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## **STARHUB LTD**

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### **Announcement of Unaudited Results for the Second Quarter and Half Year ended 30 June 2010**

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StarHub is pleased to announce our unaudited results for the second quarter and half year ended 30 June 2010.

**Results for the Second Quarter and Half Year ended 30 June 2010**

**1. GROUP INCOME AND COMPREHENSIVE INCOME STATEMENTS**

**1.1 GROUP INCOME STATEMENT**

	Quarter ended 30 Jun			Half Year ended 30 Jun		
	2010 S\$m	2009 S\$m	Incr/(Decr) %	2010 S\$m	2009 S\$m	Incr/(Decr) %
Operating revenue	569.3	532.4	6.9	1,126.5	1,063.0	6.0
Operating expenses	(492.3)	(431.8)	14.0	(991.7)	(855.0)	16.0
Other operating income	0.9	-	-	0.9	-	-
<b>Profit from operations</b>	<b>77.9</b>	<b>100.6</b>	<b>(22.5)</b>	<b>135.7</b>	<b>208.0</b>	<b>(34.8)</b>
Finance income	0.8	0.2	nm	1.0	0.3	nm
Finance expenses <sup>(1)</sup>	(7.2)	(6.1)	18.2	(12.7)	(12.3)	3.2
<b>Profit before taxation</b>	<b>71.5</b>	<b>94.6</b>	<b>(24.4)</b>	<b>124.0</b>	<b>196.0</b>	<b>(36.7)</b>
Taxation	(13.5)	(16.8)	(20.1)	(23.3)	(35.8)	(34.9)
<b>Profit for the period</b>	<b>58.1</b>	<b>77.8</b>	<b>(25.4)</b>	<b>100.7</b>	<b>160.3</b>	<b>(37.2)</b>
Attributable to:						
Equity holders of the Company	58.1	77.8	(25.4)	100.7	160.3	(37.2)
	<b>58.1</b>	<b>77.8</b>	<b>(25.4)</b>	<b>100.7</b>	<b>160.3</b>	<b>(37.2)</b>
<b>EBITDA</b>	<b>141.1</b>	<b>161.2</b>	<b>(12.5)</b>	<b>259.5</b>	<b>329.1</b>	<b>(21.1)</b>
<b>EBITDA as a % of service revenue</b>	<b>25.9%</b>	<b>31.5%</b>	<b>(5.5) %pts</b>	<b>24.2%</b>	<b>32.2%</b>	<b>(8.0) %pts</b>
<b>Free Cash Flow <sup>(2)</sup></b>	<b>109.8</b>	<b>148.3</b>	<b>(25.9)</b>	<b>229.8</b>	<b>263.6</b>	<b>(12.8)</b>
<i>Profit from operations is arrived after charging the following:</i>						
<i>Allowance for doubtful receivables and bad debts written off</i>	4.7	3.1	54.3	8.8	5.8	52.1
<i>Depreciation and amortisation (net of asset grants)</i>	63.2	60.7	4.1	123.9	121.1	2.3

nm – Not meaningful / More than +/- 200%

**Notes:**

- (1) Finance expenses include interest and other financing charges
- (2) Free Cash Flow refers to net cash flow from operating activities less purchase of fixed assets in the cash flow statement
- (3) Numbers in all tables may not exactly add due to rounding
- (4) Certain comparative figures have been reclassified to conform to current year presentation

1.2 GROUP COMPREHENSIVE INCOME STATEMENT

	Quarter ended 30 Jun			Half Year ended 30 Jun		
	2010 S\$m	2009 S\$m	Incr/(Decr) %	2010 S\$m	2009 S\$m	Incr/(Decr) %
<b>Profit for the period</b>	<b>58.1</b>	<b>77.8</b>	<b>(25.4)</b>	<b>100.7</b>	<b>160.3</b>	<b>(37.2)</b>
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedge (net of tax)	(1.9)	0.9	nm	(1.8)	6.1	nm
Other comprehensive income for the period, net of tax	(1.9)	0.9	nm	(1.8)	6.1	nm
<b>Total comprehensive income for the period</b>	<b>56.2</b>	<b>78.7</b>	<b>(28.6)</b>	<b>98.9</b>	<b>166.4</b>	<b>(40.5)</b>
Attributable to:						
Equity holders of the Company	56.2	78.7	(28.6)	98.9	166.4	(40.5)
	<b>56.2</b>	<b>78.7</b>	<b>(28.6)</b>	<b>98.9</b>	<b>166.4</b>	<b>(40.5)</b>

nm - Not meaningful / More than +/- 200%

2. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Jun 10 S\$m	31 Dec 09 S\$m	30 Jun 10 S\$m	31 Dec 09 S\$m
<b>Non-current assets</b>				
Property, plant and equipment	753.6	785.1	332.2	347.8
Intangible assets	410.4	415.7	130.8	133.9
Subsidiaries	-	-	1,202.1	1,174.1
Deferred tax assets	12.8	5.3	-	-
	<b>1,176.7</b>	<b>1,206.2</b>	<b>1,665.0</b>	<b>1,655.8</b>
<b>Current assets</b>				
Inventories	25.0	28.2	20.8	22.7
Trade receivables	154.5	125.4	116.6	91.4
Other receivables, deposits and prepayments	105.9	116.1	19.7	22.5
Balances with related parties	18.8	22.6	656.2	714.4
Cash and bank balances	278.8	234.2	206.6	132.3
	<b>583.1</b>	<b>526.4</b>	<b>1,019.8</b>	<b>983.4</b>
Less:				
<b>Current liabilities</b>				
Trade payables and accruals	394.1	377.1	213.7	223.0
Other payables	207.6	196.4	62.3	59.9
Balances with related parties	52.1	42.1	226.2	143.5
Bank loans	113.6	290.4	113.6	290.4
Provision for taxation	45.8	19.5	45.8	19.5
	<b>813.1</b>	<b>925.5</b>	<b>661.5</b>	<b>736.2</b>
<b>Net current (liabilities)/assets</b>	<b>(230.0)</b>	<b>(399.0)</b>	<b>358.3</b>	<b>247.1</b>
<b>Non-current liabilities</b>				
Bank loans	751.8	605.4	751.8	605.4
Other payables	40.3	8.1	40.3	8.1
Deferred income	31.7	6.6	-	-
Deferred tax liabilities	65.3	61.2	45.5	47.7
	<b>889.2</b>	<b>681.3</b>	<b>837.7</b>	<b>661.2</b>
<b>Net assets</b>	<b>57.5</b>	<b>125.8</b>	<b>1,185.6</b>	<b>1,241.8</b>
<b>Shareholders' equity</b>				
Share capital	259.7	257.5	259.7	257.5
Reserves	(202.2)	(131.7)	925.9	984.3
<b>Total equity</b>	<b>57.5</b>	<b>125.8</b>	<b>1,185.6</b>	<b>1,241.8</b>

3. GROUP CASH FLOW STATEMENT

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2010 S\$m	2009 S\$m	2010 S\$m	2009 S\$m
<b>Operating Activities</b>				
Profit before taxation	71.5	94.6	124.0	196.0
Adjustments for :				
Depreciation and amortisation (net of asset grants)	63.2	60.7	123.9	121.1
Fixed assets written off	0.1	1.1	1.2	1.5
Share-based payments expenses	1.3	1.1	2.7	2.2
Changes in fair value of financial instruments	(0.2)	1.7	(0.1)	(0.6)
Net finance expenses	6.4	5.9	11.7	12.0
Accretion of deferred income related grant	(0.9)	-	(0.9)	-
Other non-cash items	0.1	0.2	0.2	0.3
Operating cash flow before working capital changes	141.5	165.4	262.6	332.5
Changes in working capital	13.0	52.5	60.4	51.6
<b>Net cash from operating activities</b>	<b>154.5</b>	<b>217.9</b>	<b>323.0</b>	<b>384.1</b>
<b>Investing Activities</b>				
Proceeds from disposal of fixed assets	0.2	0.1	1.9	0.5
Purchase of fixed assets	(44.7)	(69.7)	(93.3)	(120.5)
Interest received	0.6	0.2	0.9	0.2
<b>Net cash used in investing activities</b>	<b>(43.9)</b>	<b>(69.4)</b>	<b>(90.4)</b>	<b>(119.7)</b>
<b>Financing Activities</b>				
Proceeds from issue of shares	1.1	0.8	1.5	1.2
Finance expenses paid	(3.3)	(2.7)	(12.6)	(13.3)
Grants received	25.0	-	25.0	-
Proceeds from loans	-	-	200.0	200.0
Repayment of loans	-	-	(230.4)	(189.3)
Dividends paid	(171.5)	(154.0)	(171.5)	(154.0)
<b>Net cash used in financing activities</b>	<b>(148.7)</b>	<b>(155.9)</b>	<b>(187.9)</b>	<b>(155.5)</b>
<b>Net change in cash and cash equivalents</b>	<b>(38.1)</b>	<b>(7.5)</b>	<b>44.6</b>	<b>108.9</b>
Cash and cash equivalents at beginning of the period	316.9	244.7	234.2	128.3
<b>Cash and cash equivalents at end of the period</b>	<b>278.8</b>	<b>237.2</b>	<b>278.8</b>	<b>237.2</b>

4. GROUP UNSECURED BORROWINGS

	30 Jun 10 S\$m	31 Dec 09 S\$m
<b>Unsecured borrowings</b>		
Amount repayable in one year or less	113.6	290.4
Amount repayable after one year	751.8	605.4
<b>Total</b>	<b>865.4</b>	<b>895.8</b>

5. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$m	Goodwill written off S\$m	Share-based payment reserve S\$m	Hedging reserve S\$m	Treasury shares S\$m	Retained profits S\$m	Total reserves S\$m	Total equity S\$m
At 1 Jan 2010	257.5	(276.3)	13.0	(7.4)	(3.0)	142.0	(131.7)	125.8
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	(0.7)	-	-	-	(0.7)	0.4
Share-based payments expenses	-	-	1.4	-	-	-	1.4	1.4
Transfer from treasury shares to share-based payment reserve	-	-	(2.9)	-	2.9	-	-	-
Total comprehensive income for the period (net of tax)	-	-	-	0.1	-	42.7	42.7	42.7
<b>At 31 Mar 2010</b>	<b>258.6</b>	<b>(276.3)</b>	<b>10.8</b>	<b>(7.3)</b>	<b>(0.0)</b>	<b>184.6</b>	<b>(88.2)</b>	<b>170.4</b>
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	-	-	-	-	-	1.1
Share-based payments expenses	-	-	1.3	-	-	-	1.3	1.3
Dividends paid	-	-	-	-	-	(171.5)	(171.5)	(171.5)
Total comprehensive income for the period (net of tax)	-	-	-	(1.9)	-	58.1	56.2	56.2
<b>At 30 Jun 2010</b>	<b>259.7</b>	<b>(276.3)</b>	<b>12.1</b>	<b>(9.2)</b>	<b>(0.0)</b>	<b>71.2</b>	<b>(202.2)</b>	<b>57.5</b>
At 1 Jan 2009	255.1	(276.3)	8.6	(12.4)	(6.0)	139.0	(147.1)	108.1
Issue of shares pursuant to share option, performance shares & restricted stock plans	0.4	-	-	-	-	-	-	0.4
Share-based payments expenses	-	-	1.1	-	-	-	1.1	1.1
Transfer from treasury shares to share-based payment reserve	-	-	(3.0)	-	3.0	-	-	-
Total comprehensive income for the period (net of tax)	-	-	-	5.2	-	82.5	87.7	87.7
<b>At 31 Mar 2009</b>	<b>255.5</b>	<b>(276.3)</b>	<b>6.6</b>	<b>(7.1)</b>	<b>(3.0)</b>	<b>221.5</b>	<b>(58.3)</b>	<b>197.3</b>
Issue of shares pursuant to share option, performance shares & restricted stock plans	0.8	-	-	-	-	-	-	0.8
Share-based payments expenses	-	-	1.1	-	-	-	1.1	1.1
Dividends paid	-	-	-	-	-	(154.0)	(154.0)	(154.0)
Total comprehensive income for the period (net of tax)	-	-	-	0.9	-	77.8	78.7	78.7
<b>At 30 Jun 2009</b>	<b>256.3</b>	<b>(276.3)</b>	<b>7.8</b>	<b>(6.3)</b>	<b>(3.0)</b>	<b>145.2</b>	<b>(132.5)</b>	<b>123.8</b>

5. STATEMENT OF CHANGES IN EQUITY (CONT'D)

Company	Share capital S\$m	Merger/ Capital reserve S\$m	Share- based payment reserve S\$m	Hedging reserve S\$m	Treasury shares S\$m	Retained profits S\$m	Total reserves S\$m	Total equity S\$m
At 1 Jan 2010	257.5	276.5	13.0	(7.3)	(3.0)	705.0	984.3	1,241.8
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	(0.7)	-	-	-	(0.7)	0.4
Share-based payments expenses	-	-	1.4	-	-	-	1.4	1.4
Transfer from treasury shares to share-based payment reserve	-	-	(2.9)	-	2.9	-	-	-
Total comprehensive income for the period (net of tax)	-	-	-	0.0	-	51.1	51.2	51.2
<b>At 31 Mar 2010</b>	<b>258.6</b>	<b>276.5</b>	<b>10.8</b>	<b>(7.3)</b>	<b>(0.0)</b>	<b>756.2</b>	<b>1,036.2</b>	<b>1,294.8</b>
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	-	-	-	-	-	1.1
Share-based payments expenses	-	-	1.3	-	-	-	1.3	1.3
Dividends paid	-	-	-	-	-	(171.5)	(171.5)	(171.5)
Total comprehensive income for the period (net of tax)	-	-	-	(1.9)	-	61.8	59.9	59.9
<b>At 30 Jun 2010</b>	<b>259.7</b>	<b>276.5</b>	<b>12.1</b>	<b>(9.2)</b>	<b>(0.0)</b>	<b>646.5</b>	<b>925.9</b>	<b>1,185.6</b>
At 1 Jan 2009	255.1	276.5	8.6	(11.3)	(6.0)	688.7	956.6	1,211.7
Issue of shares pursuant to share option, performance shares & restricted stock plans	0.4	-	-	-	-	-	-	0.4
Share-based payments expenses	-	-	1.1	-	-	-	1.1	1.1
Transfer from treasury shares to share-based payment reserve	-	-	(3.0)	-	3.0	-	-	-
Total comprehensive income for the period (net of tax)	-	-	-	5.0	-	59.5	64.6	64.6
At 31 Mar 2009	255.5	276.5	6.6	(6.3)	(3.0)	748.3	1,022.2	1,277.8
Issue of shares pursuant to share option, performance shares & restricted stock plans	0.8	-	-	-	-	-	-	0.8
Share-based payments expenses	-	-	1.1	-	-	-	1.1	1.1
Dividends paid	-	-	-	-	-	(154.0)	(154.0)	(154.0)
Total comprehensive income for the period (net of tax)	-	-	-	0.6	-	50.8	51.3	51.3
At 30 Jun 2009	256.3	276.5	7.8	(5.7)	(3.0)	645.0	920.7	1,176.9

## 6. CHANGES IN COMPANY'S SHARE CAPITAL

### Share Capital

As at 30 June 2010, the share capital of the Company amounted to S\$259.7 million and comprised 1,715,473,867 issued ordinary shares (excluding treasury shares) (31 December 2009: 1,712,834,484 ordinary shares, excluding treasury shares).

#### Issue of new shares

During the quarter, the Company issued 957,886 ordinary shares upon the exercise of options by participants pursuant to the Company's share option plans. The exercise prices ranged from S\$0.48 to S\$1.52 per ordinary share. For the half year, a total of 1,560,123 new ordinary shares were issued.

#### Treasury Shares

As at 30 June 2010, the treasury share balance amounted to S\$35K or 12,740 treasury shares (30 June 2009: 1,092,000 ordinary shares). There was no new purchase or transfer of treasury shares by the Company during the quarter. For the half year, a total of 1,079,260 treasury shares were transferred to participants of the Company's share plans.

### Outstanding Shares – Employees' Share-Based Plans

#### Share Option Plans

As at 30 June 2010, the outstanding balance of unexercised options under the Company's share option plans totaled 4,555,527 (30 June 2009: 7,079,815) or 0.3% of total issued shares in the capital of the Company.

#### Performance Share Plan

As at 30 June 2010, the outstanding balance of conditional awards under the Performance Share Plan was 1,243,750 ordinary shares (30 June 2009: 1,563,000).

Under the StarHub's Performance Share Plan, the number of conditional awards disclosed is based on the assumption that the payout is at the "Target" level of performance for the various key performance indicators set over a 3-year performance period under each grant, and with each grant paying out on its 3<sup>rd</sup> year anniversary of its grant date.

#### Restricted Stock Plan

As at 30 June 2010, the outstanding balance of conditional awards under the Restricted Stock Plan was 4,950,643 ordinary shares (30 June 2009: 4,695,320).

Under the StarHub's Restricted Stock Plan, the basis of reporting the number of shares outstanding for such grants which have not fulfilled the 2 years performance period is to assume each grant achieves the "Target" level of performance for the various key performance indicators set over a 2-year performance period, with an additional 2-year payout interval beginning on the 2<sup>nd</sup> year anniversary.

**7. AUDIT**

The results for the financial year have not been audited or reviewed.

**8. AUDITORS' REPORT**

Not applicable.

**9. ACCOUNTING POLICIES**

The Group and the Company has applied the same accounting policies and method of computation as in the most recent audited financial statements for the year ended 31 December 2009.

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and effective for annual periods beginning on 1 January 2010. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior periods.

**10. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES**

Not applicable.

**11. GROUP EARNINGS PER ORDINARY SHARE**

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2010	2009	2010	2009
<b>Basic</b>				
Earnings per share	3.39 cents	4.55 cents	5.87 cents	9.37 cents
Weighted average number of shares ('000)	1,715,310	1,711,625	1,714,734	1,711,132
<b>Diluted</b>				
Earnings per share	3.37 cents	4.52 cents	5.85 cents	9.32 cents
Weighted average number of shares ('000)	1,723,611	1,720,805	1,723,221	1,720,392

**12. NET ASSET VALUE PER ORDINARY SHARE**

	Group		Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Net asset value per share	3.4 cents	7.3 cents	69.1 cents	72.5 cents

13. REVIEW OF GROUP PERFORMANCE

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010	2009	Incr / (Decr)		2010	2009	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Operating revenue	569.3	532.4	36.9	6.9	1,126.5	1,063.0	63.5	6.0
Operating expenses	(492.3)	(431.8)	60.4	14.0	(991.7)	(855.0)	136.7	16.0
Other operating income	0.9	-	0.9	-	0.9	-	0.9	-
<b>Profit from operations</b>	<b>77.9</b>	<b>100.6</b>	<b>(22.6)</b>	<b>(22.5)</b>	<b>135.7</b>	<b>208.0</b>	<b>(72.4)</b>	<b>(34.8)</b>
Finance income	0.8	0.2	0.6	nm	1.0	0.3	0.7	nm
Finance expenses	(7.2)	(6.1)	1.1	18.2	(12.7)	(12.3)	0.4	3.2
<b>Profit before taxation</b>	<b>71.5</b>	<b>94.6</b>	<b>(23.1)</b>	<b>(24.4)</b>	<b>124.0</b>	<b>196.0</b>	<b>(72.0)</b>	<b>(36.7)</b>
Taxation	(13.5)	(16.8)	(3.4)	(20.1)	(23.3)	(35.8)	(12.5)	(34.9)
<b>Profit for the period</b>	<b>58.1</b>	<b>77.8</b>	<b>(19.7)</b>	<b>(25.4)</b>	<b>100.7</b>	<b>160.3</b>	<b>(59.5)</b>	<b>(37.2)</b>
<b>EBITDA</b>	<b>141.1</b>	<b>161.2</b>	<b>(20.2)</b>	<b>(12.5)</b>	<b>259.5</b>	<b>329.1</b>	<b>(69.6)</b>	<b>(21.1)</b>
<b>Service revenue</b>	<b>544.4</b>	<b>512.6</b>	<b>31.8</b>	<b>6.2</b>	<b>1,071.7</b>	<b>1,020.8</b>	<b>50.9</b>	<b>5.0</b>
<b>EBITDA as a % of service revenue</b>	<b>25.9%</b>	<b>31.5%</b>	<b>(5.5)</b>	<b>%pts</b>	<b>24.2%</b>	<b>32.2%</b>	<b>(8.0)</b>	<b>%pts</b>

nm – Not meaningful / More than +/- 200%

**Results for the period ended 30 June 2010**

The Group's operating revenue amounted to S\$569.3 million for the quarter and S\$1,126.5 million for the half year. Compared to the corresponding periods last year, these were 7% higher in 2Q-2010 and 6% increase for 1H-2010.

Total service revenue for both the quarter and half year periods also recorded growth year-on-year. Both Mobile and Pay TV services contributed to the bulk of the service revenue increase year-on-year. Mobile service revenue was 8% higher year-on-year at S\$294.0 million for 2Q-2010 and S\$580.3 million for the half year; Pay TV service revenue grew 9% in the quarter to S\$109.6 million and 4% to S\$211.2 million for the half year; and Fixed network service revenue was 2% higher at S\$81.6 million for the quarter and S\$161.5 million for the half year. Broadband service revenue continued to lag behind at S\$59.2 million for 2Q-2010 and decreased 3% to S\$118.7 million for the half year.

Revenue from sales of equipment increased by 26% to S\$24.9 million for the quarter and was up 30% to S\$54.7 million for the half year, driven by the higher quantity of mobile handsets and smart phone devices sold in 2010 when compared to the same periods last year.

The breakdown of operating revenue and percentage mix by lines of business for the quarter ended 30 June is tabulated below:

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010 S\$m	2009 S\$m	Incr / (Decr) S\$m	%	2010 S\$m	2009 S\$m	Incr / (Decr) S\$m	%
<b>Operating revenue</b>								
Mobile revenue	294.0	271.9	22.2	8.2	580.3	536.6	43.7	8.1
Pay TV revenue	109.6	100.5	9.0	9.0	211.2	202.5	8.6	4.3
Broadband revenue	59.2	60.3	(1.1)	(1.8)	118.7	122.6	(3.9)	(3.2)
Fixed network services revenue	81.6	80.0	1.7	2.1	161.5	159.0	2.5	1.6
Total service revenue	544.4	512.6	31.8	6.2	1,071.7	1,020.8	50.9	5.0
Sale of equipment	24.9	19.8	5.1	25.9	54.7	42.2	12.5	29.7
Total	569.3	532.4	36.9	6.9	1,126.5	1,063.0	63.5	6.0

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2010 Mix %	2009 Mix %	2010 Mix %	2009 Mix %
<b>Operating revenue mix</b>				
Mobile revenue	51.7	51.1	51.5	50.5
Pay TV revenue	19.2	18.9	18.7	19.1
Broadband revenue	10.4	11.3	10.5	11.5
Fixed network services revenue	14.3	15.0	14.3	15.0
Sale of equipment	4.4	3.7	4.9	4.0
Total	100.0	100.0	100.0	100.0

### Profitability

The current quarter's performance was impacted by the continued investment in iPhones and other smart phones/devices in the Mobile business. On the Pay TV business, the broadcast of the FIFA World Cup 2010 in June was a key event in the quarter. Both of these activities contributed to the higher operating revenue and expenses for the quarter and half year periods.

Against the corresponding periods last year, total operating expenses increased 14% in the quarter to S\$492.3 million and 16% for the half year to S\$991.7 million. Cost of sales included therein, was 26% higher at S\$251.3 million in 2Q-2010 and S\$500.5 million in 1H-2010 due to higher cost of smart phones/iPhones, as well as higher Pay TV content costs, including World Cup. Other operating expenses for the quarter were managed at S\$240.9 million, 4% higher year-on-year although 1H-2010 operating expenses was 8% higher at S\$491.2 million when compared to last year.

With the growth in service revenue lagging behind the higher rate of increase in operating expenses, profit from operations was 22% lower year-on-year at S\$77.9 million for the current quarter and 35% lower at S\$135.7 million for the current half year. Group EBITDA decreased 12% to S\$141.1 million in 2Q-2010 and for the half year, EBITDA was S\$69.6 million or 21% lower year-on-year at S\$259.5 million. As a percentage of service revenue, EBITDA margin was 5.5 percentage points lower at 25.9% for the quarter and 8.0 percentage points lower at 24.2% for the half year.

For the quarter, finance expenses amounted to S\$7.2 million, S\$1.1 million higher than 2Q-2009. This was attributed to facility and commitment fees paid for new bank loan facilities secured in 2Q-2010. Against 1H-2009, finance expenses for the half year at S\$12.7 million were higher by S\$0.4 million.

Consequently, profit before taxation for the quarter at S\$71.5 million was S\$23.1 million or 24% lower year-on-year, and for the half year, was down 37% to S\$124.0 million.

The Group's profit after taxation for the quarter and half year periods amounted to S\$58.1 million and S\$100.7 million respectively.

**Mobile Service Revenue**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010 S\$m	2009 S\$m	Incr / (Decr) S\$m %		2010 S\$m	2009 S\$m	Incr / (Decr) S\$m %	
Mobile revenue								
Post-paid	229.1	207.6	21.5	10.4	449.3	408.0	41.3	10.1
Pre-paid	65.0	64.3	0.7	1.1	131.0	128.6	2.4	1.9
Total	294.0	271.9	22.2	8.2	580.3	536.6	43.7	8.1

Mobile operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun 2010	31 Mar 2010	30 Jun 2009	30 Jun 2010	2009	Incr/(Decr) %
Number of registered customers (in thousands)						
Post-paid	994	966	910	994	910	9.2
Pre-paid	1,062	1,009	939	1,062	939	13.1
Total	2,056	1,975	1,849	2,056	1,849	11.2
Monthly minutes of use per registered customer						
Post-paid	381	387	435	384	439	(12.5)
Pre-paid	544	559	558	551	553	(0.3)
Average monthly SMS per registered user (originating)						
Post-paid	255	255	244	255	241	5.9
Pre-paid	147	154	135	150	134	12.7
Total MMS traffic (in millions)	4.0	4.3	3.7	8.3	7.4	11.9
Mobile Data Traffic (in GBytes)						
Post-paid	3,352,043	2,929,946	1,614,626	6,281,989	2,621,412	139.6
Pre-paid	21,690	22,194	830	43,884	971	4,418.0
ARPU with IDD included (S\$ per month)						
Post-paid	70	69	69	70	68	1.9
Pre-paid	21	23	23	22	24	(8.4)
Non-voice service as a contribution to ARPU						
Post-paid	34.6%	35.4%	30.5%	35.0%	29.8%	-
Pre-paid	13.4%	12.6%	11.6%	13.0%	11.6%	-
Average acquisition cost per gross connection (S\$)	109	122	79	115	78	47.6
Average monthly churn rate (post-paid)	1.1%	1.2%	1.1%	1.1%	1.0%	-
Singapore mobile penetration <sup>(1)</sup>	139.6%	137.9%	130.6%	139.6%	130.6%	-
Market Share <sup>(1)</sup>	29.2%	28.7%	28.4%	29.2%	28.4%	-

Note:

(1) Source : IDA (As at May 2010)

**Post-paid mobile services**

Against the same corresponding periods last year, Post-paid mobile services revenue was up 10% for both the quarter and half year periods to S\$229.1 million and S\$449.3 million respectively driven by the higher subscriber base and ARPU.

Post-paid mobile customer base grew 29K in the quarter, bringing the total customer base to 994K as at 30 June 2010, and 9% higher when compared to last year.

Post-paid ARPU was S\$70 for the quarter and half year ended 30 June 2010, S\$1 higher than 2Q-2009 and S\$2 more than 1H-2009. The higher ARPU was contributed by higher IDD & roaming revenue and increased subscriptions to mobile data bundled price plans, which was partially offset by lower voice usages. Post-paid monthly minutes of use per customer was lower at 381 minutes in 2Q-2010 and 384 minutes in 1H-2010 when compared to the same periods last year. The continued interest in iPhones and other smart phones devices resulted in higher take up of our MaxMobile & Smartsurf (voice/data bundled) subscription plans which come with a price cap on data usages. Post-paid data traffic more than doubled in 2Q-2010 to 3.4 million Gigabytes and for 1H-2010, was up 140% year-on-year to 6.3 million Gigabytes. Hence, the proportion of Post-paid non-voice services as a percentage of Post-paid ARPU was higher at 34.6% in 2Q-2010 and 35.0% in 1H-2010 when compared to the same periods last year.

Post-paid monthly average churn was stable at 1.1% for the quarter and half year ended 30 June 2010.

#### Pre-paid mobile services

The quarter's Pre-paid mobile services revenue increased S\$0.7 million or 1% to S\$65.0 million as against S\$64.3 million in 2Q-2009, and for the half year, was up 2% year-on-year to S\$131.0 million. The increase was driven by the larger customer base and lower ARPU.

53K Pre-paid mobile customers were added in the quarter, and as at 30 June 2010, the Pre-paid mobile customer base stood at 1,062K customers. This was 123K or 13% higher compared to a year ago.

Year-on-year, Pre-paid ARPU was S\$2 lower at S\$21 in 2Q-2010 and S\$22 in 1H-2010, due to lower voice usages. Pre-paid data traffic continued to increase rapidly to 22K Gigabytes in 2Q-2010, and was more than 45 times higher year-on-year at 44K Gigabytes in 1H-2010, driven by the increasing take-ups of our pre-paid data plans such as the MaxMobile and Blackberry services. Consequently, Pre-paid non-voice services as a percentage of Pre-paid ARPU was higher at 13.4% for the quarter and 13.0% in 1H-2010, up from 11.6% for the corresponding periods previously.

#### Acquisition Cost per gross connection

The average acquisition cost per gross connection increased S\$30 year-on-year to S\$109 in 2Q-2010 and for the half year, was 48% higher at S\$115. The increase was due to a higher mix of Post-paid gross connections and the higher smart phones/devices net acquisition costs per subscriber.

#### Total mobile services

Overall, the Group's mobile services revenue was 8% higher year-on-year for both the quarter and the half year period. As a percentage of the Group's operating revenue mix, Mobile services revenue continues to make up more than half of the mix at 51.7% for the quarter and 51.5% for the half year. Post-paid mobile services revenue accounted for 78% of this Mobile/Operating revenue mix in 2Q-2010 and 77% in 1H-2010 with Pre-paid accounting for the balance Mobile/Operating revenue mix.

**Pay TV Revenue**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010	2009	Incr / (Decr)		2010	2009	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Pay TV revenue	109.6	100.5	9.0	9.0	211.2	202.5	8.6	4.3

Pay TV operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun	31 Mar	30 Jun	30 Jun		Incr/(Decr)
	2010	2010	2009	2010	2009	%
Number of residential Pay TV customers (in thousands)	541	541	530	541	530	2.0
ARPU (S\$ per month)	56	55	56	56	57	(2.7)
Average monthly churn rate	1.2%	0.9%	0.9%	1.1%	0.9%	-
StarHub's penetration	46.5%	46.7%	46.2%	46.5%	46.2%	-

Pay TV revenue for the quarter was 9% higher year-on-year at S\$109.6 million as a result of a revenue boost from the broadcast screening of the FIFA World Cup 2010 event in June. Excluding the World Cup 2010 revenue, our Pay TV revenue for the quarter would be stable year-on-year when compared to the same periods last year.

As at 30 June 2010, Pay TV subscriber base totaled 541K customers, 11K or 2% more than last year.

Excluding the World Cup revenue, Pay TV ARPU at S\$54 would be lower year-on-year by S\$2 for the quarter and S\$3 lower when compared to 1H-2009. The lower ARPU in 2010 was attributed to more promotional offers as we drive take up of new program bundles or add-on channels and increase penetration into new customer segments. In addition, the 2Q-2010 ARPU was also impacted by customers' downgrades and churn from the Sports Group package and a more than 50% reduction in subscription price of the Sports Group package to S\$12 per month, starting June 2010.

With the 2009/2010 BPL season ended in May 2010, we saw higher voluntary churn from our Sports Group subscribers. This contributed to the higher Pay TV average monthly churn at 1.2% in 2Q-2010 and 1.1% in 1H-2010, up from 0.9% last year.

**Broadband Revenue**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010	2009	Incr / (Decr)		2010	2009	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Broadband revenue	59.2	60.3	(1.1)	(1.8)	118.7	122.6	(3.9)	(3.2)

Broadband operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun	31 Mar	30 Jun	30 Jun		Incr/(Decr)
	2010	2010	2009	2010	2009	%
Number of residential broadband customers - subscription-based (in thousands)	408	408	389	408	389	4.8
ARPU (S\$ per month)	48	48	51	48	53	(9.7)
Average monthly churn rate	1.6%	1.2%	1.4%	1.4%	1.3%	-

Year-on-year, Broadband revenue for the quarter was 2% lower at S\$59.2 million and for the half year, decreased S\$3.9 million or 3% to S\$118.7 million. The lower revenue was attributed to a higher revenue mix of lower speed price plans on the back of a larger customer base.

Compared to a year ago, Broadband customer base increased 19K or 5% to 408K as at 30 June 2010.

Broadband ARPU amounted to S\$48 for the quarter and half year ended 30 June 2010. This was S\$3 lower compared to 2Q-2009, and for the half year, was S\$5 or 10% below 1H-2009. The lower ARPU for the year was due to the higher mix of subscribers on the lower speed price plans and promotional offers of the hubbing packs to drive take-up in new customer segments.

Broadband average monthly churn for the quarter was high at 1.6% due mainly to the churn of customers who previously signed up because of our attractive promotional premium offers for the high speed plans some 24 months ago. This resulted in the Broadband average churn for the half year to be higher at 1.4% per month, up from 1.3% in the corresponding period last year.

**Fixed Network Services Revenue**

Fixed Network Services Revenue	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010 S\$m	2009 S\$m	Incr / (Decr) S\$m %		2010 S\$m	2009 S\$m	Incr / (Decr) S\$m %	
Data & internet	68.2	67.6	0.6	1.0	136.4	135.1	1.3	1.0
Voice services	13.4	12.4	1.0	8.1	25.1	23.9	1.2	5.0
Total	81.6	80.0	1.7	2.1	161.5	159.0	2.5	1.6

For the quarter and half year, Fixed Network services revenue was up 2% year-on-year to S\$81.6 million and S\$161.5 million respectively. Both Data & Internet and Voice services registered increased revenue in the current periods.

Driven by higher revenue from Backhaul services but increasing price pressure for other leased circuits services, Data & Internet revenue was 1% higher year-on-year at S\$68.2 million for the quarter and S\$136.4 million for the half year.

Voice services revenue for the quarter increased 8% to S\$13.4 million and for the half year, was 5% higher at S\$25.1 million due mainly to higher revenue from Digital Voice services.

**Hubbing (Multi-Service Households)**

Hubbing Metrics	As at			YoY Incr/(Decr) %
	30 Jun 2010	31 Mar 2010	30 Jun 2009	
Total Singapore occupied homes (in thousands, estimated) <sup>(1)</sup>	1,165	1,165	1,145	1.7
Total hubbing households with at least one service of post-paid mobile, pay TV and/or broadband services (in thousands)	789	788	777	1.5
Percentage of total hubbing households which subscribe to any two services	30.7%	30.8%	30.9%	(0.2)% pts
Percentage of total hubbing households which subscribe to all three services	24.2%	24.0%	23.0%	1.2% pts
Total hubbing households which subscribe to two or more services	54.9%	54.8%	53.9%	1.0% pts

*Note:*

(1) Source: Nielsen Media Research for 2009 estimates

The total number of hubbing households with at least one StarHub service was 789K as at 30 June 2010, 12K or 2% higher compared to a year ago. As a percentage of total occupied homes in Singapore, our hubbing households as at 30 June 2010 was stable at 68% despite of the increasing market competition of multi-services bundles by other operators.

With continued promotion of hubbing packs and subscription discounts offered to drive multi-services take-up in the quarter, the number of households taking more than one StarHub service was up 1 percentage point to 54.9%, up from 53.9% last year.

Our hubbing households which subscribed to all 3 hubbing services as at 30 June 2010 totaled 191K, 6% more than last year. As a percentage of overall hubbing households, this represents 24.2%, an increase over last year.

**Operating expenses**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010	2009	Incr / (Decr)		2010	2009	Incr / (Decr)	
Operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of sales	251.3	200.3	51.1	25.5	500.5	398.8	101.7	25.5
Other operating expenses	240.9	231.6	9.4	4.0	491.2	456.2	35.0	7.7
Total	492.3	431.8	60.4	14.0	991.7	855.0	136.7	16.0

Against the same corresponding periods last year, the Group’s total operating expenses for the quarter was 14% higher at S\$492.3 million and for the half year, increased 16% to S\$991.7 million. As a percentage of operating revenue, total operating expenses was higher at 86.5% for the quarter and 88.0% for 1H-2010 as compared to 81.1% in 2Q-2009 and 80.4% in 1H-2009.

The breakdown of the cost of sales is as follows:

**Cost of sales**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010	2009	Incr / (Decr)		2010	2009	Incr / (Decr)	
Cost of sales	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of equipment sold	81.4	49.3	32.0	64.9	175.2	98.0	77.2	78.7
Cost of services	102.9	84.9	17.9	21.1	191.3	168.1	23.2	13.8
Traffic expenses	67.1	66.0	1.1	1.7	134.0	132.7	1.3	1.0
Total	251.3	200.3	51.1	25.5	500.5	398.8	101.7	25.5

Total cost of sales increased 26% year-on-year to S\$251.3 million for the quarter and S\$500.5 million for the half year. Higher cost of equipment sold and cost of services were the main contributing factors in both the quarter and half year periods. As a percentage of operating revenue, cost of sales trended higher at 44.1% in 2Q-2010 and 44.4% in 1H-2010.

Cost of equipment sold for the quarter was 65% higher at S\$81.4 million, driven by a higher quantity of handsets sold and increased sales mix of iPhone and smart phones/devices with higher unit costs, when compared to S\$49.3 million in 2Q-2009. For the half year, cost of equipment increased 79% year-on-year to S\$175.2 million. As a percentage of operating revenue, cost of equipment was higher at 14.3% for the quarter and 15.6% for the half year, up from 9.3% and 9.2% in the same corresponding periods last year.

For the quarter and half year, cost of services amounted to S\$102.9 million and S\$191.3 million respectively, a year-on-year increase of 21% for the quarter and 14% for the half year. The higher cost of services was attributed to the higher various contents, including production costs and broadcast rights for the FIFA World Cup in June 2010, resulting in the

higher year-on-year increase for the quarter and increased renewal rates of certain programming contracts which became effective in the current periods. As a percentage of operating revenue, cost of services was 18.1% in 2Q-2010 and 17.0% in 1H-2010.

**Other operating expenses**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2010	2009	Incr / (Decr)		2010	2009	Incr / (Decr)	
Other operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Staff costs	57.1	47.7	9.4	19.7	124.9	100.5	24.4	24.3
Operating lease	36.5	41.0	(4.6)	(11.1)	73.0	74.2	(1.2)	(1.6)
Marketing and promotion	44.3	39.2	5.1	13.0	84.9	78.2	6.7	8.5
Allowance for doubtful receivables	4.7	3.1	1.7	54.3	8.8	5.8	3.0	52.1
Repair and maintenance	17.7	15.6	2.1	13.4	35.6	32.0	3.5	10.9
Other expenses	17.4	24.2	(6.8)	(28.0)	40.3	44.4	(4.2)	(9.4)
Sub total	177.8	170.9	6.9	4.0	367.3	335.1	32.2	9.6
Depreciation and amortisation	63.2	60.7	2.5	4.1	123.9	121.1	2.8	2.3
Total	240.9	231.6	9.4	4.0	491.2	456.2	35.0	7.7

Total other operating expenses for the quarter was 4% higher at S\$240.9 million. The increase was mainly attributed to higher staff costs, marketing and promotion, depreciation and amortisation, repair and maintenance and allowance for doubtful receivables, mitigated by lower other expenses and operating lease. As a percentage of operating revenue, other operating expenses were trending lower at 42.3% in 2Q-2010 as compared to 43.5% in 2Q-2009.

For the half year, total operating expenses increased S\$35.0 million or 8% year-on-year to S\$491.2 million. The higher rate of increase was mainly attributable to higher staff costs in 1Q-2010 due to a S\$12 million additional charge for the 2009 variable bonuses paid to staff in March 2010. As a percentage of operating revenue, other operating expenses were higher at 43.6% in 1H-2010 compared to 42.9% in 1H-2009.

Staff costs

Staff costs for the quarter amounted to S\$57.1 million, 20% higher compared to 2Q-2009. The increase was mainly due to higher provision made for variable bonuses and incentives for the current period and lower job credits received from the Government. For the half year, staff costs at S\$124.9 million were S\$24.4 million or 24% higher year-on-year due to the additional S\$12 million charge for the 2009 variable bonuses paid to staff in March this year, lower job credits and higher provision for bonuses for the current period. As a percentage of operating revenue, staff costs were higher at 10.0% in 2Q-2010 and 11.1% in 1H-2010, up from 9.0% and 9.5% in the same corresponding periods last year.

Operating lease

Compared to the same periods last year, operating lease expenses was 11% lower at S\$36.5 million in 2Q-2010 and was down 2% year-on-year to S\$73.0 million for the half year. 2Q-2009 office rental included additional short term office lease extensions of the old office premises and catch up lease rentals of our current centralised office premise at Ubi. Excluding these additional charges from the 2009 comparative, the current quarter's operating lease was at similar level as in 2Q-2009 and for the half year, was 5% higher year-on-year due to higher expenses for international lease capacity and fixed and mobile

networks base station rentals. As a percentage of operating revenue, operating lease expenses was lower at 6.4% in 2Q-2010 and 6.5% in 1H-2010 as compared to 7.7% in 2Q-2009 and 7.0% in 1H-2009.

Marketing and promotion

Year-on-year, marketing and promotion expenses for the quarter were S\$5.1 million or 13% higher at S\$44.3 million, and for the half year, was up S\$6.7 million or 9% to S\$84.9 million. The quarter's higher expenses were mainly due to the marketing promotions for the FIFA World Cup 2010, in addition to the increased roadshows and marketing promotions to drive customer acquisitions and recontracts. As a percentage of operating revenue, marketing and promotion ratio was up from 7.4% last year to 7.8% in 2Q-2010 and 7.5% in 1H-2010.

Allowance for doubtful receivables

Allowance for doubtful receivables amounted to S\$4.7 million in 2Q-2010, up from S\$3.1 million in 2Q-2009, and for the half year, was S\$3.0 million higher at S\$8.8 million. The increase was largely attributed to higher credit sales and a higher provision for doubtful receivables. As a percentage of service revenue, allowance for doubtful receivables was 0.9% for the quarter and 0.8% for half year, up from 0.6% last year.

Repair and maintenance

Against 2Q-2009, this quarter's repair and maintenance increased S\$2.1 million or 13% to S\$17.7 million as there were over-provisions written back in 2Q-2009 for certain network system and base station maintenance charges. For the half year, repair and maintenance was up 11% to S\$35.6 million as compared to S\$32.0 million in 1H-2009. The increase was mainly attributed to higher operational maintenance costs for our expanded network infrastructure and systems. Repair and maintenance as a percentage of operating revenue was 3.1% in 2Q-2010 and 3.2% in 1H-2010.

Other expenses

Other expenses for the quarter amounted to S\$17.4 million, S\$6.8 million or 28% lower than 2Q-2009. Foreign exchange gain of S\$1.7 million compared to a loss of S\$1.5 million in 2Q-2009 and higher miscellaneous network construction income taken up in 2Q-2010 were the main contributing factors of the year-on-year change. For the half year, other expenses decreased S\$4.2 million or 9% year-on-year to S\$40.3 million. Foreign exchange differences accounted for 80% of the year-on-year change, with miscellaneous network construction income accounting for the rest. As a percentage of operating revenue, other expenses were trending lower at 3.1% for the quarter and 3.6% for 1H-2010 as compared to last year.

## Liquidity and Capital Resources

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2010 S\$m	2009 S\$m	2010 S\$m	2009 S\$m
<b>Operating Activities</b>				
Profit before taxation	71.5	94.6	124.0	196.0
Non-cash items & net finance expenses adjustments	70.0	70.7	138.6	136.5
Net change in working capital	13.0	52.5	60.4	51.6
<b>Net cash from operating activities</b>	<b>154.5</b>	<b>217.9</b>	<b>323.0</b>	<b>384.1</b>
<b>Investing Activities</b>				
Proceeds from disposal of fixed assets	0.2	0.1	1.9	0.5
Purchase of fixed assets	(44.7)	(69.7)	(93.3)	(120.5)
Interest received	0.6	0.2	0.9	0.2
<b>Net cash used in investing activities</b>	<b>(43.9)</b>	<b>(69.4)</b>	<b>(90.4)</b>	<b>(119.7)</b>
<b>Financing Activities</b>				
Proceeds from issue of shares	1.1	0.8	1.5	1.2
Finance expenses paid	(3.3)	(2.7)	(12.6)	(13.3)
Grants received	25.0	-	25.0	-
Proceeds from loans	-	-	200.0	200.0
Repayment of loans	-	-	(230.4)	(189.3)
Dividends paid	(171.5)	(154.0)	(171.5)	(154.0)
<b>Net cash used in financing activities</b>	<b>(148.7)</b>	<b>(155.9)</b>	<b>(187.9)</b>	<b>(155.5)</b>
<b>Net change in cash and cash equivalents</b>	<b>(38.1)</b>	<b>(7.5)</b>	<b>44.6</b>	<b>108.9</b>
Cash and cash equivalents at beginning of the period	316.9	244.7	234.2	128.3
<b>Cash and cash equivalents at end of the period</b>	<b>278.8</b>	<b>237.2</b>	<b>278.8</b>	<b>237.2</b>
<b>Free Cash Flow <sup>(1)</sup></b>	<b>109.8</b>	<b>148.3</b>	<b>229.8</b>	<b>263.6</b>

Note:

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

Free cash flow for the quarter amounted to S\$109.8 million, S\$38.5 million or 26% lower than S\$148.3 million in 2Q-2009, and for the half year, free cash flow at S\$229.8 million was S\$33.8 million or 13% lower year-on-year. The lower free cash flow in both periods were primarily due to lower net cash from operating activities mitigated by lower cash capex payments.

Against 2Q-2009, this quarter's net cash from operating activities decreased S\$63.4 million to S\$154.5 million, driven by lower EBITDA and working capital changes year-on-year. For the quarter, working capital changes amounted to S\$13.0 million as against S\$52.5 million in 2Q-2009. For the half year, net cash from operating activities reduced from S\$384.1 million previously to S\$323.0 million in 1H-2010 on the back of lower EBITDA.

This quarter's working capital change of S\$13.0 million was due to lower prepayments and higher amount due to related parties, offset by higher trade receivables coupled with reduced trade payables and accruals.

The Group's net cash outflow from investing activities decreased by S\$25.5 million to S\$43.9 million in 2Q-2010 and was S\$29.3 million lower year-on-year at S\$90.4 million in 1H-2010 due to lower capex payment in the current periods.

As at 30 June 2010, the Group's total outstanding capital expenditure commitments amounted to S\$191.6 million, up S\$60.2 million from S\$131.4 million last year. The increase was mainly due to new network central offices for the next generation fiber broadband network infrastructure, and investment in set-top boxes.

In 2Q-2010, the Group received S\$25 million grant from the Infocomm Development Authority of Singapore (IDA) for achieving certain milestones in the rollout of the Next Generation National Broadband Network (NGNBN) project. This helped to lower the net cash outflow from financing activities to S\$148.7 million in the current quarter. For the half year, total cash outflow from financing activities amounted to S\$187.9 million, compared to S\$155.5 million last year. Apart from the higher year-on-year dividend payments and grant receipts from IDA in the quarter, higher net loan repayments in 1Q-2010 also contributed to the increase.

As at 30 June 2010, the Group's cash and cash equivalents was S\$278.8 million compared to S\$237.2 million as at 30 June 2009.

#### Gearing

Compared to a year ago, the Group's gross debts as at 30 June 2010 decreased by S\$59.0 million or 6% to S\$865.4 million due to loan repayments. Net debt was S\$586.6 million after netting off the cash balance of S\$278.8 million. As a ratio of 2009 EBITDA, the Group's net debt to EBITDA ratio was 0.90 times as at 30 June 2010, down from 1.05 times a year ago.

#### **Statement of Financial Position**

As at 30 June 2010, the Group's total non-current assets amounted to S\$1,176.7 million, a decrease of S\$29.5 million from 31 December 2009, largely due to reduced net book values of property, plant and equipment.

Total current assets increased from S\$526.4 million as at 31 December 2009 to S\$583.1 million due to higher cash and bank balances, and trade receivables offset by lower other receivables, deposit and prepayments.

Against 31 December 2009, the Group's total current liabilities decreased by S\$112.4 million to S\$813.1 million as at 30 June 2010. The lower current liabilities were attributed to lower current portion of bank loans as these were replaced by refinanced longer tenure loans, offset by higher provision for taxation, trade payables and accruals, other payables and balances due to related parties.

Driven by higher non-current portion of bank loans, other payables and deferred income, the total non-current liabilities increased from S\$681.3 million as at 31 December 2009 to S\$889.2 million as at 30 June 2010.

The Group's shareholder's equity was lower at S\$57.5 million as at 30 June 2010, compared to S\$125.8 million as at 31 December 2009.

**14. ANY VARIANCE BETWEEN PROSPECT STATEMENT PREVIOUSLY DISCLOSED AND THE ACTUAL RESULTS**

For the half year, the Group's overall operating revenue grew 6% year-on-year. This was above our guidance of low single digit growth for 2010.

1H-2010 EBITDA margin as a percentage of service revenue at 24.2% was below our full year EBITDA guidance of 28% of service revenue. 2Q-2010 EBITDA margin at 25.9% was an improvement from the 22.5% registered in 1Q-2010. As mentioned, the 1<sup>st</sup> half of the year EBITDA performance was impacted mainly by the higher investment costs of smart phone mobile data bundles with benefits expected to accrue in subsequent future periods.

The Group's total capex payment for the half year amounted to 8% of operating revenue due to delays in capital projects' completion schedules. This is below our full year guidance of not exceeding 14% of operating revenue.

**15. GROUP OUTLOOK**

The Ministry of Trade and Industry recently reported a year-on-year increase of 16.9% in 1Q-2010 performance of the Singapore economy and upgraded the 2010 growth forecast to 13%-15%, a further upgrade of the earlier revised forecast of 7% to 9%. This improved business outlook has and will certainly impact positively the consumer and business spending for telecommunication, media and entertainment services. Competition, however, will remain intense in the 2<sup>nd</sup> half of the year.

The 2<sup>nd</sup> half of the year will also see the commercial launch of the new fiber broadband network, NBN, providing more than 50% coverage nationwide. While this may disrupt the existing ecosystem of fixed network players in the market and introduce new niche retail service providers, the NBN will also help to extend our Fixed network footprint and reach into new customer segments and opportunities. In the consumer broadband market, competition is expected to increase as the current existing players position themselves ahead of the NBN launch to defend and build market share.

In the Mobile market, operators will continue to actively promote data subscription plans bundled with better smart phones. While our higher investment in these smart phones bundles will continue to impact the profitability in the period in which they are incurred, we continue to expect benefits to accrue in subsequent periods.

On the regulatory front, we expect to have more clarity from the Media Development Authority of Singapore on the recently announced "cross-carriage" of exclusive content by Pay TV operators. The introduction of the new NGNBN infrastructure may also see changes to the current operating environment.

Based on the current outlook, we maintain our year-on-year growth of the Group's 2010 operating revenue to be in the low single digit range, Group EBITDA margin to be around 28% of service revenue, and capex payment not exceeding 14% of operating revenue. Cash dividend payout remains at 5 cents per ordinary share per quarter for financial year 2010.

*Some of the statements in this release constitute "forward-looking statements" that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this release with caution.*

**16. DIVIDENDS**

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash; Tax exempt (1-tier) dividend
Dividend Amount	S\$0.05 per ordinary share
Tax Rate	Exempt (1-tier)

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash; Tax exempt (1-tier) dividend
Dividend Amount	S\$0.045 per ordinary share
Tax Rate	Exempt (1-tier)

(c) Date payable

The interim dividend will be paid on 3 September 2010.

(d) Book closure date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed on 24 August 2010 ("Book Closure Date") for the purpose of determining members' entitlement to the interim dividend.

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 5.00pm on 23 August 2010 ("Entitlement Date") will be registered to determine members' entitlement to the interim 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 at 5.00pm on the Entitlement Date will be entitled to the interim dividend.

**17. IF NO DIVIDEND HAVE BEEN DECLARED/RECOMMENDED, A STATEMENT TO THAT EFFECT**

Not applicable.

**18. STATEMENT PURSUANT TO RULE 704(4) OF THE LISTING MANUAL**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the above unaudited financial results for the second quarter and half year ended 30 June 2010 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Tan Guong Ching  
Director

Neil Montefiore  
Director

Singapore  
5 August 2010

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**INTERESTED PERSON TRANSACTIONS**


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	<b>Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000) 1 April to 30 June 2010 S\$m</b>
<b>Transactions for the Sale of Goods &amp; Services</b>	
Singapore Telecommunications Limited & its associates	16.5
TeleChoice International Ltd & its associates	0.5
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	1.3
	18.3
<b>Transactions for the Purchase of Goods &amp; Services</b>	
Capitaland Limited & its associates	9.1
Singapore Power Limited & its associates	6.4
Singapore Telecommunications Limited & its associates	30.4
STT Communications Ltd and its associates	0.4
TeleChoice International Ltd & its associates	30.2
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	1.8
	78.3

There are no interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) entered into by StarHub Ltd and its subsidiaries for the period 1 April to 30 June 2010.