able to scale to even higher speeds, while rival ADSL-based technology has largely been restricted to 25Mbps for now. Our speed leadership gives us an edge over our competitors and we will be rolling out new services to take full advantage of this. In February 2006, the Singapore government announced that it would develop a new national broadband network which offers ultra-high speed access, connecting all homes, schools and businesses in Singapore.

Cable TV will continue to see more competition with the liberalisation of the pay TV market. We will continue to focus on offering greater choice of quality content and more features that lets our customer view their favourite programmes more flexibly. In November, we won the broadcast rights for the next three seasons of the Barclays English Premier League (EPL), commencing from the 2007/2008 season, for the Singapore market. The EPL rights will give us broadcast rights to as many as 380 EPL matches on three platforms – cable TV, mobile and online. Our commercial launch of High Definition TV (HDTV) service, the first in Southeast Asia, with its crystal clear picture quality and 5.1 surround sound in January 2007, marks another milestone for us as we bring the next frontier of TV to our customers.

Appreciation

It is with a heavy heart that we bid farewell to our Chief Operating Officer, Yong Lum Sung, who left the Company at the end of the year to pursue his personal interests. Lum Sung joined StarHub in July 2002 following the merger of Singapore Cable Vision and StarHub, and was instrumental in managing the integration of the operations of both companies. Under his leadership, the Company has performed well during the past four years since the merger. He has also helped to build for StarHub a solid reputation for delivering reliable service and a responsive customer care organisation. We thank him for his contributions to the Company and wish him all the best in his future endeavours.

We would also like to extend our appreciation to our stakeholders, customers, business partners and suppliers for their continued support. Last but not least, to the Management and StarHubbers – for their hard work and dedication and more importantly, for their zeal and belief that together as a team, StarHub can achieve its vision to be Singapore's first choice for information, communications, and entertainment services.

Tan Guong Ching
Chairman

BOARD OF DIRECTORS

A BALANCED BOARD

1

2

3

4

5

6

1. 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 2006. He is also the Chairman of Singapore Technologies Telemedia Pte Ltd (ST Telemedia), STT Communications Ltd (STT Communications), Asia Mobile Holdings Pte. Ltd., Singapore Technologies Aerospace Ltd and Temasek Life Sciences Laboratory Limited. 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.

2. 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 2006. 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 and CEO of IPC Information Systems Inc., based in New York. Prior to that, Mr Clontz has held senior executive positions at BellSouth International. He was President of BellSouth Asia Pacific between 1991 and 1994. Mr Clontz holds a Bachelor of Science (Physics Major) from the University of North Carolina, USA.

3. Kua Hong Pak, Independent Director, Chairman of Audit Committee

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 has served as President and Chief Executive Officer 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 the Harvard Business School.

4. Peter Seah Lim Huat, Non-Executive Director, Chairman of Executive Resource & Compensation Committee and Nominating Committee

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 and CEO and a Director of Singapore Technologies Pte Ltd from December 2001 to December 2004. Mr Seah holds a Bachelor of Business Administration (Honours) from the former University of Singapore.

5. Nihal Vijaya Devadas Kaviratne CBE, Independent Director, Chairman of Strategy Committee

Mr Nihal Vijaya Devadas Kaviratne CBE was appointed to our 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 and sustainable development 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 the Harvard Business School.

6. 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 2006. He joined the former Singapore Technologies (ST) group of companies in 1985 and has held various senior level positions overseeing the group's legal and strategic business development. Mr Lee is currently the President and CEO of ST Telemedia and STT Communications. Under his leadership, ST Telemedia has evolved into a significant info-communications company with operations and investments in Asia Pacific, America and Europe. Prior to joining the ST group, Mr Lee has served in the Singapore Legal Services for more than eight years. He holds a Bachelor of Laws (Honours) from the former University of Singapore.

BOARD OF DIRECTORS

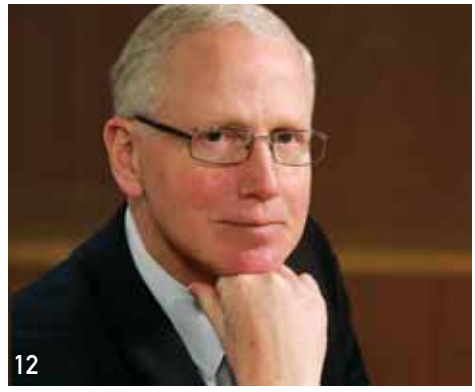
7

8

9

10

11


12

7. 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 Group 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 Advance Management Programs conducted by INSEAD and the Harvard Business School.

8. 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 2006. He is the Chairman of The Ascott Group Limited and CapitaLand 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.

9. Osamu Inoue, Non-Executive Director

Mr Osamu Inoue was appointed to the Board on 25 June 2003 and was last re-elected on 26 April 2006. 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.

10. 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.

11. 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.

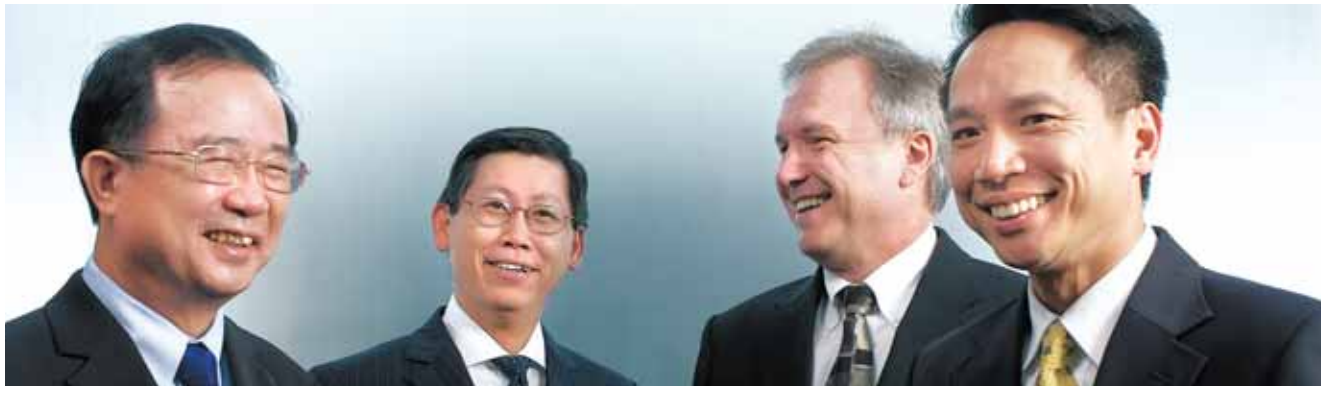
12. Robert J. Sachs, Independent Director

Mr Robert J. Sachs was appointed to the Board on 29 April 2005 and was last re-elected on 26 April 2006. He is a Principal of Continental Consulting Group, LLC and a Director of Global Crossing Limited. Mr Sachs has more than 27 years of extensive experience in the cable television industry. He was President and CEO of the National Cable & Telecommunications Association from August 1999 until March 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 the legislative staff of US Senator Charles Goodell and thereafter as a consultant to the White House Office of Telecommunications Policy. He was 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 the Georgetown University, USA.

SENIOR MANAGEMENT'S MESSAGE

SEEKING PROFITABLE GROWTH

Senior Management team:
Left to right:
Top row: David Storrie, Kwek Buck Chye, Terry Clontz
Middle row: Tham Loke Kheng, Thomas Ee
Bottom row: Alex Siow, Philip Tan, Mike Reynolds, Chan Kin Hung



This was truly another dynamic year for the info-communications industry in Singapore. For StarHub, it was another good year of double-digit growth.

Mobile phone penetration crossed the 100% threshold in March. It fell below 100% in mid-year at the end of the national registration of all pre-paid customers, which concluded with a smaller pre-paid base as all unregistered accounts were deactivated. However, the active base of pre-paid mobile accounts continued to grow, such that by year-end, mobile penetration had achieved a new high of 103%.

Pay TV penetration reached 43%. Football enthusiasts were treated to a glorious season of World Cup surprises as Italy clinched the 2006 FIFA World Cup™. About 1,000 World Cup fans got a taste of the next-frontier in television with the trial of StarHub's HDTV service.

The residential broadband market continued to expand rapidly, ending the year at 63% penetration. The Singapore Government announced in February that it would help develop a new national broadband network that would offer speeds as high as 100Mbps within three years, and up to 1Gbps speeds in five years. In December, consumers began to get a taste of the ultra-fast speeds, as 100Mbps download speeds were offered over StarHub's DOCSIS 3.0 platform.

Strong, steady and profitable growth

StarHub performed well, delivering solid results and registering double-digit revenue growth across each of its four lines of business. Group revenue grew by 15% to $1,804.8 million, and net income grew by 63% to $360.2 million. Our Hubbing strategy continued to be a key differentiator, helping to drive an expanding and loyal customer base. By year-end, over 50% of customer households were subscribing to multiple services.

Mobile

Despite high market penetration, StarHub's mobile revenue for the year grew 12%, registering a new record of $919.1 million, on the strength of a 10% increase in our mobile customer base to 1.54 million and strong ARPUs. The growth came mainly from the pre-paid business, which expanded 35% in revenue to $214.8 million. Post-paid Mobile increased by 6% to $704.3 million. ARPU for post-paid customers remained constant at $71, while ARPU for pre-paid grew by an impressive 13% to hit $27.

In 2006, the contribution of non-voice services to post-paid ARPU grew 2.5 percentage points from 17.7% to 20.2%. Post-paid data traffic increased 1.6 times to 4,186GB, mainly due to more customers choosing unlimited mobile data plans. While the number of MMS messages for post-paid customers remained relatively unchanged in 2006, the average SMS use increased 43% to 185 SMS per user per month. The number of 3G customers increased from 52,000 in 2005 to 174,000. We now have our sights on launching StarHub's HSDPA services in 2007, which will boost the download speeds of 3G mobile data up to 14.4Mbps.

'Our Hubbing strategy continued to be a key differentiator, helping to drive an expanding and loyal customer base. By year-end, over 50% of customer households were subscribing to multiple services.'

Mobile revenue $m

Mobile revenue for the year grew 12%, registering $919.1 million from a year ago

Cable TV revenue $m

Cable TV revenue surged 19% to $313.2 million from a year ago

Broadband revenue $m

Broadband revenue hit $219.9 million, a 24% increase from a year ago

Fixed Network revenue $m

Fixed Network revenue jumped 17% to $259.5 million from a year ago

$1,805m

StarHub delivered solid results and registered double-digit revenue growth. Group revenue grew by 15% to $1,804.8 million, and net income grew by 63% to $360.2 million

SENIOR MANAGEMENT'S MESSAGE

'We will continue to strengthen the StarHub brand and achieve maximum leverage through an effective bundling and convergence quad-play that we call "Hubbing".'

Cable TV

Revenue from cable TV services surged 19% to hit a new high of $313.2 million in 2006. This was driven by a 9% expansion in customer base coupled with a 6% improvement in ARPU to $48. The total number of cable TV customers stood at 487,000 at the end of the year. Digital tier customers, who typically spend $10 more each month than their analogue counterparts, grew from 197,000 in 2005 to 322,000 this year, comprising 66% of the total cable TV customer base.

With more competition expected in the coming year, StarHub's strategy continues to be focused on offering high value content, more innovative services, greater viewing control, and customer service excellence. We launched Smart TV (digital video recorder and interactive TV service), introduced FlexiWatch (pre-paid cable TV service) and screened 'live' coverage of all the matches of the 2006 FIFA World Cup.

In 2006, 13 channels were added to bring the total number of channels carried on StarHub's digital platform to 95. We continued to deliver good value by expanding the number of channels in some groups without increasing subscription prices. In addition, we won the TV, mobile, and online rights to 'live' broadcasts of Barclays EPL for the next three seasons.

With HDTV service launched in January 2007, customers now have visually breathtaking content from National Geographic and Discovery channels. HDTV heralds a brand new experience in watching TV, with crystal clear wide-screen images and 5.1 surround sound.

Broadband

StarHub's residential broadband service continued to be the fastest-growing line of business in the Company, growing 24% to hit a new record of $219.9 million. This was driven by a 17% increase in the customer base to 325,000 and 3% ARPU growth to $59. The ARPU increase was mainly attributable to more customers subscribing to higher tier plans.

StarHub strengthened our service leadership with a network upgrade to the new DOCSIS 3.0 Standard in December. This upgrade enabled us to offer premium 100Mbps service, more than four times faster than speeds offered by any competitor. This placed StarHub and Singapore on the world map as the first to commercially roll out a residential 100Mbps service on a nationwide basis.

For all existing broadband customers, we provided upgrades for faster speeds at no additional charge. We also launched our innovative content collaboration program called Velocity. With more content hosted locally within our Velocity partners' data centres, user experience will improve substantially. StarHub allocates a higher access speed for our customers when they access Velocity hosted content. Velocity took off with a flying start this year and signed up companies like Yahoo! Southeast Asia. One of the hottest multiplayer online games in the world, AsiaSoft's Maple Story SEA is hosted on StarHub's servers under the Velocity programme.

We also launched new Voice over Internet Protocol (VoIP) services that allow customers to use the service anywhere in the world. They only need to connect their laptop to a broadband connection, and will essentially be connected via a Singapore number.

Fixed Network

Fixed Network has always played an important supporting role, supplying bandwidth and connectivity for the other three lines of business, so that they can operate with greater efficiency. But this line of business also weighed in this year with a much larger revenue contribution, driven by 22% growth in the higher margin Data and Internet services segment.

The road ahead

We will continue to strengthen the StarHub brand and achieve maximum leverage through an effective bundling and convergence quad-play that we call 'Hubbing'. We will seek profitable growth by continuing to lead the market with innovative services that are valued by our customers. StarHub's Branded Customer Experience initiatives will accelerate this year as we aim to consistently deliver the best levels of service at all the touch points important to our customers.

To our customers, we thank you for trusting us with your business, and we will strive to earn your loyalty every second of each day. To our shareholders, we are driven to meet your expectations, and will work diligently to deliver the returns you deserve in making the journey with us.

Senior Management Team

SENIOR MANAGEMENT

STRONG VALUES

Terry Clontz, President and CEO

(Terry's profile can be found on page17 of this report.)

Kwek Buck Chye, Chief Financial Officer (CFO)

Buck Chye joined StarHub in September 2002 as CFO of the Group. 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 (now known as DBS Vickers Securities (Singapore) Pte Ltd). Buck Chye holds a Bachelor of Accountancy from the former University of Singapore.

Mike Reynolds, Head, Integrated Products and Marketing

Mike is responsible for product planning, development and management of all of StarHub's products and services. He is also responsible for StarHub's marketing to its consumer, corporate and wholesale customers and for content relationships across StarHub's cable TV, online and mobile platforms.

Prior to joining StarHub in May 2001, Mike spent 24 years with BellSouth, where he held various senior level positions, including President of Bellsouth China's operations. He also served as founding President & CEO of BellSouth International Wireless Services in Tampa, Florida. Mike holds a Master of Business Administration and a Bachelor of Business, both from the University of Georgia, USA.

David Storrie, Head, Networks and Wholesale Services

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

Philip Tan, Head, Consumer Sales and Customer Experience

Philip heads StarHub's Consumer Sales and Customer Experience division. He is responsible for the strategy, planning, development and management of consumer sales channels and customer experience for the suite of services of StarHub.

Philip joined StarHub in July 2002 after the merger between StarHub and SCV. He was SCV's Executive Vice President in Operations. Philip has more than 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, Head, Advanced Multimedia Services

Kin Hung heads StarHub's Advanced Multimedia Services, and is responsible for creating new revenue streams, with focus in convergence opportunities, primarily for mobile and broadband services, leveraging on StarHub's capabilities. He also chairs the eight-member Conexus Mobile Alliance formed in April 2006 to enhance members' competitiveness in international roaming and corporate mobile services in their own countries/regions and across Asia-Pacific.

Prior to this new appointment, Kin Hung headed StarHub's Mobile services. He joined StarHub in January 2001. He was formerly the Managing Director of 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.

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 Events 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 Master of Science (Distinction), with a major in Engineering from University of Birmingham, UK.

Tham Loke Kheng, Senior Vice President, Content and Marketing

Loke Kheng leads StarHub's Content and Marketing teams. She is responsible for marketing StarHub's suite of info-comms and entertainment services to corporate and consumer customers. This includes brand management, product marketing, customer acquisition and loyalty, marketing communications and customer insight. She also heads StarHub's Content team which is responsible for the content strategy and execution across all StarHub platforms, namely cable TV, broadband and mobile.

Loke Kheng joined StarHub from SCV in July 2002, where she was responsible for Sales and Marketing. Prior to that, she was with the local free-to-air broadcaster, overseeing programming, marketing and airtime sales. Loke Kheng holds a Bachelor of Arts from the National University of Singapore.

Thomas Ee, Senior Vice President, Cable, Fixed & IP Services

Thomas heads StarHub's product management and development of cable TV, fixed network and broadband that cover the business and consumers segments. Apart from his product portfolio, he is also responsible for the day-to-day operations of StarHub's nationwide coaxial cable broadband network that delivers services such as cable TV, broadband data and residential voice.

Thomas joined StarHub from SCV in July 2002 where he was then in charge of the residential broadband business, as well as the construction and operation of the nationwide coaxial cable broadband network. Prior to that, Thomas was the Technical Marketing Manager of Digital Equipment Asia Pacific. Thomas holds a Bachelor and Master of Electrical & Electronic Engineering from Nanyang Technological University in Singapore.

Senior Management organisation chart

OPERATIONS REVIEW

MOBILE

'Despite the challenging environment, StarHub Mobile delivered a strong performance in 2006, registering double-digit growth in both revenue and customer base.'

Rachel Ngoi Pick Kee, Manager, Customer Service – Acquisition & Retention, StarHub

'There's truly a positive vibe in StarHub, when you realise you're working with a dedicated team of people who enjoy what they do.'

This was a challenging year for the mobile industry in Singapore as mobile phone usage crossed the 100% penetration mark in a very competitive marketplace. In addition to a natural slowing of growth in a highly penetrated market, the nationwide termination of unregistered pre-paid lines by 2Q2006 resulted in the net deregistration of 84,000 StarHub pre-paid SIM cards as at end June 2006. Despite the mid-year deregistration, the number of pre-paid customers still experienced a significant overall net growth for the year. The post-paid market, however, only grew 4% year-on-year.

Despite the challenging environment, StarHub Mobile delivered a strong performance in 2006, registering double-digit growth in both revenue and customer base. StarHub's pre-paid business continued its stellar delivery, garnering the majority of net adds for the year and growing its ARPU significantly. StarHub ramped up our focus on adding compelling content to grow our mobile data and non-voice services to boost ARPU, particularly for the post-paid segment. Mobile services is still the largest source of revenue, accounting for 51% of StarHub's total revenue mix. It continues to be the most profitable line of business and the biggest contributor to our total EBITDA.

Steady revenue and customer growth

StarHub's mobile revenue for the year grew 12% to reach a record $919.1 million, on the strength of a 10% increase in the total number of mobile customers to 1.54 million and strong ARPUs. This growth is slower than the 15% revenue and 20% customer growth for 2005 but was expected in light of the increased market penetration. The expansion in revenue was primarily driven by the pre-paid business which increased 35% for the year compared to post-paid which only grew marginally by 6%. As a result, pre-paid's contribution to the mobile services revenue pie increased from 19% to 23%. Post-paid revenue grew 6% to $704.3 million and customer base increased 4% to 787,000, retaining our market share of 27.7%. ARPU for post-paid was stable and strong at $71.

Significant events scorecard

April

– StarHub and six other Asian mobile operators formed an alliance for global roaming and corporate mobile services

December

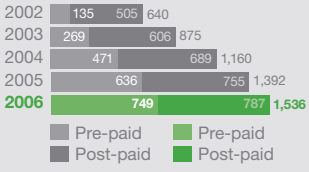
– Asia's largest alliance of mobile operators, Conexus Mobile Alliance, welcomed Smart Communications, Inc., the Philippines' leading mobile operator, into the group. With SMART's participation, the alliance has expanded its coverage footprint to over 130 million mobile subscribers in nine countries and regions

– Opened our fifth retail shop at VivoCity, Singapore's largest retail, leisure and entertainment destination

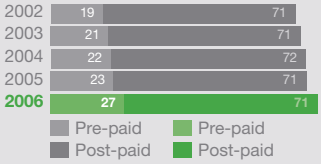
10%

Total Mobile Customers grew by 10% to reach 1.54 million

Mobile customer base '000



Mobile ARPU $



'My mobile plan has many innovative features that help stretch every dollar I spend. Plus, there's so much to do – downloading colourful wallpapers, hearing catchy ringtones and playing fun games from Gee!'

Ms Samantha Lim, customer of StarHub's mobile services since 2005, and broadband and cable TV services since 2003

OPERATIONS REVIEW

‘StarHub continues to be highly focused on maintaining profitable growth and does not subscribe to price cutting measures which would inevitably decrease the value of the market as a whole.’

We continue to offer the best value to our customers with services like i-mode, on-demand free incoming calls, promotional IDD rates and bonus SMS messages.

We continued to be the second largest mobile service provider with a 33.1% market share and maintained leadership in the pre-paid market with a 41.8% share of market.

Pre-paid continues to shine with on-demand free incoming calls

For the pre-paid segment, revenue grew 35% to reach a new record of $214.8 million. StarHub outperformed the market, capturing the majority or 41% of all pre-paid net adds for the year. Despite losing 84,000 customers to the national deregistration process of inactive users, customer base registered a net growth of 18% to 749,000. Revenue grew twice as fast as customer increase and with a higher revenue throughput, it resulted in a significant boost in ARPU, which grew 13% to hit a new high of $27. The ARPU increase is attributable to several factors. The first is the effect of the national deregistration process, which naturally removed the inactive cards, thus boosting the overall ARPU. There was a $4 jump in ARPU from the first quarter ($23) to the second quarter ($27) where the deregistration of inactive cards took place.

The ARPU trends in the second half of 2006 continued to be very strong. But the high ARPU in the third and fourth quarters was $29 and $27 respectively. This is evidence that the active subscribers were also spending more. The ‘real increase’ in ARPU came from the success of promotions encouraging higher usage plus the very attractive ‘on-demand’ free incoming calls service which lets pre-paid customers pay a flat 59 cents for every day that they wish to enjoy the service. This service largely contributed to the 127% rise in the average monthly minutes-of-use, from 114 to 259 minutes.

Maintaining profitable growth

In this extremely competitive environment, competitors have cut prices in a bid to gain market share for new customers. StarHub continues to be highly focused on maintaining profitable growth and does not subscribe to price cutting measures which would inevitably decrease the value of the market as a whole. Instead, our policy has been to continue to offer the best value to our customers with services like on-demand free incoming calls, promotional IDD rates and bonus SMS messages.

Data and non-voice services on the rise

With the slowing customer growth in the post-paid market, most service providers are now focused on retaining their customers and growing revenue through increasing ARPU. StarHub's strategy is to leverage our suite of content across the mobile platform in order to drive the usage of mobile data and non-voice services, thereby increasing revenue.

In 2006, the contribution of non-voice services to post-paid ARPU grew 2.5 percentage points from 17.7% in 2005 to 20.2%. Post-paid data traffic grew 64% to 4,186GB, mainly because more customers bought data-enabled handsets and signed up for data plans. While the number of MMS messages for post-paid customers remained relatively unchanged in 2006, the average SMS use increased 43% to hit 185 outgoing SMS per user per month.

3G and beyond

This year also saw a significant increase in StarHub's 3G customers, which grew over three-fold from 52,000 in 2005 to 174,000 in 2006. StarHub calculates our 3G numbers by counting customers who have a 3G SIM card and a 3G subscription plan. The availability of more attractive handsets boosted the take-up of 3G services while i-mode fans were treated to the launch of the first Nokia and Sony Ericsson i-mode compatible phone models in Singapore.

Moving forward, StarHub will be deploying a HSDPA network in 2007. HSPDA is expected to boost data traffic use as it increases the downlink speeds of mobile phones significantly, from the existing 384Kbps to 14.4Mbps.

Adding compelling content to spur data usage

Having super fast mobile Internet speeds however, is not the end but only the means to an end. To spur the use of mobile data, StarHub has been consistently adding new content and applications. In 2006, we offered more mobile content including match schedules and results during the 2006 FIFA World Cup championship.

In addition, we continue to offer premium content to our i-mode customers including The New Paper, exclusive digital music downloads of new tracks by local artistes Taufik Batisah and Olinda Cho, and the mobile version of Windows Live Messenger.

StarHub will be deploying a HSDPA network in 2007. HSPDA is expected to boost data traffic use as it increases the downlink speeds of mobile phones significantly, from the existing 384Kbps to 14.4Mbps.

OPERATIONS REVIEW

CABLE TV

'In the face of new competition, StarHub's strategy continues to be focused on customers – offering more innovative services, greater viewing control and more content choice.'

Sherwin Lee Kian Chuan, Sales Executive, Consumer Sales, StarHub

'I love the challenge of being at the frontlines and meeting new people everyday.'

A stellar performance in a new pay TV era

This year marked the beginning of a new era for pay TV in Singapore as StarHub's 10-year-old sole provider position ended and the industry opened up to competition and new IPTV service providers. We also continued to face rivalry for eyeballs from the local free-to-air channels, which are among the most formidable in this region. Despite the challenges, StarHub's cable TV business continued its growth and delivered a stellar performance for 2006. Revenue surged 19% to hit a new high of $313.2 million in 2006. This was driven by a 9% expansion in customer base coupled with a 6% improvement in ARPU of $3 to $48.

The total number of cable TV customers hit 487,000 at the end of the year. Customers on the digital platform, the lynchpin behind generating greater ARPU, grew from 197,000 in 2005 to 322,000 this year, which accounted for about 66% of the total cable TV customer base. There are now more digital than analogue customers and for the very first time in the decade, cable TV achieved its first full year of profitability in 2006.

In the face of new competition, StarHub's strategy continues to be focused on customers – offering more innovative services, greater viewing control, more content choice, more value in the price of content plus an overall excellent customer service and experience. This year, StarHub launched trial of our HDTV service, rolled out Smart TV (digital video recorder and interactive TV service), introduced FlexiWatch (pre-paid cable TV service), screened 'live' coverage of all the 2006 FIFA World Cup matches, and added many more channels and new content including winning a new three-year deal for the Barclays EPL.

Stronger ARPU through increasing the value of Digital Cable

Similar to the trend in 2005, this year's revenue for cable TV grew twice as fast as its growth in customers. This drove the

Significant events scorecard

May

– Launched Smart TV, a digital recording service to allow customers to 'time shift' so that they have more control when TV programmes are viewed

June

– Began customer trials of High Definition TV

– Won two awards at the Asia Image Apollo Awards 2006 for our World Cup promotional campaign

– Bagged three Golds, four Silvers and two Bronzes at the 2006 Promax&BDA World Gold Awards for our World Cup promotional campaign

August

– Launched pre-paid cable TV service – FlexiWatch – to provide a wide selection of channels on a flexible pay-per-use basis

September

– Launched five new channels on 2 October. These five channels – Sky News, Channel [V] International, FOXCRIME, Boomerang and National Geographic Wild, were added to the Family Plus digital group at no extra cost

October

– Clinched three awards – 'Advertiser of the Year', 'Best Cable TV Ad' (Crying Game) and 'Best Online Campaign' (Flash n Olaf) – at the Singapore Advertising Hall of Fame Awards

November

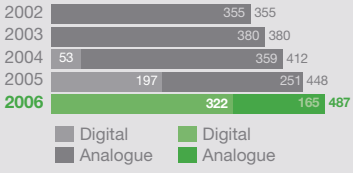
– Won broadcast rights for the next three seasons of the Barclays EPL, commencing from the 2007/2008 season, for the Singapore market

– Collected a Gold award for the 2006 FIFA World Cup marketing campaign and Silver award for the best comedy promo for the drama serial 'Scavenger Paradise' at the Promax&BDA Asia 2006 Awards

9%

Total Cable TV Customers grew by 9% to reach 487,000

Cable TV customer base '000



Cable TV ARPU $

'Dramas for mum, sports for dad, and lifestyle programmes for me! There's always something on StarHub's cable TV. With so many quality channels, my family is really spoilt for choice.'

Ms Pamela Ng, customer of StarHub's broadband services since 2003 and cable TV services since 2001

OPERATIONS REVIEW

'StarHub's HDTV trialists were among the privileged minority of viewers in the world who managed to catch all the 'live' matches of the World Cup in HDTV-quality video.'

StarHub won the broadcast rights for the next three seasons of the Barclays EPL commencing from the 2007/2008 season.

continued steady growth of ARPU. Back in 2003 and 2004, ARPUs were relatively flat and hovering between $41 and $42. Last year, ARPU increased to $45 and this year it continued its march upwards to $48.

The strong ARPU this year is attributable to these factors – the larger mix of digital customers, the higher take-up of value packages and the 2006 FIFA World Cup event. Prior to the advent of the digital platform in May 2004, StarHub carried only 50 channels on our analogue platform. We now carry 102 channels (as at February 2007), plus 28 Demand TV channels. With more choice, customers spend more and over the last two years have consistently hit a higher ARPU compared to their analogue counterparts.

Various promotions have been put in place to improve the value of migrating to and staying on the digital platform, including offering five free international channels, and adding more channels to the main digital group called Family Plus at no extra cost.

The screening of all the 'live' matches of the 2006 FIFA World Cup was a huge hit with Singapore viewers, contributing an additional $2 in ARPU for 2Q2006.

Growth driven by innovative content, services and strategies

StarHub's strategy for 2006 and the years ahead is to remain at the forefront of developments in the TV market and to develop a superior customer experience to keep our customers delighted. Cable TV's growth in 2006 was driven by sustained innovations in content, services and strategies.

More channels and premium content to choose from

This year, 13 channels were added to bring the total number of channels carried on StarHub's digital platform to 95. The new channels include the likes of Fashion TV, STAR CHINESE CHANNEL, HBO Family, HBO Signature, HBO Hits, Vijay and KBS World.

Customers also enjoyed greater value in their cable TV packages. In addition to the five new Family Plus channels, StarHub also introduced five free international channels for our digital customers. Four of these channels – TVRI, TV5 Monde, Deutsche Welle and Australia Network were previously chargeable channels while the fifth, KBS World, was a new Korean channel.

Maintaining our reputation of offering premium content, StarHub was the official broadcaster for the 2006 FIFA World Cup and added four ad-hoc channels with interactive applications for the duration of the championship. We also beefed up the content on our channels, including bringing in

the Spanish Premier League and signing a new three-year contract for the broadcast rights for the EPL on TV, mobile and online platforms.

More control with FlexiWatch and Smart TV

In 2005, StarHub launched Demand TV and the 'plus' channels to present customers with greater control over their viewing schedule. This year, customers really got into the driver's seat with the launch of FlexiWatch and Smart TV.

With FlexiWatch, customers can now choose when and what they want to watch, without paying for a recurring monthly charge. It is essentially a pre-paid service where viewers pay only for the duration they want to watch a group of channels, ranging from three to 25 days at a stretch. This is great for frequent travellers and busy executives who are only free during weekends as well as fans of specific programmes who only want to watch those programmes when they are being screened.

Smart TV is essentially a Digital Video Recorder (DVR) service that allows users to record and playback up to 60 hours of their favourite TV programmes, and watch them at their convenience. The DVR deployed for Smart TV is certainly not the first DVR in the market but it is the only one integrated with StarHub's On-Screen TV Guide, which makes recording so much more convenient. With its dual tuner feature, Smart TV can let viewers watch a specific channel while recording another at the same time. The built-in On-Screen TV Guide also makes it easier for users to select the programmes and schedule recordings. Because Smart TV has a built-in cable modem, users are also able to experience new interactive services – using the TV remote to send SMS to StarHub Mobile customers and check their iMail accounts on the TV screen.

Entering the next frontier of entertainment with HDTV

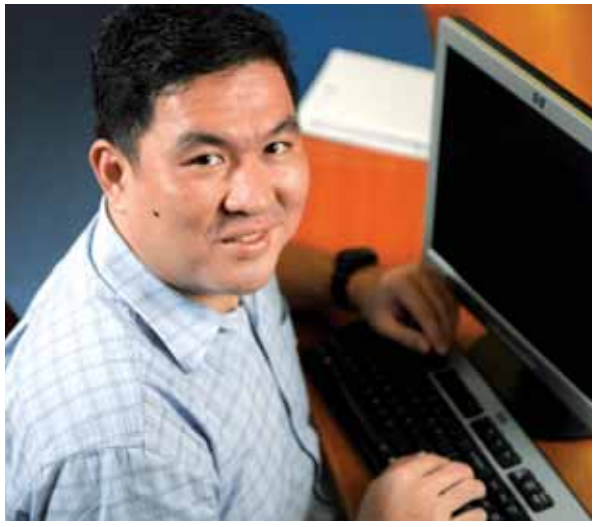
StarHub entered the next frontier of living room entertainment with the launch of our HDTV trial this year. HDTV has been touted as the next big thing since the introduction of colour TV in the black & white era, and we placed ourself at the forefront of the cutting-edge with our move to HDTV. Trialists of StarHub's HDTV service were among the privileged minority of viewers in the world who managed to catch all the 'live' matches of the World Cup in the full HDTV glory. StarHub has since launched our commercial HDTV service in January 2007, and we were the first operator in Southeast Asia to do so.

StarHub entered the next frontier of living room entertainment with the launch of our HDTV service in January 2007.

OPERATIONS REVIEW

BROADBAND

'StarHub's residential broadband service maintained its position as the fastest growing line of business in 2006. This year, revenue grew 24%.'



Chua Kheng Hoe, Senior Associate Engineer, Technical Services, StarHub

'There's also immense satisfaction in seeing how happy our customers are after we've assisted them with their technical issues.'

Broadband still the fastest growing business

StarHub's residential broadband service maintained its position as the fastest growing line of business in 2006. This year, revenue grew 24% to hit a new record of $219.9 million for StarHub's DOCSIS-based cable modem broadband business. This was driven by a 17% increase in the number of customers and a 3% ARPU growth of $2 to $59.

At the end of 2006, based on IDA's statistics, there were 352,600 cable modem customers, a 21% increase to the total cable modem subscriptions as compared to the year before. The total number of residential broadband subscribers in Singapore grew to 697,200 compared to last year's 575,900, pushing the residential broadband penetration rate to over 60%.

Performing well despite operating in a highly competitive environment

This was a year where our main competitor repeatedly launched very aggressive campaigns to capture market share – through substantial price cuts in their broadband plans coupled with high-cost acquisition premiums. As before, we continued to be focused in bringing more value to our customers, without the need to engage in a price war.

Our strategy was focused on giving the customer more value for the same price. This was done by increasing the access speeds of customers at no extra cost and offering free value-added services like our Digital Voice Home (VoIP) service. This year, all MaxOnline customers received free speed boosts, but the highest jump was in the highest-speed tier where the 30Mbps service was upped to 100Mbps, at no extra cost. To complete our broadband eco-system, StarHub also launched a content collaboration program called Velocity that offers better usage experience to our broadband customers with locally hosted content. More details ahead.

Significant events scorecard

January
– Launched Voice-over-IP services using an IAD adaptor for homes and businesses

March
– Announced the upgrade of our broadband HFC cable network to a DOCSIS 3.0 compliant architecture to deliver ultra-high broadband speeds for customers in the second half of 2006

June
– Won a Gold award for the 'Bubble Tea' campaign and a Silver award for 'Live to Win' at the EFFIE Awards

October
– Clinched three awards – 'Advertiser of the Year', 'Best Cable TV Ad' (Crying Game) and 'Best Online Campaign' (Flash n Olaf) – at the Singapore Advertising Hall of Fame Awards

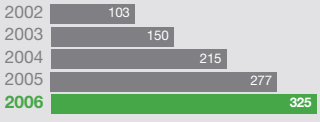
November
– From 28 December, MaxOnline 4000 (renamed MaxOnline Express) & 6500 (renamed MaxOnline Premium) customers experienced free speed boosts from 4Mbps to 6Mbps and from 6.5Mbps to 12Mbps respectively

December
– From January 2007, StarHub customers enjoy free wireless broadband access at all StarHub hotspots in Singapore. They also get free access to Wireless@SG services through a MOU reached between StarHub and QMax Communications
– Singapore became the first country in the world to commercially launch 100Mbps (MaxOnline Ultimate) residential broadband services nation-wide with StarHub's deployment of DOCSIS 3.0 technology

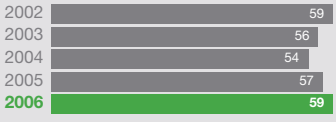
17%

Total Broadband Customers grew by 17% to reach 325,000

Broadband customer base '000



Broadband ARPU $



'A fast and reliable broadband connection is very important to gamers like me. MaxOnline surpassed my expectations in this respect. Also, as a Hubber, I look forward to many exciting Hubbing benefits and privileges.'

Mr Gabriel Tay Boon Kiat, customer of StarHub's mobile, broadband and cable TV services since 2003

OPERATIONS REVIEW

'StarHub's the first in the world to launch a nationwide commercial rollout of a 100Mbps residential broadband service… allowing us to continue to enjoy leadership in offering high-speed residential broadband.'

StarHub continues to enjoy leadership as the premium brand of residential broadband offerings in the Singapore market.

Despite the highly competitive environment, StarHub's broadband business performed well. We maintained our margins while continuing steady growth in revenue, customer base and ARPU. EBITDA margin for the cable platform (which includes both Broadband and Cable TV) was at 22.4%. Broadband now accounts for 12% of the total revenue mix, a slight increase compared to last year's 11% share.

Racing ahead to build an unassailable speed advantage

When it comes to the information superhighway, one can never get enough of speed. StarHub raced ahead of the competition this year to carve out a wide margin in broadband access speed over the competition. In 2005, StarHub offered the highest download speed, at 30Mbps for our broadband service.

Towards the end of this year, StarHub launched our 100Mbps service, which is now four times the access speed of the nearest rival broadband service. In fact, StarHub was the first in the world to launch a nationwide commercial rollout of a 100Mbps residential broadband service. With the speed advantage, StarHub continues to enjoy leadership as the premium brand of residential broadband offerings in the Singapore market. Industry trends show that as service providers offer higher broadband speeds, the cost per unit of speed of the service actually falls significantly. This is also the case in Singapore. With the latest DOCSIS 3.0 deployment, StarHub's 100Mbps now offers the best value at $0.10 per 100Kbps, four times lower than the next cheapest package, which costs $0.41 per 100Kbps (information from http://www.ida.gov.sg/Publications/20061213190359.aspx).

Gaining Velocity with local hosting of content and collaboration

In tandem with the speed increases, StarHub also launched its content collaboration programme called Velocity which offers a comprehensive Internet hosting service for content and application service providers. Through Velocity, StarHub provides high-quality connectivity via a Tier-1 Internet Exchange. Velocity is also IDC-neutral, as it is aimed at enabling content providers with the flexibility to decide where to host their services.

The strategy behind Velocity is mainly two-fold. The first is that it improves the user experience of StarHub's customers accessing these content that are hosted with StarHub locally since the data packets now travel a much shorter distance to reach its destination website. StarHub also allocates a higher access speed for its users when accessing Velocity's content.

For example, MaxOnline Express users get up to 6Mbps when accessing the websites hosted overseas, but are boosted to 32Mbps when surfing the Velocity sites. If the user invests in a 100Mbps cable modem, this is increased further to 100Mbps. The net effect is that pages will load faster, online gamers will experience better latency and avoid jerkiness and slowdowns in the game, and streaming applications like video and sound will also be smoother.

Velocity took off with a flying start this year and signed up various companies, ranging from international providers such as Yahoo!, and regional start-ups like AsiaSoft. One of the hottest multiplayer online games in the world, AsiaSoft's Maple Story SEA is hosted locally under the Velocity program. Yahoo! Southeast Asia also makes use of Velocity for its regional connectivity.

Gearing up for the National Broadband Network

In February 2006, the Singapore government announced that it would develop a new national broadband network which offers ultra-high speed access, starting from 100Mbps to 1Gbps and beyond, connecting all homes, schools and businesses in Singapore. With StarHub's network upgrade to the DOCSIS 3.0 Standard, we believe that our objectives are in line with the government's iN2015 plan.

Free wireless Internet takes off in Singapore

The Singapore government had also announced that it would put in place a nationwide wireless network. Called Wireless@SG, it was launched at the end of 2006 and over the next few years, many public area hotzones will be progressively wired up. StarHub has concluded a roaming arrangement with Qmax (one of the three service providers for Wireless@SG), which effectively enables StarHub's customers to have access to all Wireless@SG locations, if required.

Beyond Singapore, StarHub continues to gain a larger international footprint with the expansion of the Wireless Broadband Alliance (WBA), which StarHub co-founded in 2003. This year saw a doubling of the overall coverage of international WBA hotspots with the entry of new alliance members. This expands StarHub's wireless broadband roaming reach via the WBA to 15 WBA members in 13 countries, allowing customers to wirelessly roam at over 24,000 international locations spanning the Asia-Pacific, Europe and US.

MaxOnline Express users get up to 6Mbps when accessing the websites hosted overseas, but are boosted to 32Mbps when surfing the Velocity sites.

OPERATIONS REVIEW

FIXED NETWORK

'The rise in revenue was mainly contributed by the growth in Data & Internet. Domestic leased circuits continue to be the largest contributor followed by international private leased circuits.'

Shawn Lee Bun Foh, Senior Account Manager, Business Sales, StarHub

'My business customers know that I'm there for them, whenever they need me.'

Fixed Network delivers strong revenue and strategic network support

StarHub's Fixed Network delivered a stellar performance this year. It continued to play its key supporting role – shouldering the connectivity and providing the bandwidth for the other three lines of business so that they are able to function with greater competitiveness and efficiency.

In addition, it also generated strong revenue growth this year, increasing by 17% to $259.5 million for the year. Voice revenue rose 9% to $82.6 million while Data & Internet revenue went up 22% to $176.9 million. Data & Internet continue to contribute to the lion's share of the overall Fixed Network revenue, accounting for 68% of the revenue. As a whole, Fixed Network is the third largest revenue generator, contributing 14% to StarHub's overall revenue mix.

Data & Internet services

The rise in revenue was mainly contributed by the growth in Data & Internet. Domestic leased circuits continue to be the largest contributor followed by international private leased circuits (IPLC). With the increasing demand for data and speed and the continued economic growth, corporations have been looking for higher bandwidth connectivity as they renew and expand their corporate networks. Demand for higher domestic and international bandwidth was also fuelled by overall reduction in international bandwidth prices. The wholesale market also demanded for greater connectivity.

Voice services

While voice revenue declined in 2005 and brought down the total revenue for Fixed Network, it increased significantly this year. This was mainly driven by the increase in international voice traffic but somewhat offset by the lower unit pricing with the continued commoditisation of IDD traffic. Retail IDD traffic volume increased 21% to 879 million minutes.

Significant events scorecard

January
– Ran a joint IPLC promotion with eight other operators in the region

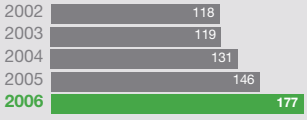
May
– Launched new STM16 to STM64 high bandwidth services to offer greater connectivity for carriers to connect their data backbone to key data landing sites in Singapore

June
– StarHub was a member of a consortium of major international telecommunications entities which signed a MOU to plan and develop a proposal to build an international undersea cable system linking Southeast Asia with the USA

July
– Launched new entry-level 2Mbps and 4Mbps Ethernet leased line services to complement our existing 6Mbps to 1Gbps services. This was to boost adoption rates and to cater to the mass market corporate customers who are demanding these entry-level services

17%
Total Revenue
grew by 17% to reach $259.5 million

Data & Internet revenue $m



Voice revenue $m

‘StarHub’s robust and secure infrastructure for data, voice and Internet services facilitates seamless communication between our offices and retail outlets internationally. Its BlackBerry® service keeps key executives at Ralph Lauren connected at all times.’

Dr Freddie Low, Director – Asia Network Services, Polo Ralph Lauren. Polo Ralph Lauren is a customer of StarHub’s Arcstar Global Managed IP-VPN Services, BlackBerry for enterprise, and IDD services since 2006

CORPORATE SOCIAL RESPONSIBILITY

HELPING THE LESS PRIVILEGED

'StarHub Sparks Fund is the new name for the StarHub IDD Charity Fund … StarHub has been channelling 1% of all IDD 008 and IDD 018 revenues to the Fund.'

It only takes a spark to get a fire going. And soon all those around can warm up in its glowing.

That's exactly what StarHub has been doing over the years as we continue to actively participate in the community to assist the disadvantaged and the needy. To reaffirm our commitment, StarHub launched the StarHub Sparks Fund, formerly known as the StarHub IDD Charity Fund. It is represented by a spark dandelion and the logo and identity aptly define the essence of StarHub's corporate philanthropy belief – namely, to spread joy and happiness to the less privileged, as well as to benefit the society through education and skills enhancements.

StarHub has been channelling 1% of all revenues from our IDD 008 and IDD 018 services since the Fund was established in July 2000. It has since donated more than $3 million from this fund to help over 60 voluntary welfare organisations (VWO).

In 2006, StarHub donated over a million dollars to the community from the Fund.

Mr Bernard Teo, one of the beneficiaries from the Society for the Physically Disabled (SPD) Day Activity Centre, who received the wheelchairs donated by StarHub in April 2006.

Wheels for the needy

StarHub donated 600 wheelchairs, worth a total $240,000, to 13 VWOs. Made of lightweight aluminium frame with detachable arm and leg rests, some of these new wheelchairs were given to those without wheelchairs to give them a new lease of mobility, while others will replace old ones that are wearing out. To date, StarHub has donated 1,037 wheelchairs to 34 charity organisations.

Helping children and youths with special needs

StarHub added some spark into the annual StarHub Golf Invitational by raising $333,000 from the event. Over 140 corporate customers and partners teed off for charity. The money was donated to purchase equipment for 2,600 intellectually disabled children and youths from nine special schools in Singapore under the Movement for the

Intellectually Disabled (MINDS) and the Association for Persons with Special Needs (ASPN). The equipment will help to enhance these students' education and skills training, and better enable them to lead fulfilling and independent lives.

StarHub also donated $300,000 equally among three special schools – Grace Orchard, Metta and Spastic Children's Association schools. These funds will help children and young people with special needs, or living in disadvantaged family situations, to lead independent lives.

Adding colour to the life of the chronically ill

StarHub contributed $200,000 to Club Rainbow to set up the Rainbow Family Care Centre. The 450 square metres Centre offers sustained support services to 420 chronically ill children and their families. It also provides a range of free services including tuition, counselling, share sessions, talks and workshops. Rainbow children receive specialised therapy sessions by trained medical professionals and learn IT-related skills like web design and digital photography. The new Centre also helps Club Rainbow to reach out to the community to garner participation from residents, civic groups, schools and corporations and to promote better understanding of the children with chronic illnesses.

Lighting the fire of volunteerism

Perhaps the most significant contribution from StarHub last year was not the million dollars that we gave back to the community, but the sacrifice of the personal time of our employees. In 2006, StarHub decided to walk the talk by launching our StarHub Corporate Volunteerism Programme, where StarHub employees are given two days of paid leave every year to do voluntary work. It is hoped that a little spark from each of the 2,760 employees of StarHub will help create warmth for the needy and less fortunate. To further promote the spirit of volunteerism, StarHub also sponsored a series of print advertisements by the National Volunteer & Philanthropy Centre (NVPC) in the local dailies, titled 'Missing' which urged members of the public to come forward to volunteer their time and expertise.

Mr Lim Siew Cheng, Honorary General Secretary of the National Council of Social Services (NCSS) Board and Community Chest, accepting the cheque from Mr Tan Guong Ching, Chairman, StarHub.

Representatives from Grace Orchard School, Metta School and the Spastic Children's Association School, receiving the donation at the launch of the StarHub Sparks Fund from Mr Tan Guong Ching, Chairman, StarHub.

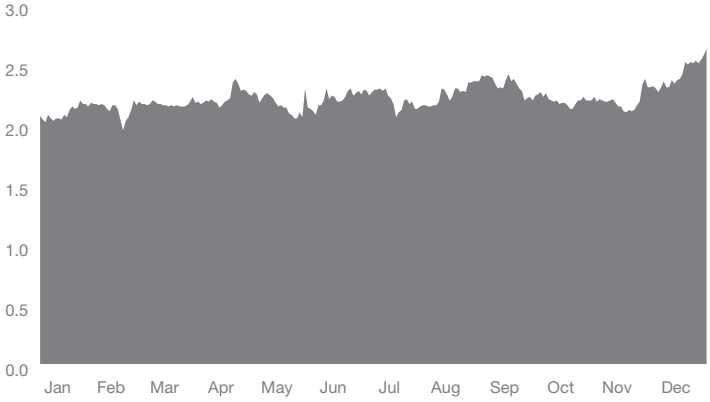
StarHubbers bringing Christmas cheer to children and their families at the Rainbow Family Care Centre, where StarHub launched our Corporate Volunteerism Programme.

INVESTOR RELATIONS

FAIR & EQUITABLE DISCLOSURE

'The twin engines of communications and relationship building continue to drive StarHub's IR strategy. The initiatives in place for 2006 were meant to ensure a regular two-way flow of information.'

StarHub share performance 2006 $



StarHub's share price has performed well throughout the year. It opened at $2.05 beginning January and closed strongly at $2.63 end December.

Frequent & open communication

For 2006, StarHub continued our strong belief in corporate governance and corporate transparency by having frequent and open communication sessions with telecom analysts and fund managers.

Quarterly meetings and briefing meetings were organised, which included conference call-ins and webcasts. Our senior management and Investor Relations (IR) team also provided updates on the Company's developments and address their concerns via one-on-one session with the fund managers and their clients or at larger-scale analysts briefing sessions. On top of that, product demonstrations were arranged for fund managers to help them get a better understanding of our product or service offerings. For the year, we met over 250 analysts and investors. The Company also remained an active participant in the regional equity conferences organised by top brokerage firms and participated in at least five international roadshows/conferences in Asia, Europe and the US.

These initiatives allowed us to meet with existing as well as potential institutional shareholders to broaden our shareholders base. What's more, the meetings permitted us to take in their concerns and feedback which we can use, for example, before formulating our policies. A case in point may be our capital management policies.

Besides that, the IR team also gathers feedback via a third-party research firm who conducts qualitative interviews with key analysts and fund managers. This process gives us a more truthful and definitive way to continue to improve on our IR efforts.

Fair & equitable disclosure

To ensure that information is shared in a timely, fair and equitable manner with all individuals and groups, material information is immediately uploaded onto SGXnet

(www.sgx.com) as well as StarHub's IR website (www.starhub.com/ir). These sites provide all interested parties with up-to-date information on the Company. The materials are also broadcasted by electronic mail to analysts, fund managers, media and individuals who have registered for receipt of such information.

Achievements & accolades

In 2006, StarHub was recognised for the following awards:

- SIAS 7th Investors' Choice Awards 2006 – Won the Runner-Up in the 'Most Transparent Company Award' under the 'Transport/Storage/Communication' category in September.
- IR Magazine South East Asia Conference & Awards 2006 – Collected the 'Highly Commended' award in the 'Most Progress in Investor Relations' category in October.
- The Wall Street Journal Asia's Leading Companies Awards – Recognised as the No. 3 overall company in Singapore for the Top 10 Most Admired Companies in Singapore in October.

The twin engines of communications and relationship building continue to drive StarHub's IR strategy. The initiatives in place for 2006 were meant to ensure a regular two-way flow of information. This keeps the analysts, investors and media abreast of StarHub's progress and gives them a good basis for evaluating StarHub. We also continued to exercise total honesty and observe the delivery of quality information in a timely manner. This helps us build mutually beneficial relationships with the analysts, investors and the media.

IR calendar of events

Date	Activities
1Q2006	– FY2005 results announcement – Credit Suisse Asian Investment Conference - Hong Kong – Nomura Asia Equity Forum - Tokyo – Singapore Investor Roadshows – Europe & US Investor Roadshows
2Q2006	– 1Q2006 results announcement – UBS ASEAN Telecom Conference - Singapore
3Q2006	– 2Q2006 results announcement – CLSA Investor Forum - Hong Kong – JP Morgan Asia Pacific Equity Conference - New York – Singapore Investor Roadshows – US & Canada Investor Roadshows
4Q2006	– 3Q2006 results announcement – Morgan Stanley Asia Pacific Summit - Singapore – Singapore Investor Roadshows

Financial calendar for 2007/2008*

Date	Activities
14 February	– Webcast of FY2006 results for the analysts and media
18 April	– 9th Annual General Meeting
May	– 1Q2007 results announcement
August	– 1H2007 results announcement
November	– 3Q2007 results announcement
February 2008	– FY2007 results announcement

*Subject to change. Please check www.starhub.com/ir for the latest updates.

GROUP FINANCIAL REVIEW

STRONG GROWTH MOMENTUM

'Profit from operations increased 41% with all lines of business recording double-digit growth rate in revenue despite a more competitive and increasingly penetrated market.'

1.1 Operating revenue

Operating revenue	Year ended 31 December 2006 $m	2006 %	2005 $m	2005 %	Change %
Mobile revenue	**919.1**	**50.9**	821.6	52.3	**11.9**
Cable TV revenue	**313.2**	**17.4**	262.4	16.7	**19.4**
Broadband revenue	**219.9**	**12.2**	177.2	11.3	**24.1**
Fixed Network services revenue	**259.5**	**14.4**	221.7	14.1	**17.0**
Total service revenue	**1,711.7**	**94.8**	1,483.0	94.4	**15.4**
Sale of equipment	**93.1**	**5.2**	87.8	5.6	**6.1**
Total	**1,804.8**	**100.0**	1,570.7	100.0	**14.9**

For the full year ended 31 December 2006, the Group's total service revenue grew 15% year-on-year ("YoY") to $1,711.7 million. Revenue growth momentum continued to be strong in the double-digit range for each line of business despite a more competitive market place and increasingly penetrated market for both Mobile and Broadband in 2006. For the year, Broadband continued to be our fastest growing line of business and recorded a 24% YoY increase in revenue at $219.9 million. Mobile, our largest revenue segment at 51% of the group revenue mix, continued to maintain its revenue growth momentum for the year despite the extremely high penetration rate in the mobile market of close to 100% in 2006. For the year, Mobile recorded a 12% increase in revenue YoY at $919.1 million. Fixed Network services revenue increased 17% YoY, driven mainly by the strong demand for data services. For the year, Cable TV revenue at $313.2 million recorded an increase of 19% YoY due to higher subscription revenue in 1H2006 as a result of the 2006 World Cup season.

Revenue from equipment sales for the full year increased 6% YoY to $93.1 million. Increases in equipment revenue were mainly due to higher unit selling prices for the handsets sales.

1.2 Operating expenses

Operating expenses	2006 $m	2006 %	2005 $m	2005 %	Change %
	Year ended 31 December				
Cost of sales	**553.6**	**38.4**	495.4	37.7	**(11.8)**
Other operating expenses	**889.8**	**61.6**	819.0	62.3	**(8.6)**
Total	**1,443.4**	**100.0**	1,314.4	100.0	**(9.8)**

The Group's total operating expenses was 10% higher YoY at $1,443.4 million on the back of a 15% YoY increase in operating revenue for the year. Total cost of sales component increased 12% YoY at $553.6 million, while other operating expenses for the year was 9% higher at $889.8 million.

Cost of sales	2006 $m	2006 %	2005 $m	2005 %	Change %
	Year ended 31 December				
Cost of equipment sold	**184.5**	**33.3**	173.4	35.0	**(6.4)**
Cost of services	**165.6**	**29.9**	143.4	28.9	**(15.5)**
Traffic expenses	**203.5**	**36.8**	178.6	36.1	**(14.0)**
Total	**553.6**	**100.0**	495.4	100.0	**(11.8)**

Cost of sales was driven higher by an enlarged customer base and increased business activities. As a percentage of operating revenue, total cost of sales, was however trending lower at 30.7% compared to 31.5% in 2005.

For the year, although the total handset volume sold was lower, the higher unit costs of the handsets sold resulted in cost of equipment sold to increase $11.1 million or 6% to $184.5 million in 2006.

Cost of services for the year was $22.2 million or 16% higher YoY at $165.6 million. The higher Cable TV subscriber base and marginally higher unit programming costs drove the increase in the Cable TV cost of services. These together with the higher mobile content costs and fixed network services costs resulted in the increase in cost of services for the year.

The higher volume of voice and data traffic delivered over the network as a result of our expanding customer base and business volume drove the traffic expenses to increase by 14% to $203.5 million for the year.

Other operating expenses	2006 $m	2006 %	2005 $m	2005 %	Change %
	Year ended 31 December				
Staff costs	**221.0**	**24.8**	217.0	26.5	**(1.9)**
Operating lease	**130.7**	**14.7**	115.2	14.1	**(13.4)**
Marketing and promotion	**188.1**	**21.1**	151.2	18.5	**(24.4)**
Allowance for doubtful receivables	**8.2**	**0.9**	7.6	0.9	**(7.7)**
Repair and maintenance	**65.3**	**7.3**	61.9	7.6	**(5.5)**
Other expenses	**65.4**	**7.4**	62.3	7.6	**(5.0)**
Sub total	**678.7**	**76.3**	615.2	75.1	**(10.3)**
Depreciation and amortisation	**211.0**	**23.7**	203.8	24.9	**(3.6)**
Total	**889.8**	**100.0**	819.0	100.0	**(8.6)**

For the year, total other operating expenses increased 9% YoY to $889.8 million. As a percentage of operating revenue, total other operating expenses for the year recorded a downward trend from 52.1% to 49.3% this year.

Staff costs

For the year, despite the higher business activities and expanded customers base and an additional new shop and service centre, staff costs increased by less than 2% to $221.0 million, reflecting the increase in productivity and efficiency in the business operations.

Operating lease

Operating lease expenses increased 13% YoY to $130.7 million in 2006. The increase was due to higher cost provisions for the increases in domestic and international lease circuits' capacity and higher rental expenses incurred for an additional new shop and customer service centre. As a percentage of operating revenue, operating lease expenses ratio of 7.2% for the year was at the same level as last year.

Marketing and promotion

For this year, more marketing and promotional expenses were incurred to acquire and re-contract customers across our entire Mobile, Broadband and Cable TV lines of business in view of the more competitive market landscape. These drove up the marketing and promotion expenses for the year by $36.9 million or 24% YoY to amount to $188.1 million in 2006. Accordingly, as a percentage of operating revenue, marketing and promotion expenses ratio for the year was slightly higher at 10.4%, compared to 9.6% last year.

Allowance for doubtful receivables

For the year, allowance for doubtful receivables increased $0.6 million to $8.2 million as compared to $7.6 million a year ago. As a percentage of service revenue, allowance for doubtful receivables ratio remained relatively stable at 0.5% in both periods.

GROUP FINANCIAL REVIEW

‘EBITDA for the year increased 25% YoY to $575.3 million, driving free cash flow to increase by 30% to $333.9 million .’

Repair and maintenance

In 2006, repair and maintenance expenses were 6% higher at $65.3 million due to higher maintenance costs for a larger base of IT systems, and increased provision made for repair costs of the undersea cables that were recently damaged in the earthquake in Taiwan. As a percentage of operating revenue, repair and maintenance expenses were trending lower at 3.6% for the year, compared to 3.9% in 2005.

Other expenses

Other expenses at $65.4 million for the year were 5% higher than $62.3 million in 2005. Against the same period last year, other expenses as a percentage of operating revenue was trending lower at 3.6%.

Depreciation and amortisation

For the year, depreciation and amortisation amounted to $211.0 million, 4% higher YoY as a result of a 5% increase in gross fixed assets this year.

1.3 Profitability

Profitability	Year ended 31 December 2006 $m	2005 $m	Change %
Operating revenue	**1,804.8**	1,570.7	**14.9**
Operating expenses	**(1,443.4)**	(1,314.4)	**(9.8)**
Profit from operations	**361.4**	256.3	**41.0**
Net interest expense	**(8.8)**	(8.0)	**(9.7)**
Profit before taxation	**352.6**	248.3	**42.0**
Taxation	**7.6**	(26.9)	**nm**
Net profit after taxation	**360.2**	221.4	**62.7**
EBITDA	**575.3**	460.1	**25.0**
EBITDA as a % of service revenue	**33.6%**	31.0%	**2.6% pts**

nm – Not meaningful

Driven by the continued strong revenue performance and a lower increase in variable cost of sales and cash operating expenses, EBITDA for the year increased $115.2 million or 25% YoY to $575.3 million. EBITDA margin, as a percentage of service revenue, expanded 2.6 percentage points to 33.6% in 2006.

The increased EBITDA performance was offset by marginal increases in depreciation and amortisation. These resulted in profit from operations increasing $105.1 million or 41% to $361.4 million for 2006. Net profit after tax in 2006 amounted to $360.2 million, $138.8 million or 63% higher YoY. This was after deducting a higher net interest expense and adding back a net tax credit during the year.

In 2006, the Group took up new bank loans to provide funding for the subsidiaries' operations, which were previously financed through intra-group lending of surplus cash generated from the Group's operations. In September 2006, the Group's cash balance was further reduced when it made payment to its shareholders pursuant to its capital reduction exercise carried out during the year. Consequently, the average net debt balances in the year was higher which led to a higher net interest expense for the year at $8.8 million compared to $8.0 million in 2005.

The Group also had a tax credit of $7.6 million compared to a tax expense of $26.9 million in 2005. The Group accounted for a total tax credit adjustment of $77.2 million, which arose from the recognition of the remaining deferred tax assets in a subsidiary and adjustments made to the deferred tax position of the Group as the Group elected the group tax relief provisions permitted by the Inland Revenue Authority. Excluding the deferred tax adjustments, the Group's effective tax rate for the year was at approximately 20%.

1.4 Liquidity and Resources

Liquidity and Resources	Year ended 31 December 2006 $m	2005 $m	Change %
Profit before tax	**352.6**	248.3	**42.0**
Non-cash items & net interest expense adjustments	**238.8**	226.7	**5.3**
Net change in working capital	**(9.8)**	29.6	**nm**
Net cash provided by operating activities	**581.5**	504.6	**15.2**
Net cash used in investing activities	**(232.6)**	(243.5)	**4.5**
Net cash used in financing activities	**(473.2)**	(213.3)	**(121.9)**
Net change in cash and cash equivalents	**(124.3)**	47.8	**nm**
Cash and cash equivalents at beginning of the year	**174.5**	126.7	**37.8**
Cash and cash equivalents at end of the year	**50.2**	174.5	**(71.2)**
Free Cash Flow [1]	**333.9**	256.9	**30.0**

[1] Free Cash Flow refers to net cash flow from operating activities less purchase of fixed assets in the cashflow statement

nm – Not meaningful

For the year, net cash from operating activities before working capital changes totalled $591.4 million, reflecting a YoY increase of approximately 25%. This was driven by the better EBITDA performance, which increased approximately 25% during the year. After allowing for working capital changes, the net cash flow from operations generated by the Group was 15% higher YoY at $581.5 million when compared to last year.

Working capital change for the year was a negative $9.8 million compared to a positive working capital change of $29.6 million in 2005. The negative change in working capital in 2006 was due to higher amounts expended to reduce current accruals and payables balances at a faster rate.

For the year, capital expenditure totalled $247.6 million, similar to last year's capex spend. As a percentage of operating revenue, however, the capital expenditure ratio was lower at 13.7% this year compared to 15.8% in 2005 as a result of the higher increase in operating revenue this year. As at 31 December 2006, the Group's outstanding capital expenditure commitments was lower at $71.3 million, compared to $107.9 million outstanding as at last year end. These outstanding commitments relate mainly to commitments for network capacity expansion and IT systems' upgrades.

Despite a similar level of capital expenditure this year, the total net cash used in investing activities for 2006 was 5% lower at $232.6 million when compared to 2005. This was due to the offset from higher interest income received from an average higher net cash balances in 2006.

Consequently, the better EBITDA performance and a stable capital expenditure level drove the Group's free cash flow higher by 30% or $77.0 million to amount to $333.9 million in 2006.

Net cash outflow from financing activities during the year increased $259.9 million to $473.2 million in 2006. This was due to a net inflow from bank loans of $390.0 million, which was offset by higher dividend payments of $216.5 million and a capital return of $655.7 million during the year.

As a result, the Group's closing bank balance as at 31 December 2006 was lower at $50.2 million compared to $174.5 million last year.

1.5 Gearing

The Group's external borrowings increased during the year to result in a 160% increase in total bank loans outstanding as at 31 December 2006 of $633.0 million. During the year, the Group reviewed the mode of financing of its subsidiaries' operations and drew down its term loan bank facilities to finance its subsidiaries' operations. Consequently, total net debt to capital employed (defined as total shareholders' fund and net debt) ratio as at 31 December 2006 was 54.5% compared to 6.6% last year.

CORPORATE GOVERNANCE

CORPORATE TRANSPARENCY

'We strongly believe that corporate governance is not an end in itself. Rather, it continues to serve the goal of bringing about sustained growth in the value of the Company.'

Corporate Governance Statement

The Company continues to be committed to maintaining high standards of corporate governance and business conduct and promoting transparency and accountability to enhance sustainable long-term shareholder value and protect stakeholders' interests. We strongly believe that corporate governance is not an end in itself. Rather, it continues to serve the goal of bringing about sustained growth in the value of the Company as well as strengthening and consolidating on a lasting basis the trust placed in the Company by our shareholders and relevant stakeholders such as our employees, business partners, customers and the general public. On this basis, we have built a corporate governance framework that rests upon the foundation of transparency. This means timely disclosures on an equal access basis, accountability, trust, a balanced Board with an appropriate mix of independent Directors, a respectable Management team with strong values and a comprehensive risk management and compliance culture.

Corporate Governance Report 2006

This Report describes the Company's corporate governance framework with specific reference to the principles set out in the Code of Corporate Governance ("Code") issued by the Ministry of Finance on 14 July 2005. In developing our corporate governance policies and practices, the Company has always adopted a balanced approach by observing the spirit, and not just the letter of the Code. The Company has also embraced the Best Practices Guide as issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company recognises the importance of corporate governance, and has substantially complied with the Code.

1. Board Matters

Principle 1: The 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 human resources and management leadership of the highest quality and integrity are in place. 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 four Board committees which are delegated specific responsibilities, as described under 'Principle 2: Board Composition and Guidance' and 'Principle 4: Board Membership' of this Report.

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

The Board meets regularly, with at least five 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 full year 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 2006, one of which was a special meeting to specifically review the 2007 budget and business strategies of the Group. The Company's Articles of Association provide for meetings to be held via tele-conference and video conference. A matrix of the Board members' participation and attendance at the aforesaid Board meetings and in the various Board committees is as follows:

	Board[1]	Audit Committee[2]	Executive Resource and Compensation Committee[3]	Nominating Committee[4]	Strategy Committee[5]
	Meeting Attendance (in %)	Meeting Attendance (in %)	Meeting Attendance (in %)	Meeting Attendance (in %)	Meeting Attendance (in %)
Name of Director					
Tan Guong Ching	100				100
Steven Terrell Clontz	100				100
Kua Hong Pak	100	100			
Peter Seah Lim Huat	100		100	100	
Nihal Vijaya Devadas Kaviratne CBE	100	100			100
Lee Theng Kiat[6]	100		80	100	
Lim Ming Seong	100	100	100	100	100
Lim Chin Beng	80				
Osamu Inoue[6]	100				
Teo Ek Tor	100	100			
Liu Chee Ming	100				100
Robert J. Sachs	100				–

[1] The Board held five meetings during the financial year ended 31 December 2006.
[2] The AC held four meetings during the financial year ended 31 December 2006.
[3] The ERCC held five meetings during the financial year ended 31 December 2006.
[4] The NC held one meeting during the financial year ended 31 December 2006.
[5] The SC held one meeting during the financial year ended 31 December 2006. The SC was constituted in October 2006.
[6] Includes meetings attended by Alternate Director on Director's behalf.

CORPORATE GOVERNANCE

All newly-appointed Directors are given briefings by Management on the business activities, performance and strategic directions of the Group. This gives the Directors a better understanding of the Group's business and allows them to settle into their new roles smoothly. The new Directors are also provided with an information manual containing, amongst other relevant information, a memorandum on their statutory duties and other responsibilities as Directors, and the Company's insider trading policy. 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 Board members are also informed of any relevant seminars or courses available during the year, particularly those conducted by the Singapore Institute of Directors and the SGX-ST.

In line with our commitment to maintain high standards of corporate governance, the Group has revised its policy on dealings in the securities of the Company by all Directors and employees of the Group, and adopted a tighter policy which prohibits all Directors and employees of the Group from dealing in the securities of the Company one month before the respective announcements of our quarterly and 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 of the Group before the commencement of each trading blackout period. All Directors and employees of the Group are also required to observe the insider trading laws at all times. The Board and Management believe that the Company has not only complied with the SGX-ST Best Practices Guide but with industry best practices.

Principle 2: Board Composition and Guidance

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.

Although the Code requires only one third of the Board of Directors to be independent Directors within the meaning of the Code, more than one-third of our Board of Directors comprises non-executive independent Directors, namely Mr Kua Hong Pak, Mr Nihal Vijaya Devadas Kaviratne CBE, Mr Teo Ek Tor, Mr Liu Chee Ming and Mr Robert J. Sachs.

The Nominating Committee ("NC") reviews and assesses the size and composition of the Board, and is of the view that the Board:

– is of an appropriate size to facilitate effective decision making, taking into account the nature and scope of the Group's operations;
– has an appropriate balance of independent Directors; and
– comprises suitable and competent 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 valuable insights and objective perspectives that enable balanced and well-considered decisions to be made, and a robust exchange of ideas and views to help shape strategic directions.

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 17 to 19 of the Annual Report.

Principle 3: Chairman and Chief Executive Officer

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

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 Chairman approves the agendas for the Board meetings, in consultation with the President & CEO, and ensures that the Board members are provided with complete, adequate and timely information, through the assistance of the Company Secretary, prior to the Board meetings. He also ensures effective communication with shareholders and promotes high standards of disclosure and corporate governance.

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. 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 interests. The NC also evaluates the Directors' availability to commit themselves to carrying out the Board's duties and activities. As a telecommunications and broadcasting company, all new appointments of Directors are subject to the approval of the Company's regulators, the Info-communications Development Authority of Singapore and the Media Development Authority of Singapore.

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 subject to 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.

The Board is supported by the Audit Committee ("AC"), the Executive Resource and Compensation Committee ("ERCC"), the NC and the Strategy Committee ("SC"). These Board committees are mainly made up of independent and non-executive Directors. The NC continues to hold the view that as and when the need arises, the Board may form additional Board committees to look into specific areas of oversight.

The ERCC and NC respectively comprise Mr Peter Seah Lim Huat as Chairman, Mr Lee Theng Kiat and Mr Lim Ming Seong. All members of the ERCC and NC (including the Chairman) are non-executive Directors independent of Management. While the Chairman of the ERCC and NC may not be regarded as independent within the context of

CORPORATE GOVERNANCE

'independence' as provided in the Guidelines 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 NC. This enables him to exercise independent judgment with a view to the best interests of the Company.

The SC was newly constituted by the Board in October 2006. The SC has eight members, comprising (a) five non-executive Directors, three of whom are independent: Mr Nihal Vijaya Devadas Kaviratne CBE (SC Chairman and independent Director), Mr Tan Guong Ching, Mr Lim Ming Seong, Mr Liu Chee Ming, Mr Robert J. Sachs; (b) an executive Director, Mr Steven Terrell Clontz, and (c) two co-opted members: Mr Stephen Miller and Mr Yong Lum Sung. The main responsibilities of the SC are:

– to support and advise Management and the Board in the formulation and review of the Group's strategies for achieving growth in shareholder value;

– to consider opportunities and identify risks in the relevant areas of the business, operations and industry that may present a significant intermediate or long-term opportunity or risk; and

– to provide constructive challenges and add elements of objectivity and independence in the strategy formulation and review process.

A matrix of the Directors' participation and attendance at the AC, ERCC, NC and SC meetings held during the financial year ended 31 December 2006 is set out on page 49 of this Report.

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.

Formal reviews of the Board's performance are undertaken on an annual basis by the NC, 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, participation and attendance at Board and Board committee meetings, overall contribution by Board members, 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.

Throughout the year, the Board has maintained open lines of communication directly with senior Management on matters within their purview, over and above their attendance at convened meetings. Non-executive Directors have constructively challenged and assisted in developing proposals on strategy and reviewed the Management's performance in meeting set goals and objectives. The Board has also provided valuable inputs, knowledge and raised insightful issues at Board and Board committee meetings.

Principle 6: Access to Information

Prior to each Board or Board committee meeting and as and when the need arises, Management provides timely, pertinent and complete information to the Board and the relevant Board committees relating to matters to be brought before them 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 and the Board committees to make informed, sound and appropriate 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 at all times. Frequent dialogue and interaction take place between senior Management and the Board members, as encouraged by the President & CEO.

The Board also has separate and independent access to the Company Secretary who attends all Board meetings. The Company Secretary is responsible for advising the Board, through the Chairman, to ensure that the Board procedures are followed, and that the applicable requirements of the Companies Act and the Listing Manual are complied with. The Company Secretary also ensures that there is good information flow within and between the Board, the Board committees and the senior Management.

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 in a highly competitive and challenging business environment, committed and talented human resources are required to manage and grow the Company's businesses for sustained long-term enhancement of shareholders' value. The Company recognises the importance of motivating its employees through engagement, recognition and proper alignment of reward to performance. Therefore, the Company's framework of remuneration for the Board and key executives is inextricably linked to (a) the performance of the Company, the Group and the individuals, and (b) the development of key executives to ensure that there is a 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 remuneration policies for Directors, key executives and the leadership development of the Group. 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.

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 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 twice a year. The ERCC held five meetings during 2006. A matrix of the Directors' participation and attendance at the ERCC meetings held during the year is set out in page 49 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, 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 advisors as and when it deems necessary.

The President & CEO, as the executive Director, is remunerated as a member of the senior Management, and does not receive Director's fees for his Board directorship with the Company. His compensation consists of a base salary, allowances, an Annual Wage Supplement (AWS), performance-related bonuses/payments, benefits-in-kind, share options and conditional performance share awards. Non-executive Directors' remuneration consists of Directors' fees based on the approved Directors' Fee policy and share options. The Directors' Fee policy is based on a scale of fees divided into basic retainer fees as Director, attendance fees and additional fees for serving on Board committees. Directors' fees for non-executive Directors are subject to the shareholders' approval at each AGM.

The details of the annual remuneration of the non-executive Directors of the Company are set out below for the financial year ended 31 December 2006 (excluding Directors' share options, details of which are set out in page 75 of the Directors' Report):

Number of the Non-Executive Directors in Remuneration Bands	2006	2005
$500,000 and above	–	–
$250,000 to $499,999	–	–
Below $250,000	11	11
Total	11	11

Name of Director	Position Held	Directors' Fees
Tan Guong Ching	Board Chairman SC Member	$102,280
Kua Hong Pak	Director AC Chairman	$85,000
Peter Seah Lim Huat	Director ERCC & NC Chairman	$91,000
Nihal Vijaya Devadas Kaviratne CBE	Director SC Chairman AC Member	$76,180
Lee Theng Kiat [1]	Director ERCC & NC Member	$79,000
Lim Ming Seong	Director AC, ERCC, NC & SC Member	$99,280
Lim Chin Beng	Director	$54,000
Osamu Inoue [1]	Director	$55,000
Teo Ek Tor	Director AC Member	$73,000
Liu Chee Ming	Director SC Member	$57,280
Robert J. Sachs	Director SC Member	$72,280

[1] Fees are payable to Director's employer company.

CORPORATE GOVERNANCE

The aggregate annual compensation paid and accruing in bands of $250,000 (including any benefits-in-kind) for the financial year ended 31 December 2006 of the President & CEO and executive Director, and each of the top six key senior executives (who are not also Directors of the Company) for the services rendered by them in all capacities to the Company and our related corporations, is set out below. The Company has moved towards adopting the StarHub Performance Share Plan and the StarHub Restricted Stock Plan ("Share Plans") as long-term incentive plans to motivate senior executives to strive for superior performance and sustained long-term growth and profitability for the Group. Under the aforesaid Share Plans, share awards granted correlate with corporate performance, and the interests of senior executives are aligned with the interests of shareholders. Details of the Share Plans are described in pages 74 to 77 of the Directors' Report.

	Fixed [1] (%)	Variable [2] (%)	Benefits-in-kind [3] (%)	Remuneration bands [4] (%)	Share Awards granted in 2006 under StarHub Performance Share Plan [6]	Share Awards granted in 2006 under StarHub Restricted Stock Plan [7]
President & CEO and Executive Director						
Steven Terrell Clontz [5]	29	57	14	C	Refer to details in Directors' Report	Refer to details in Directors' Report
Senior Executives						
Kwek Buck Chye	65	28	7	A	Up to 180,000 shares	Up to 78,000 shares
Michael Eugene Reynolds	44	23	33	B	Up to 180,000 shares	Up to 78,000 shares
David William Storrie	56	24	20	A	Up to 180,000 shares	Up to 78,000 shares
Philip Tan Swee Lim	66	27	7	A	Up to 180,000 shares	Up to 78,000 shares
Chan Kin Hung	72	23	5	A	Up to 100,000 shares	Up to 42,900 shares
Alex Siow Yuen Khong	67	27	6	A	Up to 100,000 shares	Up to 42,900 shares

(1) Fixed refers to base salary, Annual Wage Supplement and fixed allowances earned for the year ended 31 December 2006.

(2) Variable refers to incentives paid and accrued for the year pursuant to the Company's performance bonus scheme and Economic Value Added ('EVA') scheme for the year ended 31 December 2006. The Company's performance bonus scheme is the 'balanced scorecard' scheme used to determine the annual performance bonuses payable 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. Under the EVA scheme, a notional EVA bank account will be set up for each senior executive, into which the annual EVA performance bonus earned by him each year is credited. One third of the total amount in his EVA bank account is payable annually at a later date in the following financial year, and the remaining balance in his EVA bank account will be payable to him upon his resignation or termination of employment (other than for cause), subject to certain conditions being met. The balance in the EVA bank account will increase or decrease depending on the Company's EVA performance in subsequent years.

(3) 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.

(4) Remuneration bands:

'A' refers to remuneration between $450,001 and $700,000 p.a

'B' refers to remuneration between $950,001 and $1,200,000 p.a.

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

(5) 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) from the Company for services rendered in all capacities to the Company and its related corporations.

(6) A share award was granted under the StarHub Performance Share Plan on 17 March 2006. The share valuation adopted a Monte-Carlo simulation methodology applied at the point of grant. The fair value of the share award based on a Monte-Carlo simulation on 17 March 2006 was $1.819. The share award is conditional upon the participant achieving prescribed performance targets over the performance period from 1 January 2006 to 31 December 2008. 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 delivered will depend on the level of attainment of the performance targets.

(7) A share award was granted under the StarHub Restricted Stock Plan on 5 July 2006. The share valuation adopted a Monte-Carlo simulation methodology applied at the point of grant. The fair value of the share award based on a Monte-Carlo simulation on 5 July 2006 was $1.58. The share award is conditional upon the participant achieving prescribed performance targets over the performance period from 1 January 2006 to 31 December 2007. The actual number of shares delivered will depend on the level of attainment of the performance targets. Shares will be delivered in phases according to the stipulated vesting periods.

Note:

The above disclosure excludes Mr Yong Lum Sung, ex-Chief Operating Officer, StarHub, who had retired as of 31 December 2006.

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.

CORPORATE GOVERNANCE

3. Accountability and Audit

Principle 10: Accountability

The Board has overall accountability to shareholders for the Group's performance and ensuring that the Group is well managed and guided by its strategic objectives. The Company continues to report the Group's operating performance and financial results on a quarterly basis via SGXNET in an effort to provide shareholders with a balanced and accurate assessment of the Group's performance, financial 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 Nihal Vijaya Devadas Kaviratne CBE, Mr Lim Ming Seong 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, findings and Management's responses to the findings;
- the review of internal audit function and process and adequacy of internal controls;
- the review of Interested Person Transactions for which there is a Shareholders' Mandate that is renewable annually;
- the review and approval of quarterly and full year 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 page 49 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 any 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. The 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 policies and 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.

For the financial year ended 31 December 2006, 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 of Internal Auditing set by The Institute of Internal Auditors, and they report directly to the AC.

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 2006 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.

The internal auditors submitted quarterly internal audit summary reports to the AC on the status of the audit plan and on major audit findings and actions taken by Management on the findings.

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 weaknesses 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: Regular, Effective and Fair Communication with Shareholders

The Company's Investor Relations team, together with the President & CEO and other members of the senior Management, play a key role in planning, managing and carrying out regular and effective communication with shareholders and the investing public to ensure that they are kept abreast of the Group's corporate developments and financial performance. Regular media releases, briefings and meetings with the media, analysts and fund managers are conducted throughout the year. Senior Management also conducts periodic international road shows and participates in conferences organised by major brokerage firms.

In addition, the Group's media releases, financial results, presentation materials used at briefings, archived webcasts and conference calls, annual reports, SGXNET announcements and other corporate information, are accessible on the Company's regularly updated website at 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.

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

CORPORATE GOVERNANCE

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.

Principle 15: Greater Shareholder Participation

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 appointing one or two proxies to attend and vote on their behalf at such general meetings. The Company's Articles of Association do not allow shareholders to vote in absentia.

The respective Chairmen of the AC, ERCC, NC and SC and the senior Management team, together with the Board, 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.

The Company presents separate resolutions on each substantially separate issue at general meetings. Voting on each resolution is carried out systematically with proper recording of the votes cast and the resolutions passed.

Interested Person Transactions and Material Contracts

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

	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) 1 January 2006 to 31 December 2006 $m
Transactions for the Sales of Goods & Services	
Chartered Semiconductor Manufacturing Ltd & its associates	0.2
Pacific Internet Limited & its associates	2.3
PT Indosat Tbk & its associates	1.7
Singapore Technologies Engineering Ltd & its associates	0.4
Singapore Telecommunications Limited & its associates	33.4
TeleChoice International Ltd & its associates	0.2
Temasek Holdings (Private) Limited & its associates	1.0
	39.1
Transactions for the Purchase of Goods & Services	
Neptune Orient Lines Limited & its associates	0.6
PT Indosat Tbk & its associates	14.5
Singapore Computer Systems Limited & its associates	2.1
Singapore Power Limited & its associates	25.7
Singapore Telecommunications Limited & its associates	81.0
SNP Corporation Limited & its associates	5.2
STT Communications Ltd & its associates	1.4
TeleChoice International Ltd & its associates	156.1
Temasek Holdings (Private) Limited & its associates	6.1
	292.7

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 2006 to 31 December 2006.

During the financial year ended 31 December 2006, 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 2006)	**Past Principal Directorships/ Chairmanships & Appointments (from 1 January 2004 to 30 December 2006)**
Tan Guong Ching	61	Singapore Technologies Telemedia Pte Ltd Singapore Technologies Aerospace Limited STT Communications Ltd Asia Mobile Holding Company Pte. Ltd. Asia Mobile Holdings Pte. Ltd. Singapore Pools (Private) Limited Allco (Singapore) Limited Temasek Life Sciences Laboratory Limited	PowerGrid Limited Singapore Technologies Engineering Ltd Techpower Communications Pte Ltd SRCC Pte Ltd Singapore Power Limited SP PowerGrid Limited
Steven Terrell Clontz	57	Global Crossing Limited InterDigital Communications Corporation Equinix, Inc. LiveCargo Inc.	e-station Pte Ltd Southeast Asia Crossing Pte Ltd
Kua Hong Pak	63	ComfortDelGro Corporation 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 Chongqing ComfortDelgro Driver Training Co., Ltd CabCharge Australia Limited	Liaoning Times Xinhua Printers Ltd Shanghai Times Sanyin Printers Co., Ltd Shendene Ltd Times Printers Private Limited Times-Ringier (HK) Limited Overseas Union Enterprise Limited
Peter Seah Lim Huat	61	CapitaLand Limited Chartered Semiconductor Manufacturing Ltd Global Crossing Limited Government of Singapore Investment Corporation Private Limited 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 Bank of China Limited	Board of Commissioners of Currency, Singapore Overseas Union Bank Limited Singapore Technologies Pte Ltd Singapore Technologies Semiconductors Pte Ltd PSA International 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 2006)	Past Principal Directorships/ Chairmanships & Appointments (from 1 January 2004 to 30 December 2006)
Nihal Vijaya Devadas Kaviratne CBE	63	GlaxoSmithKline Pharmaceuticals Limited TVS Motor Company (Europe) BV PT TVS Motor Company Agro Tech Foods Limited St. Jude India ChildCare Centres First India Credit Corporation Limited Titan Industries Ltd	PT Kimberly Lever Indonesia PT Technopia Lever PT Unilever Indonesia Tbk Unilever de Argentina S.A.
Lee Theng Kiat	54	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 Asia Mobile Holdings Pte. Ltd. Asia Mobile Holding Company Pte. Ltd.	Elipva Ltd Equinix Singapore Pte. Ltd. SpiceCorp Limited Teletech Park Pte Ltd Equinix, Inc.
Lim Ming Seong	60	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 Tuas Power Ltd United BMEC Pte Ltd WhiteRock Management Ltd WhiteRock Healthcare Pte Ltd United BMEC 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	75	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 West Paces Hotel Group Asia Pte Ltd	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

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 2006)	Past Principal Directorships/ Chairmanships & Appointments (from 1 January 2004 to 30 December 2006)
Osamu Inoue	58	NTT Communications Corporation NTT Com China Company Ltd. NTT Europe Ltd. NTT Singapore Pte. Ltd. NTT America, Inc. Verio, Inc.	NTT Worldwide Telecommunications Corporation
Teo Ek Tor	54	ECS Holdings Limited Nylex (M) Bhd United Pacific Industries Limited ServTouch Holdings Pte Ltd PFA Corporate Holdings Sdn Bhd Tamco Corporate Holdings Berhad WhiteRock Healthcare Pte Ltd PrimePartners Asset Management Pte Ltd PrimePartners Corporate Finance Pte Ltd Transmission & Distribution Group Limited	PrimePartners Asset Management (HK) Limited WhiteRock Partners Pte Ltd
Liu Chee Ming	56	Access Investment Management (H.K.) Limited Brianne Investments Limited CAV-Thakral Home Entertainment LTD. Kader Holdings Company Limited Keltyhill 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 Limited (Formerly known as 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	59	Continental Consulting Group, LLC. Global Crossing Limited Dana-Farber Cancer Institute, Inc. National Coalition for Cancer Survivorship Big Band Networks, Inc. UpdateLogic, Inc. WGBH Educational Foundation Citi Performing Arts Center	National Cable and Telecommunications Association CableLabs, Inc. The Advertising Council

FINANCIAL STATEMENTS

CONTENTS

66 Directors' Report
79 Statement by Directors
80 Independent Auditors' Report
81 Balance Sheets
82 Profit and Loss Statements
83 Statements of Changes in Equity
85 Consolidated Cash Flow Statement
86 Notes to the Financial Statements
122 Shareholding Information
124 Notice of Ninth Annual General Meeting
127 Proxy Form
IBC Corporate Information

DIRECTORS' REPORT

Year ended 31 December 2006

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 2006.

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	
Nihal Vijaya Devadas Kaviratne CBE	
Lee Theng Kiat	
Lim Ming Seong	
Lim Chin Beng	
Osamu Inoue	
Teo Ek Tor	
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

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants, 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 2006	31 December 2006
The Company		
Ordinary shares		
Steven Terrell Clontz	1,735,002	6,401,450[+]
Peter Seah Lim Huat	60,000	133,720
Nihal Vijaya Devadas Kaviratne CBE	60,000	64,080
Lee Theng Kiat	–	125,150
Lim Ming Seong	60,000	108,000
Lim Chin Beng	–	125,150[+]
Liu Chee Ming	60,000[+]	51,430[+]

[+] Held (partly or wholly) by a nominee.

DIRECTORS' REPORT

Year ended 31 December 2006

Shares in the Company and in related corporations (continued)

	1 January 2006	31 December 2006
Related Corporations		
Singapore Telecommunications Limited		
Ordinary shares		
Tan Guong Ching	2,990	2,830
Kua Hong Pak	3,176	3,027
Peter Seah Lim Huat	3,180	3,040
Lee Theng Kiat	1,690	1,610
Lim Ming Seong	3,390	–
Lim Chin Beng	1,430	1,360
Teo Ek Tor	2,340	2,240
Sio Tat Hiang	1,560	1,490
Vertex Technology Fund Ltd		
Ordinary shares		
Lim Ming Seong	300[+]	300[+]
Vertex Technology Fund (II) Ltd		
Ordinary shares		
Lee Theng Kiat	100[+]	100[+]
Lim Ming Seong	50[+]	50[+]
Redeemable preference shares		
Lee Theng Kiat	97[+]	97[+]
Lim Ming Seong	48.51[+]	47.01[+]
Singapore Airlines Limited		
Ordinary shares		
Tan Guong Ching	2,000	2,000
i-STT Investments Pte Ltd		
Ordinary shares		
(held in trust for STT Communications Ltd)		
Lee Theng Kiat	1	1

[+] Held by a nominee.

DIRECTORS' REPORT

Year ended 31 December 2006

Shares in the Company and in related corporations (continued)

	1 January 2006	31 December 2006
Related Corporations (continued)		
Chartered Semiconductor Manufacturing Ltd		
Ordinary shares		
Tan Guong Ching	15,000	15,000
SMRT Corporation Ltd		
Ordinary shares		
Tan Guong Ching	11,000	11,000
TeleChoice International Limited		
Ordinary shares		
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
SP Australia Networks (Transmission) Ltd ("SPANTL") **SP Australia Networks (Distribution) Ltd ("SPANDL")** **SP Australia Networks (Finance) Trust ("SPANFT")**		
Stapled securities comprising 100,000 shares in each of SPANTL and SPANDL respectively and 100,000 units in SPANFT		
Tan Guong Ching	100,000	100,000
Singapore Technologies Engineering Ltd		
Ordinary shares		
Lim Chin Beng	–	35,000
Global Crossing Limited		
Common stock of US$0.01 each		
Steven Terrell Clontz	500	1,250
Peter Seah Lim Huat	750	1,785
Lee Theng Kiat	500	1,250
Robert J. Sachs	500	1,250
PT Indosat Tbk		
Series B common shares of Rp 100 each		
Lee Theng Kiat	–	135,000

DIRECTORS' REPORT

Year ended 31 December 2006

Options and other interests in the Company and in related corporations

	1 January 2006	31 December 2006	Exercise Price $	Exercise Period
The Company				
Options to subscribe for ordinary shares				
Steven Terrell Clontz	458,334	–	0.40	01.01.2002 to 16.06.2010
	458,334	–	0.48	01.01.2002 to 16.06.2010
	458,334	–	0.48	01.01.2003 to 16.06.2010
	458,334	–	0.56	01.01.2002 to 16.06.2010
	458,334	–	0.56	01.01.2003 to 16.06.2010
	458,334	–	0.56	01.01.2004 to 16.06.2010
	458,334	–	0.68	01.01.2003 to 16.06.2010
	458,334	–	0.68	01.01.2004 to 16.06.2010
	458,334	–	0.68	01.01.2005 to 16.06.2010
	458,334	–	0.84	01.01.2004 to 16.06.2010
	458,334	–	0.84	01.01.2005 to 16.06.2010
	458,334	–	0.84	01.01.2006 to 16.06.2010
Peter Seah Lim Huat	37,500	–	0.88	30.11.2003 to 29.11.2007
	18,750	–	0.88	31.05.2004 to 30.05.2008
	18,750	6,250	0.88	29.11.2004 to 28.11.2008
	18,750	6,250	0.96	03.04.2005 to 02.04.2009
	18,750	12,500	0.985	27.11.2005 to 26.11.2009
	25,500	17,000	1.52	31.05.2006 to 30.05.2010
Nihal Vijaya Devadas Kaviratne CBE	18,750	12,500	0.985	27.11.2005 to 26.11.2009
	25,500	17,000	1.52	31.05.2006 to 30.05.2010
Lee Theng Kiat	87,500	–	0.88	30.11.2003 to 29.11.2007
	18,750	–	0.88	31.05.2004 to 30.05.2008
	18,750	6,250	0.88	29.11.2004 to 28.11.2008
	18,750	6,250	0.96	03.04.2005 to 02.04.2009
	18,750	12,500	0.985	27.11.2005 to 26.11.2009
	25,500	17,000	1.52	31.05.2006 to 30.05.2010
Lim Ming Seong	62,500	–	0.88	30.11.2003 to 29.11.2007
	18,750	15,250	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	25,500	1.52	31.05.2006 to 30.05.2010

DIRECTORS' REPORT

Year ended 31 December 2006

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

	1 January 2006	31 December 2006	Exercise Price $	Exercise Period
The Company (continued)				
Options to subscribe for ordinary shares				
Lim Chin Beng	87,500	–	0.88	30.11.2003 to 29.11.2007
	18,750	–	0.88	31.05.2004 to 30.05.2008
	18,750	6,250	0.88	29.11.2004 to 28.11.2008
	18,750	6,250	0.96	03.04.2005 to 02.04.2009
	18,750	12,500	0.985	27.11.2005 to 26.11.2009
	25,500	17,000	1.52	31.05.2006 to 30.05.2010
Teo Ek Tor	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	25,500	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	25,500	1.52	31.05.2006 to 30.05.2010
Robert J. Sachs	25,500	25,500	1.52	31.05.2006 to 30.05.2010

	1 January 2006	31 December 2006
The Company		
Conditional awards of shares		
Shares to be delivered after 2007		
Steven Terrell Clontz	875,000 [1]	875,000 [1]
	–	180,000 [2]
Shares to be delivered after 2008		
Steven Terrell Clontz	–	300,000 [3]

[1] A conditional award under the StarHub Performance Share Plan was granted in November 2005. The performance period is 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 met or exceeded.

[2] A conditional award under the StarHub Restricted Stock Plan was granted in July 2006. The performance period is from 2006 to 2007. No shares will be delivered if the threshold performance targets are not achieved while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. Shares will be delivered in phases according to the stipulated vesting periods.

[3] A conditional award under the StarHub Performance Share Plan was granted in March 2006. The performance period is from 2006 to 2008. 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 met or exceeded.

DIRECTORS' REPORT

Year ended 31 December 2006

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

	1 January 2006	31 December 2006	Exercise Price $	Exercise Period
Related Corporations				
Chartered Semiconductor Manufacturing Ltd				
Options to subscribe for ordinary shares				
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	85,000	1.16	26.08.2006 to 26.08.2010
	–	95,000	1.21	25.08.2007 to 25.08.2011
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
STT Communications Ltd				
Options to subscribe for ordinary shares				
Peter Seah Lim Huat	2,000	–	0.50	29.06.2003 to 28.06.2012
	19,500	9,750	0.57	30.07.2004 to 29.07.2013
	130,000	65,000	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
	200,000	–	0.50	24.11.2002 to 23.11.2011
	375,000	375,000	0.50	29.06.2003 to 28.06.2012
	1,000,000	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
	75,000	75,000	0.50	24.11.2002 to 23.11.2011
	150,000	150,000	0.50	29.06.2003 to 28.06.2012
	350,000	350,000	0.57	30.07.2004 to 29.07.2013
	975,000	975,000	1.08	29.07.2005 to 28.07.2014

DIRECTORS' REPORT

Year ended 31 December 2006

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

	1 January 2006	31 December 2006	Exercise Price $	Exercise Period
Related Corporations (continued)				
Singapore Technologies Engineering Ltd				
Options to subscribe for ordinary shares				
Tan Guong Ching	10,750	10,750	2.57	11.08.2006 to 10.08.2010
	–	13,500	3.01	10.02.2007 to 09.02.2011
	–	13,500	2.84	11.08.2007 to 10.08.2011
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	44,500	2.37	08.02.2006 to 07.02.2010
	44,500	44,500	2.57	11.08.2006 to 10.08.2010
	–	44,500	3.01	10.02.2007 to 09.02.2011
	–	44,500	2.84	11.08.2007 to 10.08.2011
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	7,500	2.37	08.02.2006 to 07.02.2010
	7,500	7,500	2.57	11.08.2006 to 10.08.2010
	–	7,500	3.01	10.02.2007 to 09.02.2011
	–	7,500	2.84	11.08.2007 to 10.08.2011
Lim Chin Beng	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	7,166	2.57	11.08.2006 to 10.08.2010
PT Indosat Tbk				
Options to subscribe for common shares of Rp 100 each				
Peter Seah Lim Huat	150,000	–	Rp 3,702.60	01.08.2005 to 31.07.2006
Lee Theng Kiat	135,000	–	Rp 3,702.60	01.08.2005 to 31.07.2006
Sio Tat Hiang	135,000	–	Rp 3,702.60	01.08.2005 to 31.07.2006

DIRECTORS' REPORT

Year ended 31 December 2006

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

	1 January 2006	31 December 2006	Exercise Price $	Exercise Period
Related Corporations (continued)				
Global Crossing Limited				
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 2006	31 December 2006	Vesting Period
Global Crossing Limited			
Restricted stock units			
Steven Terrell Clontz	4,500	3,750	08.03.2005 to 08.03.2009
	–	3,294	15.08.2006 to 15.08.2007
Peter Seah Lim Huat	6,750	5,625	08.03.2005 to 08.03.2009
	–	3,294	15.08.2006 to 15.08.2007
Lee Theng Kiat	4,500	3,750	08.03.2005 to 08.03.2009
	–	3,294	15.08.2006 to 15.08.2007
Robert J. Sachs	4,500	3,750	08.03.2005 to 08.03.2009
	–	3,294	15.08.2006 to 15.08.2007

The concept of par value was abolished on 30 January 2006 when the Companies (Amendment) Act 2005 came into effect.

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 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 2007.

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 and in note 20 to the financial statements, 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 2006

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 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 share in respect of which an option is exercisable was determined by the ERCC in its absolute discretion on the date of grant.

DIRECTORS' REPORT

Year ended 31 December 2006

Equity Compensation Benefits (continued)

iii) 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 31 December 2006	Aggregate options exercised since commencement of the Share Option Plans to 31 December 2006	Aggregate options outstanding as at 31 December 2006
StarHub Share Option Plan 2000				
Steven Terrell Clontz	–	6,875,010	6,875,010	–
Peter Seah Lim Huat	–	93,750	81,250	12,500
Lee Theng Kiat	–	143,750	131,250	12,500
Lim Ming Seong	–	118,750	66,000	52,750
Lim Chin Beng	–	143,750	131,250	12,500
StarHub Share Option Plan 2004				
Peter Seah Lim Huat	–	44,250	14,750	29,500
Nihal Vijaya Devadas Kaviratne CBE	–	44,250	14,750	29,500
Lee Theng Kiat	–	44,250	14,750	29,500
Lim Ming Seong	–	44,250	–	44,250
Lim Chin Beng	–	44,250	14,750	29,500
Teo Ek Tor	–	44,250	–	44,250
Liu Chee Ming	–	44,250	–	44,250
Robert J. Sachs	–	25,500	–	25,500

iv) 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.

v) No options had been offered at a discount during the financial year.

vi) 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.

vii) During the financial year, a total of 21,142,213 ordinary shares 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 $1.52 per share.

DIRECTORS' REPORT

Year ended 31 December 2006

Equity Compensation Benefits (continued)

viii) 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	Exercise price per share $
7	17.06.2001 to 16.06.2010	23,415	0.480
2	03.10.2001 to 02.10.2010	6,000	0.480
15	28.04.2002 to 27.04.2011	18,875	0.880
46	27.10.2002 to 26.10.2011	306,000	0.880
66	27.04.2003 to 26.04.2012	176,500	0.880
71	29.11.2002 to 29.11.2012	352,802	0.680
323	30.11.2003 to 29.11.2012	1,200,230	0.880
680	31.05.2004 to 30.05.2013	1,340,045	0.880
1	31.05.2004 to 30.05.2008	15,250	0.880
1,360	29.11.2004 to 28.11.2013	2,706,414	0.880
4	29.11.2004 to 28.11.2008	37,500	0.880
1,807	03.04.2005 to 02.04.2014	3,444,273	0.960
4	03.04.2005 to 02.04.2009	37,500	0.960
1,656	27.11.2005 to 26.11.2014	5,024,531	0.985
7	27.11.2005 to 26.11.2009	106,250	0.985
1,829	31.05.2006 to 30.05.2015	10,794,163	1.520
8	31.05.2006 to 30.05.2010	170,000	1.520
Total		25,759,748	

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.

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 key 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 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 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.

DIRECTORS' REPORT

Year ended 31 December 2006

Equity Compensation Benefits (continued)

Since the commencement of the StarHub Performance Share Plan and up to the financial year ended 31 December 2006, conditional awards aggregating 3,435,000 shares have been granted under the aforesaid Plan, representing the number of shares to be delivered if the performance targets are achieved at "on-target" level. 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 met or exceeded.

Share awards granted and vested, during the financial year, and share awards outstanding at the end of the financial year, under the StarHub Performance Share Plan, are as follows:

Date of grant	1 January 2006	Share awards granted	Share awards vested	31 December 2006
For key executives				
17.11.2005	1,680,000	–	–	1,680,000
17.03.2006	–	580,000	–	580,000
For executive Director (Steven Terrell Clontz)				
17.11.2005	875,000	–	–	875,000
17.03.2006	–	300,000	–	300,000

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. The total number of shares to be released depends on the level of attainment of the performance targets.

Since the commencement of the StarHub Restricted Stock Plan to the financial year ended 31 December 2006, conditional awards aggregating 1,957,000 shares have been granted under the aforesaid Plan, representing the number of shares to be delivered if the performance targets are achieved at "on-target" level. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if stretched performance targets are met or exceeded.

Share awards granted and vested during the financial year, and share awards outstanding at the end of the financial year, under the StarHub Restricted Stock Plan, are as follows:

Date of grant	1 January 2006	Share awards granted	Share awards vested	Share awards forfeited	31 December 2006
For key employees					
05.07.2006	–	1,777,000	–	(15,000)	1,762,000
For executive Director (Steven Terrell Clontz)					
05.07.2006	–	180,000	–	–	180,000

As at 31 December 2006, no participant has been granted options under the Share Option Plans and/or received shares pursuant to the release of awards granted under the StarHub Performance Share Plan and/or the StarHub Restricted Stock Plan, which, in aggregate, represents 5% or more of the aggregate of:

a) the total number of new shares available under the Share Option Plans, StarHub Performance Share Plan and StarHub Restricted Stock Plan collectively; and

b) the total number of existing shares delivered pursuant to options exercised under the Share Option Plans and awards released under the StarHub Performance Share Plan and the StarHub Restricted Stock Plan collectively.

DIRECTORS' REPORT

Year ended 31 December 2006

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);

Nihal Vijaya Devadas Kaviratne CBE, independent non-executive Director;

Lim Ming Seong, non-executive Director; and

Teo Ek Tor, 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
14 February 2007

STATEMENT BY DIRECTORS

Year ended 31 December 2006

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2006 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 in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and

b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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
14 February 2007

INDEPENDENT AUDITORS' REPORT

Members of the Company
StarHub Ltd

We have audited the accompanying financial statements of StarHub Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2006, the profit and loss statements and statements of changes in equity of the Group and the Company and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 81 to 121.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

a) the consolidated financial statements of the Group and the balance sheet, profit and loss statement and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the 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 2006 and of the results and changes in equity of the Group and of the Company and cash flows of the Group 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
14 February 2007

BALANCE SHEETS

As at 31 December 2006

	Notes	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Non-current assets					
Property, plant and equipment	3	**919,503**	957,443	**273,696**	278,846
Intangible assets	4	**339,737**	327,596	**36,278**	13,531
Investments in subsidiaries	5	**–**	–	**1,161,968**	1,063,245
Deferred tax assets	6	**165,414**	145,015	**99,315**	119,714
Amounts due from subsidiaries	8	**–**	–	**–**	103,241
		1,424,654	1,430,054	**1,571,257**	1,578,577
Current assets					
Inventories	9	**12,980**	13,117	**3,800**	9,101
Trade receivables	7	**111,489**	99,331	**78,119**	63,872
Other receivables, deposits and prepayments	10	**108,346**	106,180	**42,080**	39,817
Balances with related parties	8	**18,908**	17,240	**984,916**	545,441
Cash and bank balances	11	**50,186**	174,477	**39,777**	156,661
		301,909	410,345	**1,148,692**	814,892
Less:					
Current liabilities					
Trade payables and accruals	12	**334,891**	325,155	**184,484**	201,317
Other payables	13	**146,429**	168,840	**45,978**	85,369
Balances with related parties	8	**53,358**	63,464	**276,048**	84,395
Bank loans	14	**–**	110,500	**–**	17,000
Provisions	15	**8,613**	9,811	**2,193**	3,367
		543,291	677,770	**508,703**	391,448
Net current (liabilities)/assets		**(241,382)**	(267,425)	**639,989**	423,444
Non-current liabilities					
Bank loans	14	**(633,000)**	(132,500)	**(633,000)**	–
Deferred income	16	**(18,551)**	(21,815)	**–**	–
Deferred tax liabilities	6	**(44,236)**	(31,409)	**–**	–
		(695,787)	(185,724)	**(633,000)**	–
Net assets		**487,485**	976,905	**1,578,246**	2,002,021
Shareholders' equity					
Share capital	17	**236,403**	854,779	**236,403**	854,779
Reserves	19	**251,082**	122,126	**1,341,843**	1,147,242
Total equity		**487,485**	976,905	**1,578,246**	2,002,021

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

PROFIT AND LOSS STATEMENTS

Year ended 31 December 2006

	Notes	Group		Company	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Operating revenue	21	**1,804,769**	1,570,721	**631,224**	555,576
Operating expenses	22	**(1,443,389)**	(1,314,430)	**(664,435)**	(650,358)
Other income	24	**–**	–	**468,547**	213,037
		361,380	256,291	**435,336**	118,255
Finance income	25	**5,667**	3,943	**18,487**	9,716
Finance expense	25	**(14,447)**	(11,944)	**(9,303)**	(2,133)
Net finance costs		**(8,780)**	(8,001)	**9,184**	7,583
Profit before taxation		**352,600**	248,290	**444,520**	125,838
Taxation - credit/(charge)	26	**7,572**	(26,887)	**(20,400)**	(5,948)
Profit for the year		**360,172**	221,403	**424,120**	119,890
Attributable to:					
Equity holders of the parent		**360,172**	221,403	**424,120**	119,890
Profit for the year		**360,172**	221,403	**424,120**	119,890
Earnings per share (in cents)	27				
Basic		**17.60**	10.41		
Diluted		**17.42**	10.30		
EBITDA	28	**575,299**	460,089		

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Share capital					
Balance at 1 January		**854,779**	847,163	**854,779**	847,163
Issue of shares under StarHub Share Option Plans		**18,191**	7,616	**18,191**	7,616
Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	17	**19,111**	–	**19,111**	–
Cancellation of shares pursuant to Capital Reduction	17	**(655,678)**	–	**(655,678)**	–
Balance at 31 December		**236,403**	854,779	**236,403**	854,779
Share premium					
Balance at 1 January		**18,482**	9,955	**18,482**	9,955
Issue of shares under StarHub Share Option Plans		**629**	8,527	**629**	8,527
Transfer to share capital account upon implementation of the Companies (Amendment) Act 2005	17	**(19,111)**	–	**(19,111)**	–
Balance at 31 December		–	18,482	–	18,482
Goodwill written off					
Balance at 1 January and 31 December		**(276,290)**	(276,290)	**–**	–
Merger reserve					
Balance at 1 January and 31 December		**213,509**	213,509	**–**	–
Capital reserve					
Balance at 1 January and 31 December		**191,925**	191,925	**718,822**	718,822
Balance carried forward		**365,547**	1,002,405	**955,225**	1,592,083

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Balance brought forward		**365,547**	1,002,405	**955,225**	1,592,083
Share-based payment reserve					
Balance at 1 January		**8,537**	2,998	**8,537**	2,998
Value of employee services received		**5,436**	5,539	**5,436**	5,539
Balance at 31 December		**13,973**	8,537	**13,973**	8,537
Hedging reserve					
Balance at 1 January		**1,855**	(4,057)	**–**	–
Effective portion of changes in fair value of cash flow hedge, representing total recognised equity		**(1,697)**	5,912	**–**	–
Balance at 31 December		**158**	1,855	**–**	–
Retained profits /(accumulated losses)					
Balance at 1 January		**(35,892)**	(118,602)	**401,401**	420,204
Net profit for the year		**360,172**	221,403	**424,120**	119,890
Final dividend paid	18	**(53,563)**	–	**(53,563)**	–
Interim dividends paid	18	**(162,910)**	(138,693)	**(162,910)**	(138,693)
Balance at 31 December		**107,807**	(35,892)	**609,048**	401,401
Total attributable to equity shareholders of the parent		**487,485**	976,905	**1,578,246**	2,002,021
Total recognised income and expense (including those recognised directly in equity) for the year		**358,475**	227,315	**424,120**	119,890

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	2006 $'000	2005 $'000
Operating activities		
Profit before taxation	**352,600**	248,290
Adjustments for:		
Provision for charity fund	**979**	842
Provision for loyalty programme	**10,640**	7,515
Depreciation and amortisation (net of asset grant)	**211,043**	203,798
Gain on disposal/write-off of property, plant and equipment and intangible assets	**(2,724)**	1,019
Impairment loss on/write-down of property, plant and equipment and intangible asset	**4,602**	–
Share-based compensation expenses	**5,436**	5,539
Interest expense	**14,447**	11,944
Interest income	**(5,667)**	(3,943)
Operating cash flow before working capital changes	**591,356**	475,004
Changes in working capital:		
Inventories	**137**	(6,766)
Trade receivables	**(12,158)**	(9,264)
Other receivables, deposits and prepayments	**(4,042)**	(746)
Trade payables, accruals and other payables	**17,997**	43,171
Related corporations balances (trade)	**(11,773)**	3,198
Net cash inflow from operating activities	**581,517**	504,597
Investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	**9,142**	292
Purchase of property, plant and equipment and intangible assets	**(247,595)**	(247,663)
Interest received	**5,847**	3,858
Net cash outflow from investing activities	**(232,606)**	(243,513)
Financing activities		
Proceeds from issue of shares	**18,820**	16,143
Payment for cancellation of shares on capital reduction	**(655,678)**	–
Repayment of finance lease liabilities	**–**	(27)
Grants received	**914**	–
Interest paid	**(10,785)**	(14,183)
Proceeds from loans	**633,000**	17,000
Repayment of loans	**(243,000)**	(93,500)
Dividends paid	**(216,473)**	(138,693)
Net cash outflow from financing activities	**(473,202)**	(213,260)
Net increase/(decrease) in cash and cash equivalents	**(124,291)**	47,824
Cash and cash equivalents at beginning of the year	**174,477**	126,653
Cash and cash equivalents at end of the year (note 11)	**50,186**	174,477

Significant non-cash transactions

During the financial year ended 31 December 2006, the Group entered into capacity swap transactions of $8.0 million (2005: $2.2 million) with other operators.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 14 February 2007.

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").

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements requires management to make judgements in the application of accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported income and expenses during the financial year. These estimates are based on management's best knowledge and judgement of current events and environment. Actual results may ultimately differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

FRSs yet to be adopted

Certain new accounting standards and interpretations have been issued which are mandatory for accounting periods beginning on or after 1 January 2007. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2 Summary of Significant Accounting Policies (continued)

2.2 Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity 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 on or after 1 January 2005 are treated as assets and liabilities of the foreign subsidiary and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

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 statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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 statement 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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

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 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 statement.

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 statement 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 statement when the business is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2 Summary of Significant Accounting Policies (continued)

2.4 Intangible assets (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 statement 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 assets, other than inventories and deferred tax assets, 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.

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 statement 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 or 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 statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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 statement over the expected repayment period.

Such balances are eliminated in full in the Group's 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 weighted average basis. Reserved telephone numbers are stated at cost and accounted for using the specific identification basis.

Prior to 2006, the cost of goods held for resale is determined on the first-in first-out basis. This change has no material impact on the Group's financial statements.

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.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the cash flow statement, 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 Bank loans

Bank loans are recognised at fair value less attributable transaction costs. Subsequent to initial recognition, bank loans are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss statement over the period of the bank loans on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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 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 profit and loss 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 and Directors are expected to receive based on non-market vesting conditions. The difference is charged or credited to the profit and loss statement, with a corresponding adjustment to equity.

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 statement when incurred.

2.13 Provisions

A provision is recognised in the balance sheet when the Group has a present 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 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.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2 Summary of Significant Accounting Policies (continued)

2.15 Revenue recognition

Revenue 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 statement 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 statement.
- 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 statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

2.17 Government grants

Government grants received, which are designated for the purchase of property, plant and equipment, are accreted to the profit and loss statement 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 statement 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 statement 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 statement on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the profit and loss statement as an integral part of the total lease payments made. Contingent rentals are charged to the profit and loss statement in the accounting period in which they are incurred.

2.20 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2 Summary of Significant Accounting Policies (continued)

2.21 Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the profit and loss statement 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 statement.

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 statement. 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 2006

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 statement in the same period or periods during which the asset acquired or liability assumed affects the profit and loss statement (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 statement in the same period or periods during which the hedged forecast transaction affects the profit and loss statement. The ineffective part of any gain or loss is recognised immediately in the profit and loss statement.

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 statement.

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 statement.

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 multimedia services and other miscellaneous services.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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
Cost							
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
At 1 January 2006	**44,846**	**1,657**	**2,169,410**	**117,058**	**7,641**	**81,845**	**2,422,457**
Additions	**915**	**–**	**47,910**	**3,051**	**493**	**119,136**	**171,505**
Transfers	**795**	**–**	**121,648**	**18,034**	**(14)**	**(140,463)**	**–**
Disposals	**(326)**	**–**	**(20,174)**	**(6,176)**	**(1,436)**	**(345)**	**(28,457)**
Write-offs	**(1,620)**	**–**	**(12,580)**	**(481)**	**(163)**	**(166)**	**(15,010)**
At 31 December 2006	**44,610**	**1,657**	**2,306,214**	**131,486**	**6,521**	**60,007**	**2,550,495**
Accumulated depreciation and impairment losses							
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
At 1 January 2006	**40,295**	**–**	**1,331,664**	**78,819**	**6,943**	**7,293**	**1,465,014**
Charge for the year	**2,592**	**–**	**182,730**	**15,705**	**323**	**–**	**201,350**
Impairment losses	**–**	**–**	**1,726**	**–**	**–**	**–**	**1,726**
Transfers	**–**	**–**	**(54)**	**68**	**(14)**	**–**	**–**
Disposals	**(320)**	**–**	**(15,683)**	**(5,735)**	**(1,436)**	**–**	**(23,174)**
Write-offs	**(1,592)**	**–**	**(11,694)**	**(475)**	**(163)**	**–**	**(13,924)**
At 31 December 2006	**40,975**	**–**	**1,488,689**	**88,382**	**5,653**	**7,293**	**1,630,992**
Carrying amount							
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
At 1 January 2006	**4,551**	**1,657**	**837,746**	**38,239**	**698**	**74,552**	**957,443**
At 31 December 2006	**3,635**	**1,657**	**817,525**	**43,104**	**868**	**52,714**	**919,503**

	2006 $'000	2005 $'000
Amounts capitalised in construction in progress during the year:		
– staff costs	**3,698**	4,002
– operating lease expense	**35**	36

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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
Cost						
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
At 1 January 2006	**29,675**	**688,977**	**90,879**	**3,218**	**34,407**	**847,156**
Additions	**771**	**363**	**2,120**	**29**	**63,974**	**67,257**
Transfers	**793**	**49,103**	**17,411**	**–**	**(67,307)**	**–**
Disposals	**(322)**	**(12,565)**	**(16,604)**	**(412)**	**(1,521)**	**(31,424)**
Write-offs	**(492)**	**–**	**(22)**	**–**	**–**	**(514)**
At 31 December 2006	**30,425**	**725,878**	**93,784**	**2,835**	**29,553**	**882,475**
Accumulated depreciation and impairment losses						
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
At 1 January 2006	**25,558**	**473,663**	**58,697**	**3,100**	**7,292**	**568,310**
Charge for the year	**2,376**	**46,937**	**11,681**	**81**	**–**	**61,075**
Impairment losses	**–**	**1,726**	**–**	**–**	**–**	**1,726**
Disposals	**(315)**	**(9,943)**	**(11,175)**	**(412)**	**–**	**(21,845)**
Write-offs	**(465)**	**–**	**(22)**	**–**	**–**	**(487)**
At 31 December 2006	**27,154**	**512,383**	**59,181**	**2,769**	**7,292**	**608,779**
Carrying amount						
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
At 1 January 2006	**4,117**	**215,314**	**32,182**	**118**	**27,115**	**278,846**
At 31 December 2006	**3,271**	**213,495**	**34,603**	**66**	**22,261**	**273,696**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

4 Intangible Assets

Group	Telecom-munications licences $'000	Software $'000	Software in development $'000	Goodwill $'000	Total $'000
Cost					
At 1 January 2005	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
At 1 January 2006	**98,119**	**178,557**	**6,711**	**223,168**	**506,555**
Additions	**–**	**3,973**	**24,818**	**–**	**28,791**
Transfers	**–**	**27,190**	**(27,190)**	**–**	**–**
Adjustment	**–**	**–**	**–**	**(2,876)**	**(2,876)**
Disposals	**–**	**–**	**–**	**–**	**–**
Write-offs	**–**	**(310)**	**(24)**	**–**	**(334)**
At 31 December 2006	**98,119**	**209,410**	**4,315**	**220,292**	**532,136**
Accumulated amortisation					
At 1 January 2005	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
At 1 January 2006	**21,975**	**156,984**	**–**	**–**	**178,959**
Charge for the year	**4,801**	**8,923**	**–**	**–**	**13,724**
Disposals	**–**	**–**	**–**	**–**	**–**
Write-offs	**–**	**(284)**	**–**	**–**	**(284)**
At 31 December 2006	**26,776**	**165,623**	**–**	**–**	**192,399**
Carrying amount					
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
At 1 January 2006	**76,144**	**21,573**	**6,711**	**223,168**	**327,596**
At 31 December 2006	**71,343**	**43,787**	**4,315**	**220,292**	**339,737**

The adjustment to goodwill of $2.9 million resulted from the recognition, in the year under review, of the deferred tax benefit of a subsidiary that did not meet the criteria for separate recognition at the date of its acquisition by the Group. The reduction in the carrying amount of the goodwill is recognised as an expense in the profit and loss statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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 carrying amount of goodwill assessed as at 31 December 2006 and 31 December 2005 as the recoverable value was in excess of the carrying value.

Company	Telecom-munications licences $'000	Software $'000	Software in development $'000	Total $'000
Cost				
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
At 1 January 2006	**1,032**	**141,954**	**6,296**	**149,282**
Additions	**–**	**1,955**	**24,957**	**26,912**
Transfers	**–**	**27,190**	**(27,190)**	**–**
Disposals	**–**	**(1,079)**	**–**	**(1,079)**
Write-offs	**–**	**–**	**(23)**	**(23)**
At 31 December 2006	**1,032**	**170,020**	**4,040**	**175,092**
Accumulated amortisation				
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
At 1 January 2006	**52**	**135,699**	**–**	**135,751**
Charge for the year	**102**	**3,595**	**–**	**3,697**
Disposals	**–**	**(634)**	**–**	**(634)**
Write-offs	**–**	**–**	**–**	**–**
At 31 December 2006	**154**	**138,660**	**–**	**138,814**
Carrying amount				
At 1 January 2005	–	15,692	1,601	17,293
At 31 December 2005	980	6,255	6,296	13,531
At 1 January 2006	**980**	**6,255**	**6,296**	**13,531**
At 31 December 2006	**878**	**31,360**	**4,040**	**36,278**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

4 Intangible Assets (continued)

	Group and Company	
	2006 $'000	2005 $'000
Amounts capitalised in software development during the year:		
– staff costs	**5,589**	3,823

5 Investments in Subsidiaries

Company	2006 $'000	2005 $'000
Investments in subsidiaries, at cost	**1,169,000**	1,069,000
Discount implicit in the interest-free loan to a subsidiary	**21,885**	23,162
	1,190,885	1,092,162
Allowance for impairment losses	**(28,917)**	(28,917)
	1,161,968	1,063,245

On 18 January 2006, 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 allocated to the Company.

The interest-free loan granted by the Company to a subsidiary was repaid ahead of schedule in 2006, which resulted in the decrease of the discount implicit in the interest-free loan to a subsidiary by $1.3 million.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2006 %	2005 %
StarHub Cable Vision Ltd.[1] ("SCV")	Provision of subscription television and television broadcasting services	Singapore	**100**	100
StarHub Mobile Pte Ltd[1]	Provision of mobile telecommunications services	Singapore	**100**	100
StarHub Internet Pte Ltd[1]	Provision and operation of internet services	Singapore	**100**	100
StarHub Online Pte Ltd[1]	Provision of broadband access services	Singapore	**100**	100
StarHub Shop Pte Ltd[2]	Dormant	Singapore	**100**	100
StarHub, Inc.[2]	Dormant	United States	**100**	100
StarHub (Hong Kong) Limited[2]	Dormant	Hong Kong	**100**	100

[1] Audited by KPMG Singapore.
[2] Not required to be audited by laws of the country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

6 Deferred Taxes

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

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred tax assets				
Property, plant and equipment and intangible assets	**147,956**	137,184	**98,037**	117,721
Receivables	**666**	2,770	**660**	1,427
Inventories	**489**	368	**489**	368
Provisions	**1,585**	1,418	**129**	198
Tax losses carried forward	**14,718**	3,275	**–**	–
Total	**165,414**	145,015	**99,315**	119,714
Deferred tax liabilities				
Property, plant and equipment	**(44,409)**	(34,336)	**–**	–
Receivables	**–**	1,409	**–**	–
Inventories	**119**	1,043	**–**	–
Provisions	**54**	475	**–**	–
Total	**(44,236)**	(31,409)	**–**	–

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.

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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Temporary differences (relating mainly to property, plant and equipment)	**–**	443,434	**–**	–
Tax losses	**220,505**	171,393	**141,580**	141,580
	220,505	614,827	**141,580**	141,580
Deferred tax assets	**44,101**	122,965	**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.

The Group has not recognised its other deferred tax assets, comprising principally the 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

7 Trade Receivables

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trade receivables	**142,826**	139,666	**106,264**	96,857
Allowance for doubtful receivables	**(31,337)**	(40,335)	**(28,145)**	(32,985)
	111,489	99,331	**78,119**	63,872

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

Receivables denominated in currencies other than the Company's functional currency comprise $3.3 million (2005: $6.1 million) of trade receivables denominated in US dollars.

8 Balances with Related Parties

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non-current:				
Amounts due from subsidiaries (non-trade)	**–**	–	**–**	105,760
Allowance for doubtful receivables	**–**	–	**–**	(2,519)
	–	–	**–**	103,241
Current:				
Loans to subsidiaries	**–**	–	**616,000**	258,500
Amounts due from subsidiaries (non-trade)	**–**	–	**351,013**	235,695
Amounts due from (trade):				
– subsidiaries	**–**	–	**–**	35,208
– ultimate holding company	**77**	44	**76**	44
– related corporations	**18,831**	17,196	**17,827**	15,994
	18,908	17,240	**984,916**	545,441
Amounts due to subsidiaries (non-trade)	**–**	–	**2,852**	1,265
Amounts due to (trade):				
– subsidiaries	**–**	–	**221,397**	29,431
– related corporations	**53,358**	63,464	**51,799**	53,699
	53,358	63,464	**276,048**	84,395

The loans to the subsidiaries are unsecured and bore interest ranging from 3.92% to 4.01% (2005: 1.44% to 3.46%) per annum.

During the year, Asia Mobile Holdings Pte. Ltd. became the immediate holding company of the Company. Asia Mobile Holdings Pte. Ltd. is a wholly-owned subsidiary of Asia Mobile Holding Company Pte. Ltd., which in turn is a wholly-owned subsidiary of STT Communications Ltd. The ultimate holding company of the Company is Temasek Holdings (Private) Limited. These companies are incorporated in the Republic of Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

9 Inventories

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Inventories, at cost	**18,888**	20,268	**9,610**	16,154
Allowance for obsolescence	**(5,908)**	(7,151)	**(5,810)**	(7,053)
	12,980	13,117	**3,800**	9,101

10 Other Receivables, Deposits and Prepayments

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Accrued revenue	**48,832**	52,144	**19,128**	23,954
Deposits	**4,434**	4,514	**2,736**	3,090
Prepayments	**54,390**	47,344	**20,216**	12,577
Other receivables	**533**	323	**–**	196
Fair value derivatives	**157**	1,855	**–**	–
	108,346	106,180	**42,080**	39,817

11 Cash and Cash Equivalents

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Fixed deposits	**31,304**	155,083	**26,804**	138,853
Cash at bank and in hand	**18,882**	19,394	**12,973**	17,808
	50,186	174,477	**39,777**	156,661

12 Trade Payables and Accruals

Payables denominated in currencies other than the Company's functional currency comprise $2.4 million (2005: $16.4 million) of trade payables denominated in US dollars.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

13 Other Payables

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current portion of deferred income	16	**3,998**	3,851	**–**	–
Property, plant and equipment vendors		**33,420**	80,718	**26,410**	64,793
Unearned revenue		**97,400**	74,658	**16,251**	17,437
Deposits from customers		**11,422**	9,613	**3,266**	3,139
Fair value derivatives		**189**	–	**51**	–
		146,429	168,840	**45,978**	85,369

At 31 December 2006, the Group and the Company have outstanding forward exchange contracts of approximately $44.3 million (2005: nil) and $21.6 million (2005: nil) respectively.

14 Bank Loans (unsecured)

	Notes	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Short-term bank loans	(a)	**–**	17,000	**–**	17,000
Floating rate loans	(b)	**633,000**	226,000	**633,000**	–
		633,000	243,000	**633,000**	17,000
Current portion					
– short-term bank loans		**–**	17,000	**–**	17,000
– floating rate loans		**–**	93,500	**–**	–
		–	110,500	**–**	17,000
Non-current portion					
– floating rate loans		**633,000**	132,500	**633,000**	–
		633,000	132,500	**633,000**	–
Total		**633,000**	243,000	**633,000**	17,000
Repayable:					
– within 1 year		**–**	110,500	**–**	17,000
– after 1 year but within 5 years		**633,000**	132,500	**633,000**	–
		633,000	243,000	**633,000**	17,000

(a) The short-term loans bore interest at rates ranging from 4.16% to 4.51% (2005: 2.97% to 4.16%) per annum and were fully repaid in November 2006.

(b) These floating rate loans bore interest at rates ranging from 3.92% to 4.01% (2005: 1.93% to 3.96%) per annum, reprice every 6 months and are repayable in instalments by 2011.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

15 Provisions

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Charity Fund				
Balance at 1 January	**965**	850	**965**	850
Provision made	**979**	842	**979**	842
Provision utilised	**(1,317)**	(727)	**(1,317)**	(727)
Balance at 31 December	**627**	965	**627**	965
Loyalty Programme				
Balance at 1 January	**8,846**	11,208	**2,402**	4,094
Provision made	**10,640**	7,515	**63**	30
Provision recharged to subsidiary	**–**	–	**4,970**	2,930
Provision utilised	**(11,500)**	(9,877)	**(5,869)**	(4,652)
Balance at 31 December	**7,986**	8,846	**1,566**	2,402
Total	**8,613**	9,811	**2,193**	3,367

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

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

16 Deferred Income

	Note	Group		Company	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred grants					
Balance at 1 January		**25,666**	29,897	**–**	380
Amount received		**914**	–	**–**	–
Amount accreted to the profit and loss statement		**(4,031)**	(4,231)	**–**	(380)
Balance at 31 December		**22,549**	25,666	**–**	–
Deferred grants to be accreted:					
– current	13	**3,998**	3,851	**–**	–
– non-current					
– after 1 year but within 5 years		**15,990**	15,403	**–**	–
– after 5 years		**2,561**	6,412	**–**	–
		18,551	21,815	**–**	–
Total		**22,549**	25,666	**–**	–

The deferred grants are asset-related government grants received and are recognised over the estimated useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

17 Share Capital

Company	2006 Number of ordinary shares '000	2006 $'000	2005 Number of ordinary shares '000	2005 $'000
Issued and fully paid:				
At 1 January	**2,136,948**	**854,779**	2,117,907	847,163
Transfer from Share Premium account upon implementation of the Companies (Amendment) Act 2005	**–**	**19,111**	–	–
Cancellation of shares pursuant to Capital Reduction	**(307,830)**	**(655,678)**	–	–
Issue of ordinary shares for cash pursuant to the exercise of options under the StarHub Share Option Plan 2000	**14,887**	**10,976**	18,500	7,400
Issue of ordinary shares for cash pursuant to the exercise of options under the StarHub Share Option Plan 2004	**6,255**	**7,215**	541	216
At 31 December	**1,850,260**	**236,403**	2,136,948	854,779

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

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

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

On 5 September 2006, the Company cancelled 307,830,218 ordinary shares in the capital of the Company, pursuant to a Capital Reduction approved at the Extraordinary General Meeting held on 24 July 2006 ("Capital Reduction"). A cash distribution of $655.7 million at $2.13 per share was made to the shareholders of the Company and the share capital of the Company was reduced by the same amount.

18 Dividends

Company	2006 $'000	2005 $'000
Final dividend of $0.025 (2005: nil) per share (1-tier tax exempt) paid in respect of the previous year	**53,563**	–
Interim dividends of $0.080 (2005: $0.065) per share (1-tier tax exempt) paid in respect of the year	**162,910**	138,693
	216,473	138,693

In the current financial year, a final ordinary dividend of $0.025 per share, totalling $53.6 million was paid in respect of the financial year ended 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

19 Reserves

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Merger reserve	**213,509**	213,509	**–**	–
Capital reserve	**191,925**	191,925	**718,822**	718,822
Share premium	**–**	18,482	**–**	18,482
Goodwill written off	**(276,290)**	(276,290)	**–**	–
Share-based payment reserve	**13,973**	8,537	**13,973**	8,537
Hedging reserve	**158**	1,855	**–**	–
Retained profits/(accumulated losses)	**107,807**	(35,892)	**609,048**	401,401
	251,082	122,126	**1,341,843**	1,147,242

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

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

The goodwill written off represents the excess of consideration paid on the acquisition of subsidiaries prior to 1 January 2001 over the Group's 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 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.

20 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").

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

20 Equity Compensation Benefit (continued)

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.

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 key executives to strive for superior performance and sustaining long-term growth for the Group.

ii) Under the StarHub Performance Share Plan, conditional awards of 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 2006, the conditional awards of 880,000 (2005: 2,555,000) shares under the StarHub Performance Share Plan and the conditional awards of 1,957,000 (2005: nil) shares under the StarHub Restricted Stock Plan were made to key employees of the Group. These represent the number of shares to be delivered when performance targets at "on-target" level are achieved.

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

	Number of share options		Weighted average exercise price per share	
Company	2006 '000	2005 '000	2006 $	2005 $
Outstanding at 1 January	**49,349**	57,773	**1.06**	0.86
New grants	**–**	14,846	**–**	1.52
Exercised	**(21,142)**	(19,041)	**0.89**	0.85
Lapsed	**(2,447)**	(4,229)	**1.19**	1.00
Outstanding at 31 December	**25,760**	49,349	**1.18**	1.06
Exercisable at 31 December	**12,246**	18,895	**1.02**	0.81

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

20 Equity Compensation Benefit (continued)

The outstanding share options have the following exercise prices:

Company	2006 '000	2005 '000
Exercise price range		
$1.50 to $1.99	**10,964**	14,324
$1.00 to $1.49	**–**	–
$0.40 to $0.99	**14,796**	35,025
	25,760	49,349
Weighted average remaining contractual life	**7.60 years**	7.88 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.

	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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

20 Equity Compensation Benefit (continued)

Performance Share Plan

The movements of the number of shares under the Performance Share Plan, the fair values of the grant at balance sheet date and the assumptions of the fair value model for the grants are as follows:

	Date of grant		
Company – 2006	17 Nov 2005	17 Mar 2006	Total
Number of shares ('000)			
Outstanding at 1 January 2005	–	–	–
Granted	2,555	–	2,555
Outstanding and unvested at 31 December 2005	2,555	–	2,555
Outstanding at 1 January 2006	**2,555**	**–**	**2,555**
Granted	**–**	**880**	**880**
Outstanding and unvested at 31 December 2006	**2,555**	**880**	**3,435**
Fair value at 31 December 2006	**$1.15**	**$1.82**	
Assumptions under Monte-Carlo Model Expected Volatility			
StarHub	30.83%	**30.26%**	
MSCI Asia-Pacific Telecommunications Component Stock	12.65%	**13.01%**	
Risk-free interest rates			
Zero-coupon Singapore Sovereign	2.90%	**3.25%**	

The fair value of the shares are estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards. The accrual for the share expense under the Performance Share Plan has been estimated on the basis that the Group will be on target in respect of the performance conditions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

20 Equity Compensation Benefit (continued)

Restricted Stock Plan

The movements of the number of shares under the Restricted Stock Plan, the fair values of the grant at balance sheet date and the assumptions of the fair value model for the grants are as follows:

Company – 2006	Date of grant 05 Jul 2006
Number of shares ('000)	
Outstanding at 1 January 2006	**–**
Granted	**1,957**
Forfeited	**(15)**
Outstanding and unvested at 31 December 2006	**1,942**
Fair value at 31 December 2006	**$1.58**
Assumptions under Monte-Carlo Model Expected Volatility	
StarHub	**30.98%**
STI Index	**11.38%**
Risk-free interest rates	
Zero-coupon Singapore Sovereign	
2-year Government Bond Yield	**3.11%**
3-year Government Bond Yield	**3.20%**
4-year Government Bond Yield	**3.28%**

The accrual for the share expense under the Restricted Stock Plan has been estimated on the basis that the Group will be on target in respect of the performance conditions.

21 Operating Revenue

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Mobile revenue	**919,074**	821,598	**–**	–
Cable television revenue	**313,212**	262,416	**–**	–
Cable broadband revenue	**219,903**	177,231	**–**	–
Fixed network services revenue	**259,480**	221,717	**425,917**	359,608
Sale of equipment	**93,100**	87,759	**205,307**	195,968
	1,804,769	1,570,721	**631,224**	555,576

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

22 Operating Expenses

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cost of equipment sold	**184,506**	173,409	**179,332**	170,698
Cost of services	**165,577**	143,370	**21,471**	14,340
Traffic expenses	**203,539**	178,614	**95,779**	86,324
Depreciation and amortisation (net of asset grant)	**211,043**	203,798	**64,772**	74,758
Marketing and promotion	**188,056**	151,192	**11,854**	16,346
Staff costs	**220,996**	216,954	**170,487**	169,526
Allowance for doubtful receivables	**8,207**	7,622	**(1,797)**	(2,179)
Repairs and maintenance	**65,333**	61,900	**33,697**	29,373
Operating leases	**130,699**	115,231	**56,904**	53,685
Other expenses	**65,433**	62,340	**31,936**	37,487
	1,443,389	1,314,430	**664,435**	650,358

Depreciation and amortisation expense comprises the following:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Depreciation of property, plant and equipment	**201,350**	184,857	**61,075**	61,650
Accretion of asset grants to the profit and loss statement	**(4,031)**	(4,231)	**–**	(380)
	197,319	180,626	**61,075**	61,270
Amortisation of intangible assets	**13,724**	23,172	**3,697**	13,488
Total	**211,043**	203,798	**64,772**	74,758

The following are included in staff costs:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Defined contribution plans	**17,394**	17,421	**12,522**	12,953
Value of employee services received for issue of share-based compensation	**5,436**	5,539	**5,436**	4,056

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

22 Operating Expenses (continued)

Included in other expenses are the following:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non-audit fees paid to auditors of the Company	**204**	219	**94**	125
Exchange (gain)/loss	**(6,464)**	470	**(4,286)**	(47)
Impairment loss on property, plant and equipment	**1,726**	–	**1,726**	–
Gain on disposal of property, plant and equipment and intangible assets	**(3,857)**	(73)	**(3,810)**	(20)
Property, plant and equipment and intangible assets written-off	**1,133**	1,092	**50**	207

23 Key Management Personnel Compensation

The key management personnel compensation are as follows:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Short-term employee benefits	**9,139**	8,243	**9,139**	8,243
Equity compensation benefits	**2,291**	585	**2,291**	585
	11,430	8,828	**11,430**	8,828

Included in the above is the total compensation to Directors of the Company which amounted to $4.8 million (2005: $4.0 million).

24 Other Income

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Corporate recharges to subsidiaries	**–**	–	**119,147**	113,037
Dividend income from subsidiaries	**–**	–	**349,400**	100,000
	–	–	**468,547**	213,037

In the current financial year, the subsidiaries declared an interim dividend of $235.0 million (2005: $100.0 million) and a final dividend of $114.4 million (2005: nil), tax exempt under the one-tier system, to the Company in respect of the financial years ended 31 December 2006 and 31 December 2005 respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

25 Finance Income and Expense

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Interest income				
– bank deposits	**5,667**	3,943	**4,923**	3,570
– interest income arising from the unwinding of discount implicit in the interest-free loan to a subsidiary	**–**	–	**1,276**	2,503
– subsidiaries	**–**	–	**12,288**	3,643
Finance income	**5,667**	3,943	**18,487**	9,716
Interest on borrowings				
– banks	**14,447**	11,942	**9,303**	2,133
– finance lease creditors	**–**	2	**–**	–
Finance expense	**14,447**	11,944	**9,303**	2,133
Net finance costs	**(8,780)**	(8,001)	**9,184**	7,583

26 Taxation

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current tax				
– results of current year	**119,906**	96,688	**32,204**	20,407
– tax savings arising from utilisation of tax assets recognised	**(91,639)**	(73,185)	**(32,204)**	(20,407)
– tax savings arising from utilisation of tax assets previously not recognised	**(28,267)**	(23,503)	**–**	–
	–	–	**–**	–
Deferred tax				
– origination and reversal of temporary differences	**69,679**	48,319	**20,400**	5,948
– benefit of tax losses (recognised)/ utilised	**(18)**	440	**–**	–
– recognition of deferred tax assets previously not recognised	**(77,233)**	(21,872)	**–**	–
	(7,572)	26,887	**20,400**	5,948
Total income tax (credit)/ charge in profit and loss statement	**(7,572)**	26,887	**20,400**	5,948

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

26 Taxation (continued)

Reconciliation of effective tax rate

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Profit before taxation	**352,600**	248,290	**444,520**	125,838
Income tax using Singapore tax rate of 20%	**70,520**	49,658	**88,904**	25,168
Non-deductible expenses	**5,115**	2,453	**1,631**	1,281
Other deductible temporary differences not recognised as deferred tax asset	**13,465**	14,959	**–**	–
Utilisation of deferred tax assets previously not recognised	**(28,267)**	(23,503)	**–**	–
Deferred compensation and other income not taxable	**(884)**	(770)	**(70,135)**	(20,501)
Tax losses not recognised as deferred tax assets	**9,712**	5,962	**–**	–
Recognition of deferred tax assets previously not recognised	**(77,233)**	(21,872)	**–**	–
Total income tax (credit)/charge in profit and loss statement	**(7,572)**	26,887	**20,400**	5,948

27 Earnings Per Share

Group	2006 $'000	2005 $'000
Profit for the year	**360,172**	221,403

	Number of shares	
	2006 '000	2005 '000
Issued ordinary shares at beginning of the year	**2,136,948**	2,117,907
Weighted average number of ordinary shares		
– issued under share option plans	**12,305**	9,709
– cancelled under the Capital Reduction	**(102,610)**	–
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**2,046,643**	2,127,616
Potential ordinary shares issued under		
– share option plans	**15,010**	19,170
– contingently issuable shares	**5,377**	2,555
Weighted average number of ordinary shares for calculation of dilutive earnings per share	**2,067,030**	2,149,341

Basic earnings per share is calculated by dividing the Group's profit 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

28 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	2006 $'000	2005 $'000
Profit before taxation	**352,600**	248,290
Adjustments for:		
Depreciation and amortisation	**211,043**	203,798
Interest income	**(5,667)**	(3,943)
Interest on borrowings	**14,447**	11,944
Adjustment to goodwill	**2,876**	–
EBITDA	**575,299**	460,089

29 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	
Related Corporations	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Sales	**86,947**	76,679	**453,325**	407,914
Purchase of property, plant and equipment	**22,447**	18,625	**12,117**	7,063
Rental expenses	**87,997**	85,596	**45,764**	41,010
Purchase of services	**112,782**	94,116	**48,144**	41,088
Purchase of inventories	**145,111**	128,128	**145,112**	128,148

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

30 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 multimedia services and other miscellaneous services.

2006	Telecom-munications $'000	Cable TV and Broadband $'000	Others $'000	Elimination $'000	Total $'000
Revenue and expenses					
Revenue	1,265,495	535,811	3,463	–	1,804,769
Inter-segment revenue	60,463	4,975	420	(65,858)	–
Total revenue	1,325,958	540,786	3,883	(65,858)	1,804,769
Segment results	444,463	34,329	(137)	(117,275)	361,380
Interest income					5,667
Interest on borrowings					(14,447)
Profit before taxation					352,600
Taxation					7,572
Net profit for the year					360,172
Assets and liabilities					
Segment assets	1,036,723	439,242	3,448	(138,556)	1,340,857
Loans receivable	446,000	–	28,000	(474,000)	–
Allocated assets					1,340,857
Unallocated assets					385,706
Total assets					1,726,563
Segment liabilities	381,261	316,820	2,317	(138,556)	561,842
Loans	633,000	474,000	–	(474,000)	633,000
Allocated liabilities					1,194,842
Unallocated liabilities					44,236
Total liabilities					1,239,078
Other segment information					
Capital expenditure	133,948	66,348	–	–	200,296
Depreciation	125,383	75,640	327	–	201,350
Impairment loss	1,726	–	–	–	1,726
Amortisation	8,509	5,208	7	–	13,724
Provisions	6,012	5,549	58	–	11,619

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

30 Segment Reporting (continued)

2005	Telecom-munications $'000	Cable TV and Broadband $'000	Others $'000	Elimination $'000	Total $'000
Revenue and expenses					
Revenue	1,115,873	439,647	15,201	–	1,570,721
Inter-segment revenue	47,917	3,364	957	(52,238)	–
Total revenue	1,163,790	443,011	16,158	(52,238)	1,570,721
Segment results	225,010	30,059	1,222	–	256,291
Interest income					3,943
Interest on borrowings					(11,944)
Profit before taxation					248,290
Taxation					(26,887)
Net profit for the year					221,403
Assets and liabilities					
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
Total assets					1,840,399
Segment liabilities	434,233	219,854	1,767	(66,769)	589,085
Loans	17,000	506,500	–	(280,500)	243,000
Allocated liabilities					832,085
Unallocated liabilities					31,409
Total liabilities					863,494
Other segment information					
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 2006

31 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 $50.2 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 percent of its exposure to changes in interest rates on bank loans is on a fixed rate basis. Interest rate swaps, denominated in Singapore dollars, have been entered into to achieve this purpose. The swaps mature over the next four 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

31 Financial Instruments (continued)

f) Effective interest rates and repricing analysis

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

	2006		2005	
Group	Effective interest rate % per annum	Repricing periods within 1 year $'000	Effective interest rate % per annum	Repricing periods within 1 year $'000
Financial assets				
Fixed deposits	**3.27**	**31,304**	2.98	155,083
Financial liabilities				
Unsecured bank loans				
– short-term bank loans	**–**	**–**	4.16	17,000
– floating rate loans [i]	**3.96**	**633,000**	3.01	226,000
Total		**633,000**		243,000
Interest rate swaps [ii]		**(230,000)**		(230,000)
Forward exchange contracts [ii]		**(44,300)**		–

	2006		2005	
Company	Effective interest rate % per annum	Repricing periods within 1 year $'000	Effective interest rate % per annum	Repricing periods within 1 year $'000
Financial assets				
Loans to subsidiaries	**3.96**	**616,000**	2.23	258,500
Fixed deposits	**3.30**	**26,804**	3.00	138,853
		642,804		397,353
Financial liabilities				
Unsecured bank loans				
– short-term bank loans	**–**	**–**	4.16	17,000
– floating rate loans [i]	**3.96**	**633,000**	–	–
		633,000		17,000
Forward exchange contracts [ii]		**(21,600)**		–

[i] The effective interest rate has been adjusted for the effect of interest rate swaps

[ii] Notional principal amounts

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

31 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.

Loans

The fair value of loans that reprice within one year of balance sheet date were assumed to equate the carrying value.

Other financial assets and liabilities

The carrying 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.

Interest rates used in determining fair values

The Group and the Company use the interbank swap yield as of 31 December 2006 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2006 %	2005 %
Derivatives	**1.67 – 4.96**	1.67 – 4.96
Loans	**–**	2.00 – 3.27

32 Commitments

a) Capital expenditure

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Contracted but not provided for in the financial statements	**71,271**	107,899	**57,585**	94,111

Included in the capital expenditure contracted by the Company is an amount of approximately $33.4 million (2005: $39.2 million) which has been entered into on behalf of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

32 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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Payable:				
– within 1 year	**79,495**	80,918	**39,960**	41,149
– within 2 to 5 years	**247,542**	250,300	**121,010**	121,941
– after 5 years	**290,645**	346,884	**138,516**	164,767
	617,682	678,102	**299,486**	327,857

Included in the operating lease commitment of the Company is $5.2 million (2005: $7.5 million) which is contracted on behalf of a subsidiary.

33 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 signed in 1995.

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 provision 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.

34 Subsequent Event

The directors have proposed a final dividend of $0.035 (2005: $0.025) per share, tax exempt (one-tier), totalling $64.8 million (2005: $53.6 million) in respect of the financial year ended 31 December 2006. 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 2007.

SHAREHOLDING INFORMATION

As at 28 February 2007

Issued and fully paid-up capital : $238,714,569.15

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	1,166	20.72	760,331	0.04
1,000 – 10,000	3,643	64.74	14,216,303	0.77
10,001 – 1,000,000	802	14.25	27,385,664	1.48
1,000,001 and above	16	0.29	1,810,142,176	97.71
Total	5,627	100.00	1,852,504,474	100.00

Substantial shareholders

	Number of shares		
	Direct interest	Deemed interest	%
Temasek Holdings (Private) Limited	–	1,053,103,210 [1]	56.85
Singapore Technologies Telemedia Pte Ltd	–	911,944,420 [2]	49.23
STT Communications Ltd	–	911,944,420 [2]	49.23
Asia Mobile Holding Company Pte. Ltd.	–	911,944,420 [2]	49.23
Asia Mobile Holdings Pte. Ltd.	911,944,420	–	49.23
MediaCorp Pte. Ltd.	139,491,380	–	7.53
Nippon Telegraph and Telephone Corporation	–	187,080,560 [3]	10.10
NTT Communications Corporation	187,080,560	–	10.10

Notes:

[1] Temasek Holdings (Private) Limited is deemed to have an interest in 1,053,103,210 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.

[2] Singapore Technologies Telemedia Pte Ltd ("ST Telemedia") is deemed to have an interest in 911,944,420 shares held by Asia Mobile Holdings Pte. Ltd., a wholly-owned subsidiary of Asia Mobile Holding Company Pte. Ltd., which in turn is a wholly-owned subsidiary of STT Communications Ltd, a wholly-owned subsidiary of ST Telemedia.

[3] Nippon Telegraph and Telephone Corporation ("NTT") is deemed to have an interest in 187,080,560 shares held by NTT Communications Corporation, a wholly-owned subsidiary of NTT.

SHAREHOLDING INFORMATION

As at 28 February 2007

Twenty largest shareholders

No.	Name of shareholder	Number of shares held	%
1	Asia Mobile Holdings Pte. Ltd.	911,944,420	49.23
2	NTT Communications Corporation	187,080,560	10.10
3	DBSN Services Pte Ltd	140,760,001	7.60
4	MediaCorp Pte. Ltd.	139,491,380	7.53
5	DBS Nominees Pte Ltd	135,953,386	7.34
6	HSBC (Singapore) Nominees Pte Ltd	86,079,272	4.65
7	Citibank Nominees Singapore Pte Ltd	62,537,366	3.37
8	Raffles Nominees Pte Ltd	52,645,917	2.84
9	United Overseas Bank Nominees Pte Ltd	41,237,837	2.23
10	Morgan Stanley Asia (Singapore) Pte Ltd	22,601,997	1.22
11	Singapore Press Holdings Limited	14,084,970	0.76
12	DB Nominees (S) Pte Ltd	7,658,047	0.41
13	Merrill Lynch (Singapore) Pte Ltd	3,429,873	0.19
14	Royal Bank of Canada (Asia) Ltd	1,750,000	0.09
15	Steven Terrell Clontz	1,687,150	0.09
16	The Asia Life Assurance Society Ltd-Par Fund	1,200,000	0.06
17	Macquarie Securities (Singapore) Pte Ltd	859,360	0.05
18	Lim Tse Ghow Olivier	528,000	0.03
19	Yong Lum Sung	495,430	0.03
20	OCBC Securities Private Ltd	461,490	0.02
Total		1,812,486,456	97.84

Shareholding held in hands of the public

Based on the information available to StarHub as at 28 February 2007, approximately 32.68% 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 NINTH ANNUAL GENERAL MEETING

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held at Ballroom III, Level 3, Singapore Marriott Hotel, 320 Orchard Road, Singapore 238865 on 18 April 2007 at 10.00 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 2006 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 Kua Hong Pak (Independent Member of Audit Committee) Resolution 3

b) Mr Lim Ming Seong (Non-Executive Member of Audit Committee) Resolution 4

c) Mr Teo Ek Tor (Independent Member of Audit Committee) Resolution 5

d) Mr Liu Chee Ming Resolution 6

4 To approve the sum of S$844,300 as Directors' Fees for the year ended 31 December 2006 (2005: S$685,452). Resolution 7

5 To declare a final dividend of 3.5 cents per ordinary share, tax exempt (one-tier) for the financial year ended 31 December 2006. Resolution 8

6 To re-appoint KPMG as Auditors of the Company and authorise the Directors to fix their remuneration. Resolution 9

Special Business

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

7 That authority be and is hereby given to the Directors to: Resolution 10

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 NINTH 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.

8 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 11

9 That approval be and is hereby given to the Directors to: Resolution 12

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.

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

By Order Of The Board

Veronica Lai
Company Secretary

Singapore, 27 March 2007

STARHUB LTD

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

NOTICE OF NINTH 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 10
Resolution 10 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 10 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 10 is passed, and (b) any subsequent consolidation or subdivision of shares.

Resolution 11
Resolution 11 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 12
Resolution 12 is to empower the Directors to offer and grant offers and/or grant awards and to issue shares in the capital of the Company pursuant to the StarHub Share Option Plan 2004, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan (collectively, the "Share Plans") provided that the aggregate number of shares issued pursuant to the StarHub Pte Ltd Share Option Plan and the Share Plans shall not exceed 15% of the 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 at the Ninth Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed on 25 April 2007 ("Books Closure Date").

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 24 April 2007 ("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 9 May 2007.

STARHUB LTD

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

PROXY FORM

Ninth Annual General Meeting

IMPORTANT:

1. For investors who have used their CPF monies to buy StarHub Ltd's shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors for all intents and purposes if used or purported to be used by them.

I/We, _____ NRIC/ Passport/Co. Reg. No. _____

of _____ (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 18 April 2007 at 10.00 a.m. at Ballroom III, Level 3, Singapore Marriott Hotel, 320 Orchard Road, Singapore 238865, 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
	Ordinary Business		
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 Kua Hong Pak as Director		
4.	To re-elect Mr Lim Ming Seong as Director		
5.	To re-elect Mr Teo Ek Tor as Director		
6.	To re-elect Mr Liu Chee Ming as Director		
7.	To approve Directors' Fees		
8.	To declare Final Tax-exempt (one-tier) Dividend		
9.	To re-appoint KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
10.	To authorise Directors to allot and issue shares		
11.	To authorise Directors to allot and issue shares pursuant to exercise of options granted under the StarHub Pte Ltd Share Option Plan		
12.	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 _____ 2007.

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

2nd fold here

Notes:

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you only have shares registered in your name in the Register of Members, you should insert that number of shares. However, if you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members.

2 A member 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 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.

Cut along line

1st fold here

CORPORATE INFORMATION

Board of Directors

TAN Guong Ching (Chairman)
Steven Terrell CLONTZ (President & CEO)
KUA Hong Pak
Peter SEAH Lim Huat
Nihal Vijaya Devadas KAVIRATNE CBE
LEE Theng Kiat
LIM Ming Seong
LIM Chin Beng
Osamu INOUE
TEO Ek Tor
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)
Nihal Vijaya Devadas KAVIRATNE CBE
LIM Ming Seong
TEO Ek Tor

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

Strategy Committee

Nihal Vijaya Devadas KAVIRATNE CBE (Chairman)
TAN Guong Ching
Steven Terrell CLONTZ
LIM Ming Seong
LIU Chee Ming
Robert J. SACHS
Stephen Geoffrey MILLER
YONG Lum Sung

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: Philip 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

All rights reserved. Some of the information in this report constitute 'forward looking statements' which reflect StarHub's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which may be outside StarHub's control. You are urged to view all forward looking statements with caution. No information herein should be reproduced without the express written permission of StarHub. All information herein are correct at the time of publication. For updated information, please contact our Corporate Office.

Designed and produced by
greymatter williams and phoa (asia)

StarHub Ltd
Reg. No.: 199802208C

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

www.starhub.com