

# Hubbing

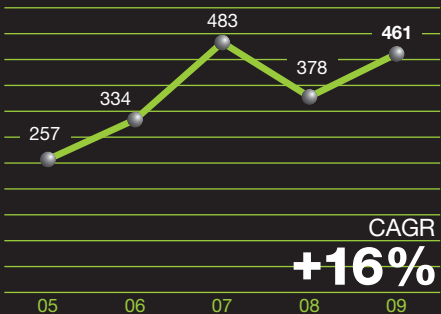
**our game**

# Delivering great value since listing in 2004

## Creating strong shareholder value

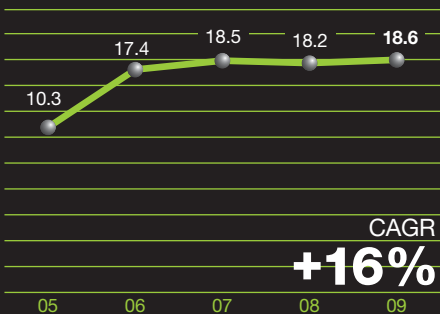
### Free cash flow

(\$million)



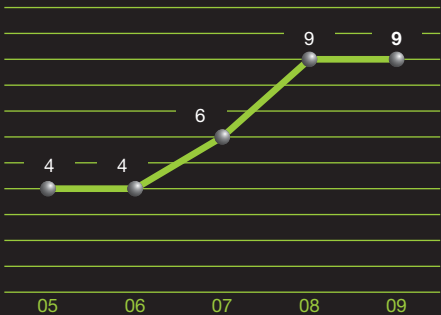
### EPS

(cents)



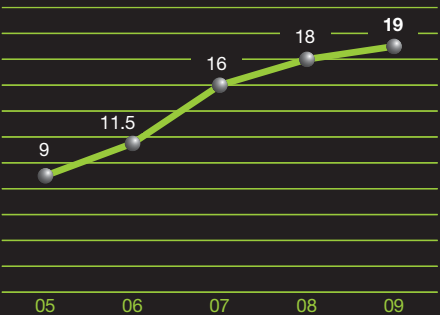
### Dividend yield

(%)



### Dividend

(cents)



## Delighting and attracting customers

### Mobile

#### Customers

**1,918,000**

#### Post-paid ARPU (\$)

**69**

### Broadband

#### Customers

**400,000**

#### ARPU (\$)

**51**

### Pay TV

#### Households

**539,000**

#### ARPU (\$)

**56**

### Fixed Network

#### Revenue for data & internet (\$million)

**269**

#### Revenue for voice (\$million)

**49**

StarHub's ability to balance short-term needs with long-term expectations enables it to deliver sustained growth, enhance shareholder value, satisfy its customers and keep its employees happy.

### Key milestones & innovative services

#### 2004

- Publicly listed on SGX-ST
- Launched Digital Cable TV service

#### 2005

- Launched 3G mobile services
- First year of profitability

#### 2006

- Founding member of Conexus Mobile Alliance
- First in the world to launch 100Mbps residential cable broadband service

#### 2007

- Launched HDTV service
- Launched fastest two-way HSPA service nationwide

#### 2008

- Awarded WiFi contract for all Changi Airport terminals
- Launched On-demand channels and VOD

#### 2009

- Launched HSPA+
- Added to the MSCI Singapore Free Index
- Launched AAG
- Selected to build and manage OpCo, Next Gen NBN

**Singapore's first fully-integrated info-communications company, offering a full range of information, communications and entertainment services for both consumer and corporate markets. It operates Singapore's fastest two-way HSPA+ mobile network that delivers up to 21Mbps for downlink, an island-wide HFC network that delivers multi-channel cable TV services (including HDTV and on-demand services), an ultra-high speed residential broadband services and an extensive fixed business network that provides a wide range of data, voice and wholesale services.**

**Vision To be Singapore's first choice for information, communications and entertainment services**

**Mission To provide every person, home and business in Singapore with world-class multimedia services and content**

**Core values ExCITE: Excellence, Creativity, Integrity, Teamwork**

**Branded customer experience attributes Consistent, Intentional, Valuable, Differentiated**

**Service promise "Your Experience, My Responsibility"**

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**StarHub's ability to balance short-term needs with long-term expectations enables it to deliver sustained growth, enhance shareholder value, satisfy its customers and keep its employees happy.**

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# A year of resiliency FY2009

Revenue up 1%

**\$2,150 million**

Profit attributable to shareholders up 3%

**\$320 million**

Dividend per share up 6%

**19 cents**

Earnings per share up 2%

**19 cents**

Free cash flow up 22%

**\$461 million**

Dividend yield maintained

**9%**

# Hubbing

## our game

- in tune** with our shareholders' expectations
- in line** with our practice of having a strong balance sheet
- in sync** to deliver even more content to our customers
- in motion** to enhance our mobile contribution
- in tandem** adding a corporate dimension with Next Gen NBN

# Hubbing tune

**with our shareholders'  
expectations**

Our attractive dividend yield of 8.8% underlines our strong commitment to maintain our promise to our shareholders, outperforming many Asia Pacific telecommunication companies.

8.8%  
yield

# Hubbing line

**with our practice of having  
a strong balance sheet**

Our free cash flow for 2009 was 22%  
higher than last year's \$378 million  
due to positive working capital changes  
in 2009.

461 \$ million  
free cash  
flow

# Hubbing sync

**to deliver even more  
content to our customers**

With 145 channels, and counting, on education, entertainment, drama, movies, documentaries and sports, we offer more variety and differentiation than anyone else in the market. And we are consistently reviewing and bringing more quality content for all our customers.

> 140 channels



# Hubbing motion

**to enhance our mobile  
contribution**

Mobile continues to contribute at a strong 51% to our total revenue. With the launch of more smartphones in the market, our non-voice revenue has chalked up substantial growth in data usage, resulting in a 30.8% non-voice service contribution to our post-paid ARPU.

51%  
revenue mix

# Hubbing tandem

**adding a corporate dimension  
with Next Gen NBN**

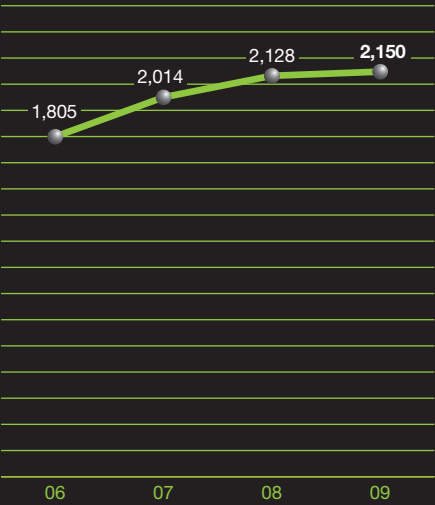
We are excited to bring Hubbing to greater heights as we add a corporate Hubbing dimension to it. By tapping on new growth opportunities through the Next Gen NBN, we will have access to over 20,000 non-residential buildings around Singapore, an explosive growth compared to our previous access of 800 buildings.

> 20,000  
non-residential buildings

# Financial Highlights

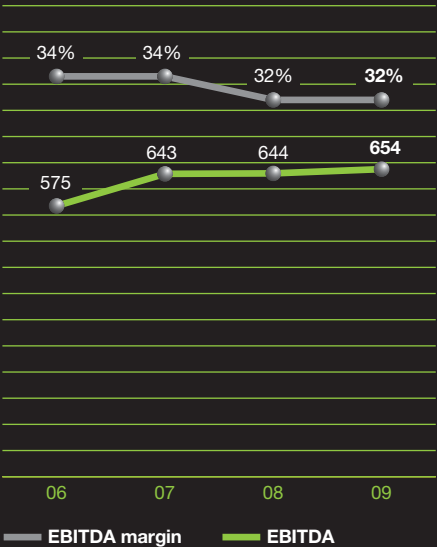
## Revenue

(\$million)



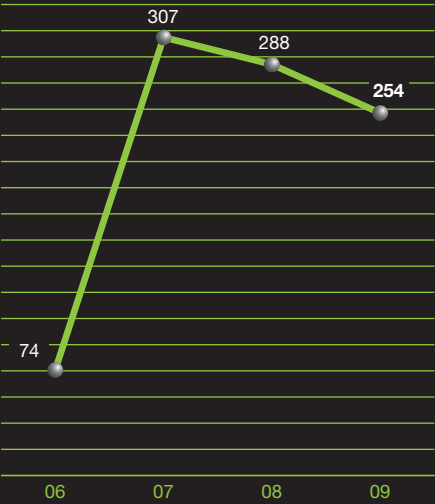
## EBITDA / EBITDA margin

(\$million)



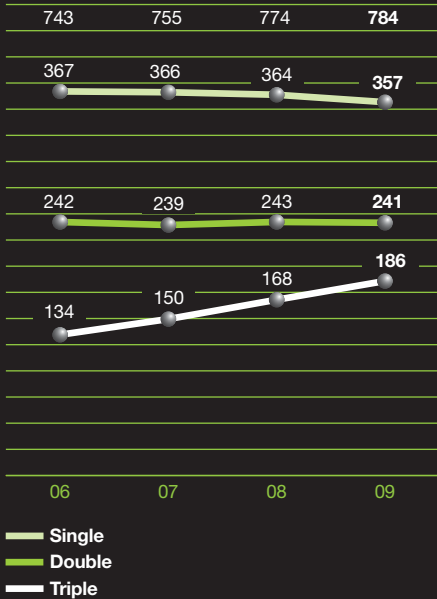
## Return on equity

(%)



## Hubbing index (Households)

('000)



## Key financial trends

In \$m	2005	2006	2007	2008	2009
Operating revenue	1,571	1,805	2,014	2,128	2,150
Mobile	822	919	1,037	1,079	1,094
Pay TV	262	313	342	398	405
Broadband	177	220	247	253	241
Fixed Network	222	260	280	300	318
Service revenue	1,483	1,712	1,906	2,030	2,057
Profit					
From operations	256	361	417	409	408
Before tax	248	353	393	383	385
Attributable to shareholders	221	360	330	311	320
EBITDA <sup>(1)</sup>	460	575	643	644	654
EBITDA as a % of service revenue	31%	34%	34%	32%	32%
Free cash flow	257	334	483	378	461
Per share (cents)					
Earnings	10.3	17.4	18.5	18.2	18.6
Net asset	45.7	26.3	6.3	6.3	7.3

## Current year performance

In \$m	2008	2009
Operating revenue	2,128	2,150
– 1st half	1,066	1,063
– 2nd half	1,061	1,087
Profit attributable to shareholders	311	320
– 1st half	144	160
– 2nd half	167	159
EBITDA <sup>(1)</sup>	644	654
Free cash flow	378	461

<sup>(1)</sup> EBITDA is defined as profit from operations adding back depreciation, amortisation and accretion of assets grant.

# StarHub at a Glance

## The Group Today

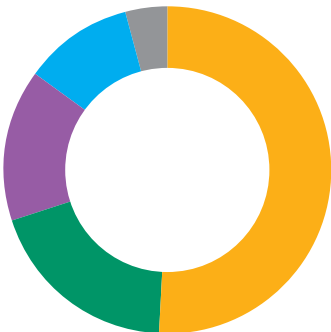


### Highlights

The Group’s full year revenue grew 1% to \$2.15 billion. EBITDA at \$654 million corresponded to a 31.8% EBITDA margin on service revenue. NPAT came in at \$320 million. The breakdown of operating revenue and percentage mix by lines of business is further expounded in the next four columns.

### Revenue Mix

- Mobile 51%
- Pay TV 19%
- Fixed Network 15%
- Broadband 11%
- Sale of Equipment 4%



## Mobile



### Service revenue

**\$1.1b**

### YoY revenue growth

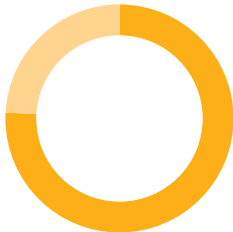
**1%**

### Highlights

Service revenue was 1% higher at \$1.1 billion. Pre-paid revenue increase of 6% was offset by flat post-paid revenue. In terms of operating revenue mix, Mobile revenue accounted for the largest share.

### Revenue Mix

- Pre-paid 24%
- Post-paid 76%



## Pay TV



Service revenue

**\$405m**

YoY revenue growth

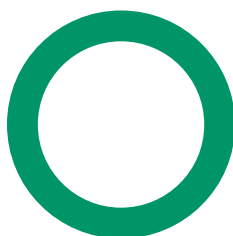
**2%**

### Highlights

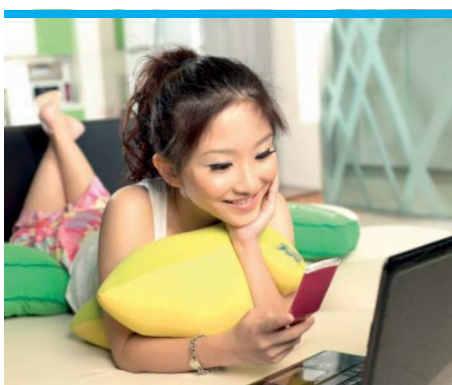
Service revenue was 2% higher at \$405 million. The year saw us adding more customers and launching 15 new linear and on-demand channels.

### Customer Mix

— Digital 100%



## Broadband



Service revenue

**\$241m**

YoY revenue decrease

**5%**

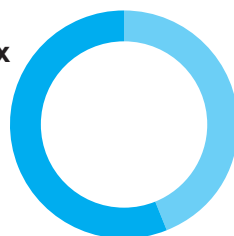
### Highlights

Service revenue fell 5% to \$241 million but customer base grew 7%. This was mainly due to our customers' plan mix to lower tier price plans and increased subscriptions discounts to drive multi-service take-up.

### Residential Broadband Mix

— StarHub 44%\*  
— Others 56%

\* Estimated



## Fixed Network



Service revenue

**\$318m**

YoY revenue growth

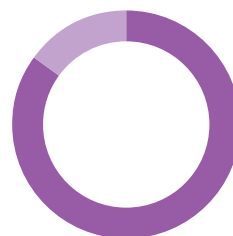
**6%**

### Highlights

Service revenue was 6% higher at \$318 million. The higher revenue was driven by increased domestic and international lease circuits subscribed. Data & Internet revenue contributes to 85% of the Fixed Network services revenue.

### Revenue Mix

— Voice 15%  
— Data & Internet 85%



# Chairman's Message

**“For the fifth year running, we have maintained growth. Our operating revenue grew 1% to \$2.15 billion, from the previous year. Our EBITDA also grew 1% to \$654 million.”**

## Dear Shareholders

Many of you would recall the severe turbulence buffeting the world economy last year. The first quarter of 2009 saw a sharp contraction in economic activity worldwide, prompting many governments to introduce emergency stimulus measures, to arrest the sharp fall. Singapore was not spared from the economic crisis. Based on the latest statistics provided by the Ministry of Trade and Industry, Singapore's gross domestic product contracted two percent last year, its lowest economic performance since 2001. Despite the difficult circumstances, the company has put in a creditable performance.

## Performance Overview

For the fifth year running, we have maintained growth. Our operating revenue grew 1% to \$2.15 billion, from the previous year. Our EBITDA also grew 1% to \$654 million. Three of our four lines of business registered overall revenue growth in 2009.

Mobile service revenue grew 1% year-on-year (YoY) to \$1.09 billion, the result of expanding post-paid and pre-paid customer bases. Our pre-paid mobile service revenue grew 6% to \$259 million, accounting for 24% of the Mobile revenue mix. Post-paid service revenue remained stable at \$835 million. For pre-paid, we reversed the contraction in 2008 by expanding our customer base by 12% to 979,000 in 2009. Our post-paid base also posted positive growth with a 5% increase to 939,000. Mobile is the largest revenue contributor to StarHub, at 51% of total operating revenue.

Pay TV revenue rose 2% to \$405 million from \$398 million. This was driven by a larger customer base, which increased 3% YoY. 2009 was the year we went fully digital, bringing a significantly better service to our customers, with over 15 new channels introduced and a suite of innovative features launched through Interactive TV. We continue to offer the most comprehensive range of pay TV content in Singapore, with over 140 channels, including nine On-Demand channels and eight Free-to-Air channels. Year-end ARPU came in at \$56 and was \$1 lower from a year ago. The total customer base expanded to 539,000 households.

Broadband revenue was the only line of business that contracted in 2009, posting \$241 million or 5% lower YoY. This was largely due to intense competition in the market and the uncertain economic outlook which encouraged customers to downgrade their service plans to lower-tier packages. Nevertheless, our MaxOnline service did reach a milestone by crossing 400,000 subscribers, an increase of 7%.

Fixed Network services continued to grow, as revenue increased 6% to \$318 million from \$300 million previously. Data & Internet services revenue, which makes up 85% of the Fixed Network revenue, grew 9% to \$269 million from the previous year. Both as a good revenue generator and as an internal supplier of bandwidth and connectivity to our other lines of business, Fixed Network services is optimally positioned to take advantage of the launch of Singapore's Next Generation Nationwide Broadband Network (Next Gen NBN) in 2010.



Mr Tan Guong Ching  
Chairman





# Chairman's Message

**“We are pleased to welcome Neil Montefiore as CEO of StarHub in January 2010. With his 33 years of experience in the telecommunications industry, Neil has the ability to sustain StarHub's solid performance in the coming years.”**

Finally, our 'Hubbing' strategy continued to be resilient in 2009 in the face of greater competition and the slow economy. The percentage of Hubbing household that subscribed to two or more StarHub services stood at 55%.

## **Corporate Developments in 2009**

It has been an eventful year for StarHub, perhaps none more so than with the announcement of the retirement of StarHub's CEO Terry Clontz by January 2010. Terry has served StarHub for over a decade, and he has led the company from a fledging new entrant to a leading quad-play listed entity. He has been known for his ideas, vision, and strategies and it was no surprise to us that he had secured two 'Best CEO of the Year' awards in 2009. However, this does not mean that Terry will no longer be involved with the StarHub Group. On the contrary, he will continue to serve as a Director of StarHub, still providing the management with his advice and experience as the company moves forward into the Next Generation of telecommunications services.

In his place, we are pleased to welcome Neil Montefiore as CEO of StarHub in January 2010. With his 33 years of experience in the telecommunication industry, Neil has the ability to sustain StarHub's solid performance in the coming years. We are confident that, together with the StarHub team, Neil will further strengthen and entrench StarHub's position as a leading info-communications company in Singapore.

2009 also saw new developments in our cable sports content, specifically the bid for the broadcast rights to Barclays Premier League (BPL). While we are committed to offering quality sports content, we are mindful of the balance in meeting our consumers' expectations on price, and our shareholders' expectations on profits. We believe our bid for BPL was a good one, with the intent to hold retail prices stable. As you may already know, we were unable to secure the broadcast rights to the 2010-2012 seasons of BPL. Nevertheless, we are still committed to providing the widest sports coverage in Singapore, with a diverse range of sports properties including local sports, football, wrestling and tennis. We also plan to lower our Sports Group subscription fee by July 2010 to give our sports fans quality sports content at greater value.

The Government's plan to implement the Next Gen NBN continues to make progress. StarHub was chosen by the Infocomm Development Authority of Singapore (IDA) to build and manage the Operating Company (OpCo) for the project. Called Nucleus Connect (NC), the OpCo will design, build and operate the active infrastructure of the Next Gen NBN; the OpCo will also provide wholesale broadband connectivity to other operating companies and downstream operators, in particular, retail service providers (RSPs). Ultimately, these RSPs will compete to provide innovative broadband services to end-users. Commercial operations of NC will start in 1H2010, under the stewardship

of David Storrie, formerly Head of StarHub's Integrated Network Engineering. While NC expects to spend about \$1 billion for the active network over the 25-year period of the license, it will be eligible for the government grant of up to \$250 million from IDA. StarHub's investment in Nucleus Connect is estimated to be around \$100 million.

We are also pleased to launch the Asia-America Gateway (AAG) in December 2009. The 20,000km submarine cable network system, built by a 19-member consortium including StarHub, directly links Asia to the US and marks a turning point in our history as we will now manage and operate the Singapore-link of the AAG through our first cable landing station. It is an important strategic asset to us, as it will mean that our wholesale and business customers will now have more choices for international connectivity. The AAG will allow us to deliver seamless direct links to many countries across Asia and to the US reliably and efficiently, while at the same time support the expected growth in demand in broadband capacity both domestically and internationally. We are currently involved in another consortium project to link Southeast Asia to North Asia called the Asia-Pacific Gateway.

#### **Outlook for 2010**

2010 will be the year when the Next Gen NBN will be commercially launched. StarHub will be actively involved in leveraging on the new fibre-optic network to deliver our services to both the corporate and consumer markets.

With the potential to reach over 20,000 non-residential buildings island-wide, our focus this year will be to drive the take-up of our services through the Next Gen NBN and expand our portfolio of business solutions for our customers, in partnership with leading service providers around the world.

At the same time, we will continue to enhance our mobile broadband network, and expand our content line-up on cable TV so that our customers will further experience the benefits and value of our 'Hubbing' strategy through convergent and innovative services.

We would like to thank all our shareholders for your support and confidence in StarHub. We believe that 2010 will be a good year for us and we have all the elements in place to see us through the year and beyond. We look forward to meeting you at our upcoming Annual General Meeting.



**Tan Guong Ching**  
Chairman

## Message from the CEO

**“2010 will be an important year for Singapore, and for StarHub, as it brings change, more opportunities and some challenges. The fundamentals put in place by the Company over the last ten years will continue to serve us well.”**



*Mr Neil Montefiore*  
CEO

### **Embrace Change**

2010 will be an important year for Singapore, and for StarHub, as it brings change, more opportunities and some challenges. The fundamentals put in place by the Company over the last ten years will continue to be strong and I have no doubt that they will prove essential in helping us deliver results in an improving economic climate. However, we will still need to be prudent in how we act this year, by taking every opportunity to adapt and grow our business. The worst that could happen to StarHub would be not to change with the market and the technologies. We must embrace change!

### **Outlook for Lines of Business**

Clearly, 2010 will be the year of the Next Gen NBN. StarHub's ownership of Nucleus Connect is good because we become the engine of growth for the broadband market by enabling over 20,000 buildings in Singapore with real infrastructure competition. In addition, it is good for both our Fixed Network services and residential Broadband business. Not only will we have real access to the tens of thousands of non-residential buildings in Singapore, we understand that the Singapore Government also plans to use the new Next Gen NBN for a substantial part of Government telecoms services that are today predominantly served by the incumbent operator. As an existing RSP serving the business market, StarHub is already well-equipped with products, systems, and customer support to expand our base of business customers once the Next Gen NBN kicks off. On the residential Broadband front, it will allow us to expand our range of broadband plans to customers. We could potentially offer our customers the option to use either the Next Gen NBN or our HFC network for their online surfing needs. We can even extend our pay TV business by using the Next Gen NBN for IPTV services. One thing is clear – the Next Gen NBN will place StarHub on a more level-playing field and we expect to make inroads in the business and the Government sectors. We believe that our HFC network is still relevant today and we already have plans that will make optimal use of both these networks. The outlook for broadband in 2010 will have ARPU come down a bit, but we hope to see continued growth in subscribers. On Fixed Network services, we certainly see growth with the launch of Next Gen NBN.

2010 will also be the year of the smartphones. We do see continued growth in mobile data, as more smartphones with the capability to access the Internet wirelessly, enter the market. Mobile contributes to more than half of our revenue and even though Singapore mobile penetration rate had soared to over 137%, we do not expect competition to lessen in 2010. On pre-paid, there is a risk if there is any downturn in the construction industry as this segment is predominantly made up of foreign workers.

Pay TV will be under intense scrutiny once the 2010 BPL season starts in August. Much has been made of the impact it will have on our customer base but we have long prepared for this contingency. Our internal studies indicate that our loss of the BPL broadcast rights could potentially affect up to 10% of our pay TV base. Even so, we believe that most of our customers will continue to maintain their pay TV service with us as a family's interest in pay TV is not limited to just BPL, but a whole range of content such as news, entertainment and movies. We believe the loss of BPL will not have any negative impact on our EBITDA or FCF, and the expected churn from the loss will be mitigated with some free sports channels as well as some new and exciting channels. We expect steady growth in revenue and customers in this segment. As for the World Cup, we are keen to have it in our programme line-up, but not at a cost that will endanger our financials. We hope to resolve this impasse shortly.

### **In 2010**

With the above developments in mind, we expect that for 2010, revenue growth will be in the low single-digit range. Our EBITDA margin on service revenue would be around 30% and our cash CAPEX would not exceed 14% of operating revenue. We intend to pay a minimum annual cash dividend of 5.0 cents per ordinary share per quarter or 20.0 cents for the full year.



**Neil Montefiore**  
CEO

# Board of Directors



## **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 18 April 2008. He is also the Chairman of Singapore Technologies Telemedia Pte Ltd, STT Communications Ltd, Asia Mobile Holdings Pte. Ltd., Singapore Technologies Aerospace Ltd, Temasek Life Sciences Laboratory Limited and IP Academy. 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, the 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 the McMaster University, Canada.



## **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 16 April 2009. He is the Managing Director and Group CEO of ComfortDelGro Corporation Limited (ComfortDelGro). Mr Kua is also the Deputy Chairman of SBS Transit Ltd (SBS Transit) and VICOM Ltd. Prior to joining ComfortDelGro, Mr Kua has served as President and CEO of Times Publishing Limited and Executive Director of SBS Transit. 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.



## **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 18 April 2008. He is a member of the Temasek Advisory Panel. He is also the Chairman of Singapore Technologies Engineering Ltd and SembCorp Industries 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.



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

Mr Nihal Vijaya Devadas Kaviratne CBE was appointed to the Board on 16 August 2004 and was last re-elected as a Director on 18 April 2008. 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. 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 Bombay University, India and attended the Advanced Management Program at the Harvard Business School.

**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 16 April 2009. 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 Singapore Technologies Telemedia Pte Ltd (ST Telemedia) and STT Communications Ltd. 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 served in the Singapore Legal Services for more than eight years. He holds a Bachelor of Laws (Honours) from the former University of Singapore.

**Steven Terrell Clontz****Non-Executive Director**

Mr Steven Terrell Clontz was appointed Director to the Board on 8 December 1999 and was last re-elected on 18 April 2008. He is the Managing Director (North America and Europe) of ST Telemedia. He is also the Chairman of InterDigital, Inc. Mr Clontz is a veteran in the telecommunications industry with more than 30 years of extensive experience. He served as CEO of StarHub for 11 years before retiring on 1 January 2010. 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.

**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 16 April 2009. He is the Chairman of CSE Global Limited and First Resources 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 Advanced Management Program conducted by INSEAD and the Harvard Business School.



# Board of Directors



## **Lim Chin Beng** **Independent Director**

Mr Lim Chin Beng was appointed to the Board on 8 August 1998 and was last re-appointed as a Director on 16 April 2009. He is the Chairman of The Ascott Limited, Changi Airport International Pte Ltd and CapitalLand Hope Foundation. He was the Managing Director of Singapore Airlines Limited from 1972 to 1981 and was its Deputy Chairman from 1982 to 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.



## **Sadao Maki** **Non-Executive Director**

Mr Sadao Maki was appointed to the Board on 6 August 2008 and was last re-elected as a Director on 16 April 2009. He is a Director and the Executive Vice President, Global Business Division of NTT Communications Corporation (NTTCom). He started his career with Nippon Telegraph and Telephone Corporation (formerly known as Nippon Telegraph and Telephone Public Corporation) (NTT) in 1975 and was the General Manager, Overseas Business Development from 1992 to 1999. He has since held various senior level positions in NTTCom, a subsidiary of NTT, including Vice President of Global Strategy, Accounts and Finance, and Corporate Planning, and Senior Vice President of Enterprise Sales, Enterprise Business and Global Business Divisions. Mr Maki was a non-executive director of Philippine Long Distance Telephone Company, a leading telecommunications provider in the Philippines, in 2004 and 2005. He holds a Bachelor of Economics from the University of Tokyo and a Master of Business Administration from the University of Chicago.



## **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 18 April 2007. He is the Chairman of PrimePartners Group Pte Ltd and 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 was 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.

**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 18 April 2007. He is and has been the Managing Director of Platinum Holdings Company Limited since 1996. Mr Liu has over 30 years of experience within the financial services sector. He worked for various Jardine Fleming entities for over 17 years in senior level positions. Between 1988 to 1995, he served as a Member of the Executive Committee and the Head of Investment Banking for Jardine Fleming Holdings Limited. He holds a Bachelor of Business Administration from the former University of Singapore.



**Robert J. Sachs**  
**Independent Director**

Mr Robert J. Sachs was appointed to the Board on 29 April 2005 and was last re-elected on 16 April 2009. He is a Principal of Continental Consulting Group, LLC and a Director of Global Crossing Limited and Big Band Networks, Inc. Mr Sachs has almost 30 years 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 Georgetown University, USA.



**Nasser Marafih**  
**Non-Executive Director**

Dr Nasser Marafih was appointed to the Board on 9 July 2007 and was last re-elected as a Director on 18 April 2008. He is the CEO of Qatar Telecom (Qtel) Q.S.C. (Qtel), a public listed company on the Doha Securities Market. Dr Nasser began his professional career at Qtel in 1992 as an expert advisor from the University of Qatar, and later joined Qtel as the Director of Strategic Planning and Development. He was instrumental in many strategic initiatives and landmarks in Qtel's history, including the introduction of the first GSM service in the Middle East in 1994 and thereafter the Internet service in Qatar in 1996, and the privatisation of Qtel in 1998. Under Dr Nasser's leadership, Qtel has evolved from being a local telecom provider to an international player, with strategic investments in the Asia Pacific region. Dr Nasser holds a Bachelor of Science in Electrical Engineering, a Master of Science and a PhD. in Communication Engineering, from George Washington University, USA.





# In Discussion with StarHub's Management



**Tan Tong Hai**  
**COO**

**Q: How significant is the Asia-America Gateway (AAG) launch to StarHub?**

**Tong Hai:** We are excited about the commissioning of AAG as it lands in StarHub's first owned-and-operated cable landing station. The rapid growth of video sharing amongst social communities, emergence of cloud computing, the expanding growth in mobile data, new digital devices and the new applications that those devices enable, are just some of the reasons why the demand for broadband capacity, both domestic and international, is growing exponentially. Business customers are also demanding high levels of reliability and lower latency as many enterprise applications are mission-critical. With the Next Gen NBN launching soon, Singapore will have the capacity to deliver new broadband services over fibre-to-the-home and fibre-to-the-office. The applications possible for use on the new fibre-based infrastructure are limitless – such as telemedicine, tele-presence, high-definition video-conferencing, online games, and e-security services, all of which require not only local connectivity, but high-quality international connections as well. The AAG gives us that ability to supply to our customers quickly and cost-effectively. In addition, we are also part of the consortium looking into building another advanced undersea cable system called Asia-Pacific Gateway. This upcoming cable system connects Singapore to major North Asian countries such as China, Taiwan, Japan and Korea.

**Q: Mobile broadband is gaining popularity in Singapore. What efforts are you placing to ensure that the network is able to handle the load?**

**Tong Hai:** We have always been on the forefront of our mobile broadband network development and service delivery. We have been upgrading our mobile network consistently and organically since we first launched, from 2G to EDGE, then to 3G, 3.5G and now HSPA+. As we have seen the rapid increase in mobile broadband over the years, we have prepared the groundwork to support such demand in our mobile broadband network. This year, we expect to upgrade our mobile network yet again to support even higher broadband speeds, just as more handsets capable of supporting these speeds are introduced into the market. 2010 is expected to be the year of smartphones and we aim to capture the anticipated rapid mobile data growth.



**Kwek Buck Chye**  
**CFO**

**Q: Now that you have set up Nucleus Connect (NC), what is the CAPEX investment?**

**Buck Chye:** StarHub's investment stake in NC is estimated to be about \$100 million over a three-year period. This is funded from StarHub's operational cash flow and available bank loans. There is a government grant of up to \$250 million from IDA. The grant receipts are paid progressively over eight years. One part of the grant is paid upfront in line with the project rollout milestones agreed with IDA. The CAPEX for NC and the grant receipts follow the rollout milestones. The other part, the adoption CAPEX and grant follow the take-up of Next Gen NBN services by consumers and corporate. Accordingly, NC's CAPEX for this part will be demand-driven and the grant receipts therefore track the adoption take-up as well. NC is expected to spend about \$1 billion for the active network over the Next Gen NBN's 25-year licence period.

**Q: Will you be able to support your current attractive dividend policy in 2010?**

**Buck Chye:** In StarHub's shareholders funds, the distributed reserves, as at end-2009, is \$984 million. Annual dividends can be declared out of the current year's earnings as well as

from such accumulated reserves. StarHub's businesses generate a very healthy and sustainable free cash flow. Our annual free cash flow generation is significantly above the minimum annual dividend requirement of \$343 million (assuming 20.0 cents per share). Besides that, our net debt to EBITDA is only 1.01 times and hence, we do have sufficient capacity to leverage for strategic business investments or for possible future capital management exercises.

# In Discussion with StarHub's Management



**Chan Kin Hung**  
**Head, Products and Solutions**

**Q: You have had good numbers for pre-paid mobile in 2009. How was this achieved?**

**Kin Hung:** We are pleased with our mobile performance in 2009. On pre-paid, we focused on rewarding our customers, expanding new segments and introducing new value-added services. To reward our customers for their loyalty, we introduced 'Happy Treats on Every Sunday', where our customers can enjoy a special treat every Sunday, such as curry puffs, ice cream, lucky draws, etc. The response to our efforts has been very positive and we are planning to introduce more rewarding schemes in 2010 to delight our customers.

On the new segments and VAS front, we expanded our target pre-paid audience to non-traditional segments such as travelers and mobile data users with new pre-paid services and content throughout the year. For example, our mobile broadband pre-paid service gave customers and inbound travellers short-term, instant 'anywhere, anytime' broadband Internet access for up to 2Mbps or 7.2Mbps in download speeds from a notebook computer; and we were the first in Singapore to launch a pre-paid data plan for BlackBerry®. We also enhanced our pre-paid value-added services to include mobile TV (including four ethnic channels targeting the foreign worker community: CTI TV, MNC – The Indonesian Channel, Vannathirai Channel and Zee TV), a mobile newspaper called MMS Mobile Paper featuring news and current affairs from China, and for the more social media-oriented youths, free SMS tweeting. This year, we will continue to offer innovative services to serve our customers' needs so as to exceed their expectations.

**Q: Fixed Network services continued to be resilient. How will you grow this segment this year, considering the launch of Next Gen NBN?**

**Kin Hung:** With the launch of the AAG, we now have a reliable state-of-the-art alternative route for high-speed multimedia services to the US, through the major cities in Asia. In addition, with the launch of the Next Gen NBN, the coverage of our Fixed Networks will extend throughout Singapore. The new network will allow us to access to over 20,000 non-residential buildings in Singapore, when previously we have been limited mainly to the 800 over non-residential buildings served by our own fibre network. In 2010, companies will have a real superior alternative choice of which service provider to use for their info-comms needs. We expect to have a good upside to our Fixed Networks business in 2010 and we will focus our efforts on delivering new applications and competitively-priced services in this space.

**Q: What is your guidance for broadband in 2010?**

**Kin Hung:** Residential broadband will be competitive this year and it remains a critical part of our business. We are pleased that, in terms of customer numbers, we continued to grow our customer base, reaching 400,000 customers in 2009. We will continue to exploit the bandwidth advantage of the cable technology to deliver the high bandwidth services at affordable price for our customers. For example, our MaxOnline Premium customers were boosted with a 100Mbps local bandwidth, in addition to their subscribed Internet bandwidth in 2009.



**Alex Siow**  
**Head, Information Services**  
**and Business Excellence**

In addition, we have many plans in 2010 to offer more value-added services and applications to our broadband offerings, so that our customers get more value to their packages.

The HFC network will remain an important asset for us in a Next Gen NBN world. In the initial years of Next Gen NBN, there will be demand for bandwidth plans (up to 100Mbps), which could be economically served by our HFC network. We intend to leave the broadband network choice to our customers, and move new or existing customers to the Next Gen NBN if they require more than 100Mbps service. We also have specific plans on our Next Gen NBN offerings which we will share later.

**Q: StarHub has been trying to consolidate its IT and CRM systems for some time. How has the project progressed so far?**

**Alex:** As you know, since the merger with then-SCV, we have always sought to rationalise all our disparate back-end business support systems into an overall architecture that would equip us with an integrated suite of systems supporting all of StarHub's business functions. This consolidation will allow us to have a more detailed and comprehensive view of each of our customers across all our service platforms. This is to ensure that when our customers interact with us, we will have an immediate and up-to-date picture of all the services our customers have with us. In addition, the enhancements will allow us to provide greater flexibility and improve our overall responsiveness to address all of our customers' needs. We expect the migration to the new system to take place sometime this year.

## In Discussion with StarHub's Management



**Diana Lee**  
**Head, Customer Service**

**Q: In a competitive market like Singapore, customer service is often identified as a major component in expanding and maintaining customer loyalty in the long run. What measures has StarHub taken to improve its customer service?**

**Diana:** We are pleased with the progress of our customer service quality since StarHub's launch ten years ago. In fact, in the 2009 Customer Satisfaction Index of Singapore results, our customer satisfaction levels were publicly identified and acknowledged as the best in the Singapore Info-Comms and Internet Service Provider sectors for three full quarters.

In 2009, our main commitment was to look at ways where we can have our services closer to the customers. One of these initiatives was the launch of our new Hub Cruiser. Long Shyang can talk a little about that further on. Another initiative was the formation of an 'elite' technical solutions team called Hub Troopers who will travel to our customers' homes to help them build or augment their digital home network quickly and efficiently. These Troopers are highly-trained digital experts; when contacted, the Hub Troopers will provide the customer with consultation services, assist them with the

installation and configuration of devices, and educate them on the benefit of a digital home network. Right now, Hub Troopers services are available exclusively to StarHub MaxOnline customers but we are definitely looking to expand this concept into the pay TV, mobile and business solutions space.



**Ng Long Shyang**  
Head, Sales

**Q: StarHub started offering the iPhone late in 2009. What impact will it have on StarHub?**

**Long Shyang:** There is no doubt that the iPhone is an attractive smartphone and we have evaluated and studied closely at what kind of business case would be possible when selling the iPhone. Although we were the last to launch iPhones in Singapore, we still saw very healthy take-up of the iPhone when we offered them in early December. Looking at what happened in 4Q2009, some 75% of the phones sold at the StarHub Shops were smartphones. This reinforces our conclusion that by offering some attractive mobile data subscriptions, iPhone should ultimately generate positive returns for us.

In addition, we have always believed that we are not in the market just to sell the iPhone, but more importantly, we are here to sell the widest range of smartphones, to meet the needs and tastes of our mobile customers. With a great range of smartphones based on various operating systems on offer, coupled with our advanced HSPA+ network, customer-friendly tariff plans, and the large variety of mobile TV channels, we believe we have the best mobile data offerings in the market.

**Q: On a different note, the Hub Cruiser is an innovative concept. What was the idea behind it?**

**Long Shyang:** One of our key focuses this year was the need to be closer to the customer, and what better ways to do this than by having a 'mobile' store come to you. The Hub Cruiser is essentially a specially-built truck that travels

around Singapore to showcase our services and the benefits of having a digital lifestyle at home.

During weekends, the Hub Cruiser will enter the heartlands to offer StarHub's broad range of residential services – StarHub Mobile, StarHub TV, MaxOnline and Digital Voice. If customers are interested in any of StarHub's residential plans, they can seal a deal at the Hub Cruiser immediately, saving the hassle of travelling to a retail shop. The Hub Cruiser can also travel to youth campuses and industrial estates to reach out to students and small-medium enterprises respectively. The response has been very good, helping us to build our brand awareness and increasing our customer touch-points all over Singapore.

# In Discussion with StarHub's Management



**Kathleen Syron**  
Head, Content

**Q: How will you boost your pay TV line-up this year, especially the sports channel?**

**Kathleen:** We have launched a new self-packaged 24-hour sports channel called SuperSports Arena which is available free to our entire cable TV base. Viewers can look forward to a series of compelling sports programming such as the popular sports magazine programme OMNISPORT.TV, 6 Nations Rugby: England vs Wales, wrestling shows WWE Raw and ECW, and the 'live' telecast of the S.League match.

In addition to the new channel, we will be offering Eurosportnews, a 24-hour sports news channel free to all cable TV customers in 2H2010. We have also secured the rights to the Spanish league La Liga and will also be airing other football content including the German Bundesliga, Coca Cola Premiership Playoffs, European World Cup Qualifiers, South American World Cup Qualifiers and Copa Libertadores. StarHub's Sports Group customers will also continue to enjoy access to delayed telecasts of selected Barclays Premier League and Champions League matches on the Goal TV channels.

Even as we increase the number of key sports content coming out on our channels, we are also planning to reduce the subscription fee for our Sports Group by more than 50% in 2H2010. That means that our new Sports Group channels come with more content at a lower cost – surely good news for sports fans who want top quality content at great value to them!

Besides sports content, our customers can also enjoy a wide variety of new content for our VOD platform which includes exciting and popular movies and series from Hollywood, Hong Kong, Japan, Korea and Indonesia and three new channels under the FOX umbrella – FOX, tvN, and Nat Geo Music. They can also *KaraOK!* (new service) with an extensive library of up to 30,000 music videos in various languages and book Golden Village tickets with the Interactive TV Movie Ticketing over the StarHub TV platform.

**Q: StarHub has launched 24 StarHub TV on Mobile channels this year. What is the strategy behind it?**

**Kathleen:** StarHub has the most comprehensive line-up of cable TV entertainment channels in Singapore, so it makes sense for us to extend some of our channels onto the mobile platform, especially given the widespread use of smart phones and the power of our mobile broadband network. Our customers not only can enjoy their favourite cable TV shots on TV at home, but also when they are on the move, anytime, anywhere. We launched four new StarHub TV on Mobile channels for a total of 24, with genres ranging from news and entertainment to kids and documentaries. We expect to increase the number of channels this year so that we can continually add value to our customers' mobile lifestyle throughout the year.





**Iris Wee**  
**Head, Marketing**

**Q: StarHub seems to be engaging its customers on the Internet more often in 2009. True?**

**Iris:** Definitely. We have been forward-looking in how we communicate with our customers, and the use of social media platforms help promote our brand. We are very aware that much of people's perception about a brand is driven by what they hear about it from their friends. This is why we have been carefully listening to the voice of our customers in a variety of ways, including social media.

Understanding the topics and sentiment behind these conversations has helped us in many ways, including improving our products and services, fine tuning our communications and developing new products and strategies to meet customer's needs. We also make active use of our Facebook Fan page [www.facebook.com/StarHub](http://www.facebook.com/StarHub) where we maintain a dialogue with our customers, listening to their ideas and opinions and responding to their questions.

This also extends to Twitter with our StarHubNews and StarHubCares Twitter programs. We have seen an extremely positive reaction from our customers in response to our activity in Social Media, they are happy that we are present, listening and responding, in what is now a key part of their daily digital lives.

A more significant brand engagement activity we did this year was in fact through Facebook. The Great Singapore Treasure Hunt on Facebook organised by StarHub between 6 September and 26 September 2009, in support of our new "Anything is Possible" fastest broadband campaign. The value proposition of the campaign was to highlight our fast broadband offerings that empower users to learn, work, communicate, network, conduct business and be entertained in the buzzing Internet age with speed, whether at home or on-the-go.

From the start of the treasure hunt, the identity of StarHub as the organiser was deliberately withheld to create online buzz by encouraging curiosity in the activities through viral interaction online. Prizes were given on a daily basis to participants who submitted their answers to riddles or who were able to search for a specific treasure on-ground, the fastest. The activity was exceptionally popular, with the Great Treasure Hunt Facebook page ([www.facebook.com/greatsingaporetreasurehunt](http://www.facebook.com/greatsingaporetreasurehunt)) garnering more than 25,000 fans in three weeks, making it the biggest ever fan group on Facebook in Singapore. We subsequently followed the Hunt with a Twitter campaign – to great success as well.

Given the level of accomplishment we have had on the various social media platforms last year, we expect to do the same – but with greater creativity – in 2010.



# Senior Management

## **Terry Clontz** **Chief Executive Officer (CEO)**

(Terry's profile can be found on page 19 of this report.)

## **Tan Tong Hai** **Chief Operating Officer (COO)**

Tong Hai oversees the day-to-day operations and has direct responsibility for Sales, Products & Solutions, Marketing, Content, Information Services & Business Excellence, Customer Service, Integrated Network Engineering and Government & Strategic Affairs.

Tong Hai has over 20 years of experience in the regional IT, Internet and e-commerce industries and has had broad experience at top management levels. He was previously the President & CEO of Singapore Computer Systems Limited, and the President & CEO of Pacific Internet Ltd. He was instrumental in turning both companies around when he was at their helm. Tong Hai is an Honours graduate in Electrical Engineering from the National University of Singapore.

## **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 Risk Management, Corporate Administration, Business Performance and Purchasing & Logistics. He received the prestigious Singapore Corporate Award for Best CFO (Market Capitalisation of \$500m or more) in 2008.

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.

## **Chan Kin Hung** **Head, Products & Solutions**

Kin Hung is responsible for the strategic planning, development and management of all products and services for StarHub, including Personal Solutions, Home Solutions, Business Solutions and Advanced Multimedia Services. He is also a Board member of the 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, Information Services**  
**and Business Excellence**

Alex leads the Information Services Division and Business Excellence. He is responsible for the strategic implementation of Information Systems such as the BSS/CRM systems, order management, and billing systems to enhance operational effectiveness and business competitiveness in StarHub. He also oversees the day-to-day operations of the data centre, business continuity and overall information security at StarHub. Alex steers the Business Excellence function which looks into Business Process Improvements, Process Quality and Corporate Security management. He also supervises the company's Network Convergence and Operational Support, and looks into the integration of network services and IT. Prior to the present role, Alex was Head of StarHub's Corporate Sales Division.

Alex joined StarHub in March 2003. Before that, he 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.

**Diana Lee**  
**Head, Customer Service**

Diana heads the Customer Service team and is responsible for all customer support activities including the 24-hour call centre, customer service centres and online self-help service. Under her leadership, StarHub's Customer Service practices and standards have won wide recognition at the Annual Call Centre Awards by the Call Centre Council of Singapore.

Diana was instrumental in integrating the two customer service teams and systems into one following the merger of StarHub and SCV in 2002. Today, the single virtual call centre provides enhanced customer experience and convenience through a single hotline number and common technology. Diana has a Graduate Diploma in Financial Management from Singapore Institute of Management and is a Customer Operations Performance Centre (COPC) Certified Six Sigma High Performance Management Techniques Specialist.

# The Nucleus Connect Conversation



(Right)  
Huawei and Alcatel-Lucent  
appointed by Nucleus  
Connect to support the  
build-out of the active  
infrastructure of the  
Next Gen NBN

In April 2009, the IDA selected StarHub to build and manage the OpCo of the Next Gen NBN. The wholly-owned StarHub subsidiary to be handling this massive project is called Nucleus Connect (NC) and the mandate for NC is to design, build and operate the active infrastructure of the new network.

The Next Gen NBN is a nation-wide pervasive, competitively-priced ultra-high speed broadband network linking business users at the workplace, and Singaporeans at home, schools, learning institutions and other premises. The OpCo will provide wholesale broadband connectivity to other operating companies and downstream operators, in particular, retail service providers (RSPs). Ultimately, these RSPs will compete to provide innovative broadband services to end-users.

David Storrie, a long-term StarHub stalwart, was picked as the CEO of NC. With him comes 30 years of working experience in the telecommunications industry. He was previously the Head of StarHub's Integrated Network Engineering team.

**Q: When do you expect NC to be officially launched and what services will be available at that time?**

**David:** NC's commercial operations are set to start in 1H2010. Actual availability of ultra-high broadband connectivity to homes and businesses in Singapore will depend on the

rollout schedule of OpenNet, the Network Company (NetCo) which is responsible for the passive infrastructure of the Next Gen NBN. Singaporeans can expect to have ultra-high broadband connectivity of up to 1Gbps in 95% of homes and offices by June 2012.

**Q: What can NC do to grow the market in Singapore?**

**David:** NC offers a comprehensive and flexible package of services that will help all RSPs – both niche and large players alike – select and deliver broadband connectivity services to their target markets quickly and seamlessly. RSPs will be able to obtain wholesale bandwidth services from us on a fair and non-discriminatory basis, and offer a wide range of services at competitive prices to end-users.

We are also committed to creating a vibrant RSP environment by establishing an integration test lab facility that will help RSPs trial and test out new applications and services over the Next Gen NBN before commercial deployment. Many overseas online service providers are interested in hosting their content in Singapore and we are making it easy for them to plug in and access the vast majority of Internet users in Singapore. As for the users, not only do they get faster bandwidth, they also enjoy a more enriching experience. Ultimately, Singapore will experience ultra-high speed broadband connectivity at least two and a half years ahead of schedule of the government's iN2015 vision.

nucleus  
connect

**Q: What developments has NC undergone since the selection by IDA?**

**David:** Firstly, we have established our core team leaders that will spearhead this multi-year project. In total, we have over 70 employees to survey the landscape and start the network rollout, while at the same time, our commercial teams have come up with an Interconnection Offer paper for RSPs to start looking into the services available from us, and their associated wholesale pricing.

On the network front, we have appointed Huawei and Alcatel-Lucent to support the build-out of the active infrastructure. These partners are committed to helping us deploy advanced technologies to support and enable a comprehensive range of ultra-high speed wholesale broadband services. As mandated by IDA, the initial offerings will start with 100Mbps and be scalable to 1Gbps and beyond to RSPs.

Huawei is providing the end-to-end full turn-key active network solution and professional services, including IP MPLS Core & aggregation network, GPON & Optical Ethernet access network, customer premises equipment, and the network management system. Alcatel-Lucent is the systems integrator for our operations and business support systems.

Of course, we are working closely with OpenNet on a coordinated nation-wide rollout of the network to ensure that we meet the stipulated targets. So far, everything is going according to plan.

**Q: Who sits on the Board of NC?**

**David:** Besides StarHub's ex-CEO, Terry Clontz and I, two other members have been appointed to the Board. They are: Ernest Wong, who is the Chairman and an Independent Director, and Paul Ma, who is an Independent Director.

Ernest Wong is currently a Member of the Temasek Advisory Panel, a Director of Fullerton Financial Holdings, Chairman of Invida Pharmaceutical Holdings, and Member of the Board of Trustees of Nanyang Technological University, among other appointments. Prior to this, Mr Wong was with the United Overseas Bank Group (UOB) for 30 years. He was also a Board Member of the Economic Development Board and Chairman of the Association of Banks in Singapore before he left UOB to join MediaCorp as its Group CEO from 2000-2005.

Paul Ma is currently the Chairman, an Independent Director and a Member of the Audit and Risk Committee of Mapletree Logistics Trust Management Ltd. Mr Ma also sits on the Board of Directors and the Audit Committee of Hwa Hong Corporation Ltd, SMRT Corporation Ltd and Mapletree Investments Pte Ltd. He is an Independent Director of CapitaLand China Development Fund Pte Ltd, and CapitaLand China Development Fund II Ltd. He is also a Member of the Board of Trustees of the National University of Singapore.



# Hubbing

review



# Hubbing in Review – Overview

**2009 was a very competitive year for StarHub, with all lines of business facing intense competition. In spite of this, our performance was stable with revenue up 1%, as was our EBITDA.**

Our share price was also up 11% YoY, and 19.0 cents per share was recommended to shareholders for pay out in dividends for 2009. Our dividend yield remains attractive versus other Asia-Pacific telecom operators.

Our mobile business grew 1% this year in terms of operating revenue, underlined by the good performance in our pre-paid business which grew 6% in revenue and 12% in customers. Our post-paid revenue was also stable. Post-paid ARPU slipped \$6 to \$69 and pre-paid ARPU was up \$1 to \$23. We continue to see growth in mobile data usage which has yielded higher revenues. Pre-paid non-voice service was up 1.0% point to 11.9% while post-paid non-voice service increased 5.4% points to 30.8%.

The pay TV segment continues to be challenging. We added more customers (3%), increased our revenue (2%) but ARPU slipped \$1 to \$56. We launched a total of 15 new linear and on-demand channels in 2009, and introduced a range of interactive features as a result of our move to a fully digital platform. We continue to maintain our leadership in quality pay TV content, even as our content costs have gone up. Although we will not be able to broadcast the 2010-2012 season of BPL, it will not change our overall Hubbing strategy or our commitment to offer the most comprehensive range of sports content in the market. We had conducted our own internal study and we believe that about 10% of our total pay TV base might be affected by this development. We have good plans in place to encourage this group of customers to continue hubbing with us.

In residential broadband, even as the penetration reached a peak of 142%, our broadband customer numbers have gone up 7% to 400,000, and our broadband churn for the year was still at a low of 1.2%. Nevertheless, our revenue and ARPU was down 5% and \$7 respectively, due to our subscribers' plan mix to lower-tier price plans, and increased discounts offered across all our broadband subscriptions to drive multi-service take-up.

Our successful bid to be the OpCo for the Next Gen NBN was timely and a good strategic move for us as it gives us more room to grow in a next-generation world. It also allows us greater flexibility in how we can package our broadband plans and extending that choice to customers.

For Fixed Network services, voice services remain a lacklustre business, but the growth in revenue for data and Internet services grew 9% and with good margins. This segment will be more significant to us in 2010 as the Next Gen NBN launches, and we are able to deliver business solutions to companies that we cannot serve directly today. This segment of our business bears close watching.

The following pages in this Hubbing in Review section outline some of the initiatives we launched in 2009.



## Hubbing in Review – Personal Solutions

**We achieved two record highs – 939,000 post-paid and 979,000 pre-paid mobile customers. We expanded our StarHub TV on Mobile to 24 channels, and still boast of Singapore's most advanced mobile broadband network.**



By the end of 2009, Singapore's mobile penetration rapidly reached an all-time high of over 137%, establishing the island-nation as one of the densest mobile populations in the world; where many individuals carry more than one mobile device. The market is also very competitive, with the three operators launching new campaigns and initiatives all year long. We started the year with a clear objective to shore up our pre-paid and post-paid mobile customer base, improve the content available on the mobile device, expand our portfolio of smartphones and handhelds, and enhance our mobile network infrastructure. We achieved two record highs – 939,000 post-paid and 979,000 pre-paid mobile customers. We expanded our StarHub TV on Mobile to 24 channels, and still boast of Singapore's most advanced mobile broadband network.

### Pre-Paid Plans

We took a more moderate approach in 2009 by expanding our market into non-traditional segments such as youths, business travellers and inbound roamers, increasing the content and value-added services on our mobile pre-paid platform and more importantly, rewarding the loyalty of our pre-paid customers all year long. The result: not only an increase of 12% in pre-paid customers, but an uptick to ARPU to \$23 (against \$22 for FY2008).

Starting in April, StarHub gave away many exciting treats to our mobile pre-paid customer base with the new 'Happy Treats on every Sunday' programme. Every Sunday, our customers can enjoy a special treat – e.g. ice cream or curry puffs – when they turn up at participating outlets and show their StarHub pre-paid mobile handset. The programme was a success and we are looking to emulate it in 2010.

On the service front, StarHub launched the innovative MaxMobile Prepaid service where consumers in Singapore and inbound travellers were able to enjoy a mobile broadband service on a short-term basis with instant 'anywhere, anytime' broadband Internet access for up to 2Mbps or 7.2Mbps in download speeds. Customers need not be bound by monthly subscription anymore, and could have the flexibility to choose from different time-based plans, from as low as \$2 for an hour of access.

We also launched the first pre-paid data plan for BlackBerry® service in Singapore. Called BlackBerry® Prepaid, the plan allows StarHub's pre-paid customers to enjoy the benefits of using a BlackBerry smartphone to stay connected with their business and personal contacts through email and access a host of mobile data services. Customers can activate the service for short periods of time ranging from three days, seven days or a full month on any new or existing StarHub Mobile GREEN prepaid SIM card.

### Post-Paid Plans

New post-paid plans were introduced throughout 2009, starting with our new BlackBerry Premium data plan for consumers and business customers who demand mobile email, Internet services and 'live' business news. Specially packaged for individuals, entrepreneurs and professionals, customers can enjoy 1GB of free bundled data at \$19.90 monthly. BlackBerry users can also have access to a full range of mobile data services including email, Internet, instant messaging services and social networking applications, over StarHub's advanced mobile broadband network. The data plan has a price cap at \$36.38 regardless of the amount of data used locally. This permits customers to access data from their BlackBerry devices freely and constantly without worrying about sky-high data charges as they will at most pay up to the price cap for data usage.

Similarly, we also launched a new MaxMobile Premium mobile data plan to cater to heavy mobile users in April 2009. This new plan allows customers to enjoy 1GB of free bundled data at \$19.90 monthly from any multimedia smartphone, with a price cap at \$36.38 regardless of the amount of data used locally.

In conjunction with the launch of Singapore's most advanced mobile broadband network in 2009, StarHub introduced MaxMobile Elite, the fastest mobile broadband service in Singapore at up to 21Mbps, to offer true mobility and unparalleled performance to customers in Internet access on the go. The HSPA+ service is priced at \$118 per month although we have provided a 30% discount on the monthly fee for a two-year subscription plan. Those on a MaxOnline post-paid plan (except MaxOnline FlexiSurf) can enjoy 50% discount on MaxMobile Elite and pay a monthly fee of \$59. Regardless

## Significant events scorecard

### April

Introduced 'Happy Treats on every Sunday' programme to reward StarHub pre-paid mobile customers

### May

Started to expand StarHub TV on Mobile channels for the rest of the year

Launched innovative mobile broadband pre-paid plan

### July

Launched MaxMobile Elite, the fastest mobile broadband service in Singapore at up to 21Mbps

### December

iPhone made available at StarHub shops with new smart phone plans

Launched first pre-paid data plan for BlackBerry service in Singapore

(Left)

New post-paid plans were introduced throughout 2009, starting with our new BlackBerry Premium data plan for consumers and business customers



# Hubbing in Review – Personal Solutions

**One of the key beliefs StarHub espouses is the belief in working closely with partners to deliver services and content to all our customers. It is a win-win solution for both parties and for our customers.**

of the subscription plan, customers will receive Huawei's HSPA+ compatible USB modem for free.

## **Working with Mobile Handset Partners**

One of the key beliefs StarHub espouses is the belief in working closely with partners to deliver services and content to all our customers. It is a win-win solution for both parties and for our customers – the companies would benefit synergistically from pooling their resources together for greater efficiency and cost-savings; the customers benefit from more innovation, and value to their plans.

In 2009, we partnered with a number of major handset vendors to deliver the latest in smartphones to our customers. For example, we partnered with HTC on the launch of HTC Magic, a second-generation Android phone with integrated StarHub mobile TV service. To allow customers to enjoy all the exciting features of HTC Magic and to download any application from Android Market, StarHub offered a free one-month subscription to 'MaxMobile Value', a mobile broadband service, to customers who purchase the phone.

We also collaborated with major telco partners around Asia (through Conexus Mobile Alliance) to launch an Application Development Campaign for Android™ in Singapore. The campaign, launched in conjunction with four other member operators of the Conexus Mobile Alliance, namely Far EasTone (Taiwan), Indosat (Indonesia), NTT DoCoMo (Japan) and Truemove (Thailand), was created to promote rapid development of applications on the open Android platform, and to nurture a vibrant developer community in the region.

On a related note, Nanyang Polytechnic (NYP), Nokia and StarHub entered into a strategic collaboration to set up the Mobile Inno Sphere Centre at NYP to provide support and training to young developers in the mobile services and

applications space. This strategic collaboration will help drive mobile content and applications development in Singapore and foster the growth of an innovative society through an open developer ecosystem from ideation through to product development and commercialisation. The Centre will train students from NYP's School of Information Technology and industry professionals on various enabling technologies, and also undertake cutting-edge mobile development projects for the industry. Innovative mobile solutions and services developed by the Centre will be promoted and marketed through Nokia and StarHub's distribution channels.

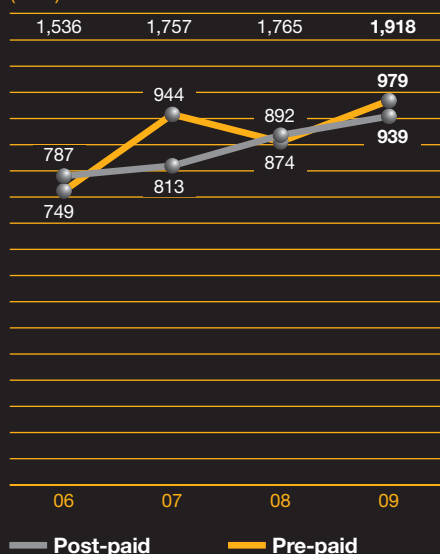
At the end of the year, StarHub partnered Apple on the launch of the iPhone 3GS and 3G, together with a range of new 3G mobile plans to meet the different needs of iPhone customers for voice, SMS and data usage. All plans come with StarHub's iconic mobile features including unlimited free incoming voice calls, per-second billing, 100 free SMS with GIRO bill payment and free StarHub IDD 018 calls to 18 destinations for \$5 monthly. In addition, local data usage charges are capped at \$30 monthly so mobile users have peace of mind when they go online on their iPhone.

## **Value-Added Applications and Content Development**

Customers on StarHub's BlackBerry plans have been enjoying two financial applications through its patented push-based technology – 'pushStock' and 'Wall Street Journal Mobile Reader'. 'pushStock' gives quick and easy access to stock information from the Singapore Exchange for free. 'Wall Street Journal Mobile Reader' delivers local market coverage in Asia and free US stock quotes in real-time. It also includes Chinese-language news from the Chinese Wall Street Journal. Updates on critical news, market moves, and in-depth analysis of global events are automatically pushed to the BlackBerry device.

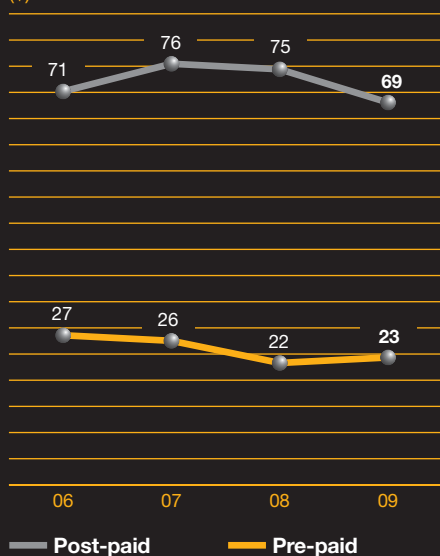
## Mobile customer base

('000)



## Mobile ARPU

(\$)



With the growing prominence of social media, it was only a matter of time when these platforms would be integrated into our mobile services. In August 2009, we launched a new social networking value-added service which allows our mobile post-paid customers to enjoy unlimited local access to Windows Live Messenger and Facebook from selected mobile devices, at no data usage charges. This is the first time a mobile service provider in Asia is offering free local data access to Windows Live Messenger and Facebook, both of which are fast gaining popularity with mobile customers in Singapore, particularly young and avid users of social networking services.

StarHub also started offering free SMS tweeting anywhere, anytime on any phone with the launch of our MobiTweet service. The MobiTweet service gives customers the freedom to tweet at their fingertips from any phone, allowing them to follow Twitter updates by their friends, topics of interest or favourite celebrities. Tweets received are free of charge and tweets sent are also free as they are automatically offset against the bundled SMS of their mobile voice plan. Tweeting is totally free for customers on a student mobile voice plan that offers free SMSes. Those on StarHub Mobile pre-paid service are able to receive tweets for free.

My Locator is a new location-based service launched by StarHub for post-paid and pre-paid mobile customers that allows friends, colleagues and family members to locate each other in a fun and easy manner. This is done by simply sending an SMS to 6060 with the keyword <FIND> followed by that friend's StarHub mobile number. Upon proper authorisation by the party to be found, the customer will receive a message with a location and a link to a map. For parents concerned with the whereabouts of their young children, this service can also be used to create pre-defined locations (called a 'fence') – such as a home, school, community centre or tuition centre – and have an SMS alert sent to the parent every time the child enters or leaves this 'fence'.

# Hubbing in Review – Personal Solutions

(Right)  
MaxMobile Elite, the fastest mobile broadband service in Singapore at up to 21Mbps, offers mobility and unparalleled performance to customers on the go.



Mirror Group Newspapers, one of the world's biggest news group and a leader in football news, joined hands with StarHub to launch an exciting football news channel on StarHub Mobile – Mirror Football. This is the first time Mirror Group Newspapers partnered a mobile operator to offer Mirror Football content. StarHub Mobile post-paid customers can access Mirror Football for free, for the latest stories, pictures and videos on the Premier League, Champions League, Europa Cup – transfer insight, players' lives, match reports, injuries, game news and gossip. No subscription or local data access will be charged.

For those who want to stay in touch with news and current affairs on China, we also introduced Singapore's first MMS Mobile Paper service. This affordable subscription-based mobile value-added service (VAS) allows China nationals living in Singapore to stay in touch with news from home, and help others interested in China to keep abreast of the times. Once subscribed, the MMS Mobile Paper will simply push news and features on China to users on a regular basis, giving them up-to-date rich information at their fingertips. The five China publications available through this MMS Mobile Paper service are – Xin Hua Mobile News (新华手机报), Phoenix Current Affairs Commentary (凤凰时事周刊); Money Weekly (理财周刊), Star Entertainment Mobile News (明星娱乐手机报) and Youth Digest Mobile News (青年文摘手机报).

StarHub went into mobile TV in a big way in 2009. A total of 16 StarHub TV on Mobile channels were launched in 2009 and January 2010, expanding an already impressive range of eight existing channels to 24 channels. These new channels include Asian Food Channel, BBC World News, Bloomberg, CCTV 4, E! Entertainment, Fashion TV, The History Channel, JimJam, National Geographic Channel, Nat Geo Adventure, TVBJ and TVBS News.

There are also several ethnic language channels in Mandarin, Bahasa Indonesia, Hindi and Tamil to specifically target the mobile pre-paid customer base in Singapore, although post-paid users will be able to view the channels. These channels are CTI TV, MNC – The Indonesian Channel, Vannathirai Channel and Zee TV.

To help enhance the viewing experience for StarHub TV on Mobile customers, we have also introduced a new mobile TV client that provides users with easy-to-use features and settings for the access of StarHub TV channels on mobile devices. The main features include an integrated TV guide, on-screen controls and a unique TV browser for fast channel launches and rapid channel switching.

## Hubbing in Review – Home Solutions

**Even as the pay TV market reached highly competitive levels in Singapore, StarHub still managed to grow its pay TV market, with a 2% increase in operational revenue, and a 3% increase in pay TV customers.**





# Hubbing in Review – Home Solutions

## Home Solutions

145 channels, including nine On-Demand channels and eight Free-To-Air channels – that is the number of premium pay TV channels StarHub offered in 2009, 15 of them alone were introduced in the year. Even as the pay TV market reached highly competitive levels in Singapore, StarHub still managed to grow its pay TV market, with a 2% increase in operational revenue, and a 3% increase in pay TV customers. Revenue contribution from this line of business to the overall revenue is 19%. This is a testimony to the strength of StarHub's pay TV line-up and our commitment to deliver more channels and better value to our loyal customer base.

Since September 2009, StarHub has gone into full digital mode with the cessation of all analogue transmissions. The switch to digital was essential in order for us to expand our capacity to broadcast more channels, and to introduce a suite of interactive features over the platform.

For example, through the digital platform, we were able to implement an enhanced On-Screen TV Guide which displays programme information up to seven days as compared to the previous three-day period. Customers using the HubStation or HubStation HD DVR set-top boxes now have the additional benefit of being able to pre-set programme recordings for up to seven days in advance.

We also launched a new feature called 'Instant Buy' where HubStation or HubStation HD customers could add channels or groups of channels to their subscription plans with just a few clicks on their remote controls, doing away with the need to call a customer service hotline to upgrade their plans.

Finally, StarHub launched a new 'Catch Up' feature that gives our viewers the convenience to catch up on the programmes they have missed. The feature is available in two varieties – On-Demand Channels for catching up on shows after their telecast, and a 'Start Over' feature that allows the restart of a programme during its first telecast.

Naturally, as Singapore's leading pay TV operator, content is key for our viewers and hence we launched 15 new channels in 2009. Some of these channels include:

## TVB dramas in High Definition (HD)

Since May 2009, StarHub TV customers using HubStation HD have been able to catch their favourite TVB dramas in HD via Demand TV. StarHub is one of the first pay TV operators in the world to offer TVB dramas in HD. The dramas are available on Video-On-Demand, and customers can purchase and watch the programmes anytime they wish.

## Celestial Classic Movies

Celestial Classic Movies is a 24-hour Chinese movie channel packaged by Hong Kong's Celestial Pictures. The channel presents Chinese movie masterpieces produced from the 1950s to the 2000s, mainly from the renowned Shaw Production which has the largest library of Chinese movie titles in the world.

## All Sports Network and All Sports Network HD

StarHub and All Sports Network (ASN) launched ASN and ASN HD. ASN broadcasts more than 20 games 'live' every week and features American sports content including the National Football League (NFL), National Hockey League (NHL), Big Ten, NCAA college basketball and football, motorsports such as Formula Drift, Touring Car and GT Racing, Extreme Sports and Pro Bull Riding.

## Zee Cinema

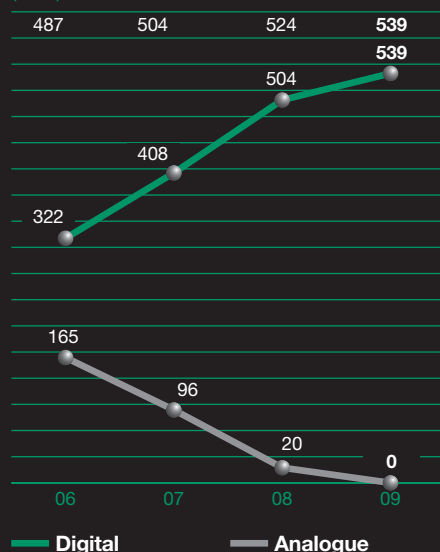
Zee Cinema is a 24-hour Hindi movie channel, showcasing some of Bollywood's finest productions, including box-office hits, classics and latest gossips. With one of the largest Hindi movies libraries in the world, the new channel also offers a wide variety of genres such as romance, family, comedy and thrillers.

## BBC Knowledge, BBC Lifestyle, CBeebies

StarHub and BBC Worldwide Channels sealed a deal that makes StarHub TV the exclusive pay TV platform in Singapore to carry five BBC branded channels. StarHub TV added BBC Knowledge, BBC Lifestyle and CBeebies to its Education Basic Group, Lifestyle Basic Upsize Group and Kids Basic Upsize Group respectively at no additional cost. These three additions join BBC World News and BBC Entertainment which are presently offered by StarHub TV. BBC Knowledge offers acclaimed and award-winning non-fiction and factual programme from one of the world's foremost producers of non-fiction and documentary programming on; BBC Lifestyle offers engaging and compelling

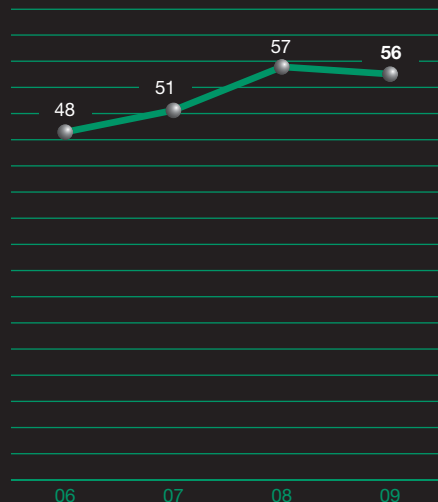
## Pay TV customer base

('000)



## Pay TV ARPU

(\$)



programmes that inspire viewers to get more out of life; CBeebies provides a safe environment for pre-schoolers (0-6) to learn through play.

### On Demand Anytime

La Liga On Demand, WWE Series On Demand, VV Drama On Demand, E City On Demand and TVBJ On Demand are the five new on-demand channels introduced in 2009. La Liga On Demand, with riveting action from the Spanish league La Liga, was added to StarHub TV Sports Group at no additional cost. StarHub TV Sports Group customers with the HubStation or HubStation HD DVR set-top box are now able to watch La Liga matches anytime. Two La Liga matches are made available each week, as early as 15 minutes after the kick-off of each match. VV Drama On Demand, E City On Demand, TVBJ On Demand and WWE Series On Demand were also added this year with programmes from the respective linear channels available on-demand as value-added services.

### HBO HD

HBO in HD was made available to StarHub's HBO PAK subscribers. Viewers get to enjoy a dedicated movie channel showcasing HBO's latest and biggest Hollywood blockbusters and award-winning HBO Original programmes and series in HD.

### Russia Today

Russia Today was made available to StarHub TV customers at no additional charge from December 2009. It is a new 24-hour English-language news channel delivered 'live' from Moscow. Russia Today is the sixth channel to join StarHub's existing tier of Complimentary International Channels. The other channels in this tier are Arirang TV, Australia Network, Deutsche Welle, KBS World and TVRI.

### Granada TV

StarHub launched Granada TV – an entertainment channel for Asia, in December 2009. The channel will be made available free to all StarHub TV customers for six months, till 31 May 2010. Granada TV joins several channels from the BBC to further augment the world-class medley of British channels on StarHub TV's platform from five to six. The channel offers a compelling variety of UK dramas, comedy, cutting-edge reality programming and the best in talk and entertainment shows. The channel is part of ITV Studios, and draws on the vast

## Significant events scorecard

### February

StarHub TV now fully digital

### May

Launched new 'Catch Up' feature to enable customers to view anytime on StarHub TV

### July

Offered 100Mbps surfing experience locally for MaxOnline Premium customers

### August

Digital Voice customers reached 200,000 households

# Hubbing in Review – Home Solutions

(Right)  
145 channels include  
seven kids channels  
like Cartoon Network,  
Disney Channel  
and CBeebies.



resources of the ITV programming library. ITV is UK's most successful commercial broadcaster and one of the world's largest television producers.

## Addressing the Developments in Sports Content

2010 is the year when our rights to broadcast the BPL ends. As such, we had to submit a new bid to secure the broadcast rights for the next three seasons. At the time, we were well aware of the interest by other pay TV competitors to secure the rights too. Our bidding strategy was one of moderate risk aimed at securing the rights at a reasonably higher cost while maintaining present sports pricings and showing due diligence to our shareholders. Unfortunately, we were unable to continue broadcasting the 2010-2012 seasons as our bid was ultimately turned down.

We were fully conscious that this possibility existed so we already had in place several plans to address the concerns from our Sports Group customers. The first thing we did was to announce a reduction in our pricing for the Sports Group by more than 50% starting from July 2010. The new price will be unveiled in the coming months. In addition, we are rewarding the loyalty of our cable TV customers with free access to two sports channels:

- A new self-packaged 24-hour sports channel, SuperSports Arena, made available free to its entire cable TV base since February 2010. This channel carries wide variety of sports content including football, wrestling, tennis and local sports. Viewers can look forward to 'live' ATP tennis tournaments and S-League football matches; and

- Eurosportnews, a 24-hour sports news channel, that will be made available free from July 2010. The channel is presently offered as part of StarHub's Sports Group.

In addition to these changes, we also secured exclusive broadcast rights to La Liga for the upcoming three seasons till 2012. This means that StarHub TV Sports Group customers will be able to catch up to four 'live' La Liga matches weekly via Football Channel, SuperSports and SuperSports Plus.

2009 was also the year when we focused much of our efforts on securing more local sports content on StarHub TV. A number of major tournaments were broadcast on our screens:

## 'Live' broadcast of the Standard Chartered Singapore Marathon (SCSM) on StarHub's SuperSports

This is the first time in the history of the SCSM that the premier running event was broadcast 'live' on StarHub's SuperSports. The event was held on Sunday, 6 December 2009. Some 50,000 runners took part this year.

## Official broadcaster for the Asian Youth Games 2009

StarHub was the official broadcaster for the Asian Youth Games 2009 (AYG), held in Singapore from 29 June to 7 July 2009. StarHub offered extensive 'live' coverage of the events across its TV and mobile platforms, and all StarHub TV customers were able to access four dedicated AYG channels at no additional cost, while non-subscribers of StarHub TV received 'live' coverage of the AYG events, including aquatics and table tennis, free-of-charge via StarHub's Preview Channel.

## 'Live' telecast of 2009 League Cup

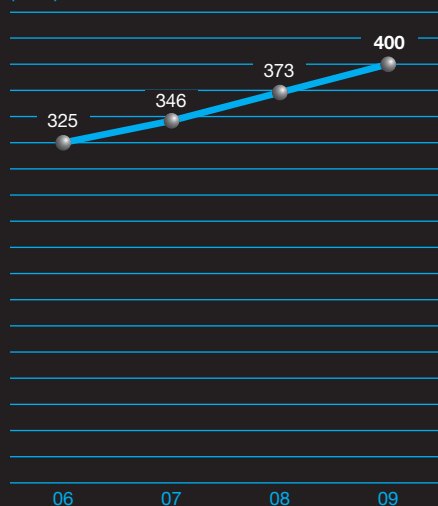
StarHub and the Football Association of Singapore (FAS) collaborated to telecast the 2009 League Cup matches 'live', whereby FAS and StarHub jointly produced 12 League Cup matches aired 'live' on Football Channel from 2 to 19 June 2009. The League Cup is an annual knockout football competition in Singapore contested by all 12 teams in the S-League.

We also announced in November 2009 that we will broadcast the Singapore 2010 Youth Olympic Games (YOG) on multiple channels dedicated to simultaneous 'live' event coverage.



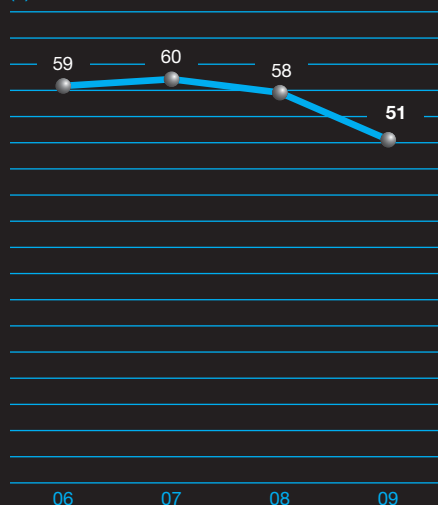
## Broadband customer base

('000)



## Broadband ARPU

(\$)



The channels will be made available exclusively across StarHub's pay TV and mobile platforms. StarHub will also air a 24-hour Youth Olympic News Channel via its free Preview Channel, accessible by all viewers in Singapore, as well as offer 'live' and on-demand coverage of the games via its online platform.

## Digital Voice and Broadband

For our home phone line service Digital Voice, we are pleased with its performance in 2009, as our customer base crossed the 200,000 mark in 2009. We had more than doubled our customer base since 2008. This success was due to our offering Digital Voice as a free value-added service to our cable TV and broadband customers as part of the creative bundling of our services that offers both choice and value.

MaxOnline Premium customers also benefited from a speed boost of up to 100Mbps when they use a DOCSIS 3.0 cable modem to access online content hosted locally in Singapore. With higher local bandwidth, StarHub's MaxOnline Premium customers can now enjoy a better surfing experience – with smoother video streaming, faster downloads, quicker access to office Intranets, and better gaming experience.

In 2009, we had reached a milestone of 400,000 residential broadband customers. However, our operational revenue declined 5% YoY and ARPU dropped to \$51, from \$58 in FY2008.

The reason for the decline was mainly due to the intense competition in the market, the slow economy and our customers downgrading their broadband plans to low-tier packages. Revenue contribution in this segment to overall revenue was 11%.

2010 will be another challenging year for StarHub TV and residential broadband. However, we strongly believe that we have the fundamentals in place to support these two lines of business creditably. 2010 will see a continuation of our commitment to introduce new pay TV content, enhanced broadband services, and higher levels of digital interactivity for all our customers.

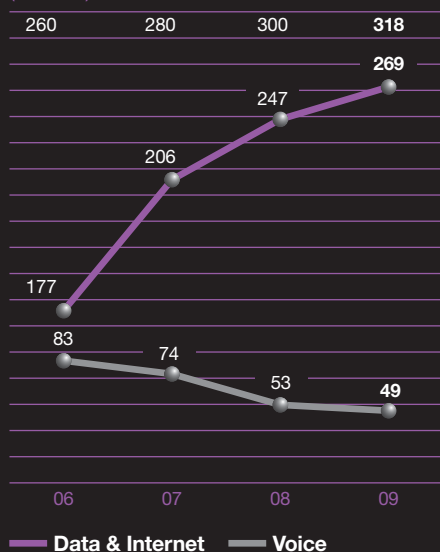
## Hubbing in Review – Business Solutions

**Forming strong partnerships was the main focus for Business Solutions in 2009, as we introduced a number of initiatives in conjunction with several major communications players in the market.**



## Fixed Network revenue

(\$million)



Partnerships ensure that StarHub is always able to deliver high-quality, industry-recognised solutions to all its corporate customers in Singapore and beyond.

Early in 2009, StarHub extended its International Ethernet Private Line (IEPL) service into Malaysia, following a partnership agreement with Telekom Malaysia Berhad (TM). This means that businesses in Singapore can deploy high-quality data, IP and voice/VoIP solutions into Malaysia using StarHub's scalable and secured international Ethernet connection.

The IEPL service – which scales from 2Mbps to 1Gbps – was launched in 2008 and is available to Singapore businesses that require point-to-point International Ethernet circuits to Hong Kong, and thereafter to South Korea, Mainland China, Taiwan, the Philippines, Japan, the US and the UK. Now, with this partnership with TM, businesses will have the same quality service in Malaysia.

In the third quarter of 2009, e-Cop, widely known in Singapore as a trusted partner in managed risk and information security services, and StarHub announced a strategic collaboration to provide an integrated managed service for StarHub's Internet Clean Pipe solution that will ensure greater business continuity against 'Direct Denial of Service' (DDoS) attacks. This partnership with e-Cop enhanced the initial Internet Clean Pipe offering by giving our customers the choice of allowing e-Cop to take the operational load off their manpower resources for managing DDoS incidents so that they are free to focus on other aspects of their business.

In November, Datacraft Asia Pte Ltd, the region's leading IT services and solutions provider, signed a partnership agreement with us to offer a comprehensive suite of business solutions for international connectivity to organisations across Asia. Datacraft Asia is now able to offer selected StarHub business solutions and connectivity services to 13 countries in Asia and the United States, expanding our reach into those countries. At the same time, the agreement will enhance Datacraft's wide-ranging portfolio of business services to multinational corporations and small-medium enterprises around the region.

At present, Datacraft and StarHub have focused on three areas – converged communications, business continuity services and managed solutions. IP telephony, TelePresence, Backup and Recovery, Remote Server and Network Management are some of the managed service offerings that clients can expect from this strategic partnership.

Finally, with the launch of the Asia-America Gateway (AAG), StarHub has boosted its international bandwidth capacity to support Singapore's growing broadband needs, and in anticipation of an increase in demand by wholesale service providers and retail service providers in the run-up to the launch of the Next Gen NBN in 2010. Information on the AAG can be found under Operational Developments on page 49.

## Significant events scorecard

### September

e-Cop and StarHub announced a strategic collaboration to provide an integrated managed service for StarHub's Internet Clean Pipe solution

### November

Datacraft Asia & StarHub partnered to offer selected StarHub business solutions and connectivity services to 13 countries in Asia and the US

### December

Launched Singapore's newest undersea cable system – Asia-America Gateway

(Left)

*We have a wealth of experience, expertise and facilities to provide your industry with effective and custom-fit solutions.*



## Hubbing in Review – Operational Developments

**Even as we continued to develop our comprehensive line of products, our need to continually expand and enhance our information services systems and our customer service processes remains the same, as we strive to deliver the optimum customer experience.**



### **Increasing StarHub's International Network Capacity**

The year-end boasted StarHub's – and Singapore's – most significant milestone as the long-awaited AAG was launched. The 20,000-km submarine cable network system that directly links Asia to the US, marks a turning point in StarHub's 10-year history as we are now managing and operating the Singapore-link of the AAG through our first cable landing station. Not only does the new cable system provide much-needed international bandwidth capacity for Singapore's growing broadband needs, it also avoids the volatile and hazardous Pacific Ring which mitigates the effects of natural disasters which have previously damaged submarine cable systems.

Last June, we also joined a consortium comprising major Asian telecommunications companies to plan and develop a proposal to build a new submarine cable system called Asia-Pacific Gateway (APG) that runs through nine Asia-Pacific countries. These countries are Malaysia, Singapore, Thailand, Vietnam, Hong Kong, the Philippines, Taiwan, Mainland China, Japan and Korea. Through the APG, we will be able to provide seamless connectivity to key north Asian countries such as Japan, Korea, China and Taiwan which are all important trading partners of Singapore.

### **Enhancing StarHub's Mobile Broadband Network**

StarHub continues to lead the way in terms of developing our mobile broadband network, as we upgraded our network from HSPA to HSPA+ in March. Together with Huawei Technologies, the launch of the new network made StarHub the first operator in Asia Pacific to have a truly high-speed mobile broadband network capable of speeds up to 21Mbps. In fact, StarHub's customers were among the first in the world to experience the fastest mobile broadband speed and superior services available through our HSPA+ network and devices provided by Huawei.

We had also announced this year the trial deployment of Singapore's first solar-powered mobile base station, a unique programme aimed at reducing our power consumption and overall carbon footprint. This 'Green' project spearheaded by our mobile network team was shortlisted by the GSMA's Asia Mobile Awards in the Green Mobile category.

### **Bringing StarHub's Services to Our Customers' Doorstep**

Customers no longer have to visit a StarHub shop if they wish to purchase or find out more about our services. We launched our new Hub Cruiser and our Hub Troopers services in April in order to bring our services closer to our customers' doorstep.

The Hub Cruiser is a specially-built truck that showcases StarHub's services and the benefits of having a digital lifestyle at home. The Hub Cruiser will enter the heartlands to offer StarHub's residential services. If customers are interested in any of StarHub's residential plans, they can seal a deal at the Hub Cruiser immediately. The Hub Cruiser is also able to travel to youth campuses and industrial estates to reach out to students and small-medium enterprises respectively.

Hub Troopers is an elite team of highly-trained digital experts who travel to customers' homes to help them build a digital home network. Once contacted, our Hub Troopers will be able to provide our customers with consultation services, assist them with the installation and configuration of devices, and educate them on the benefit of a digital home network. Hub Troopers services are currently exclusively available to MaxOnline customers.

### **Increasing StarHub's Operational Efficiency**

The focuses for StarHub's IS division in 2009 were in three areas. Firstly, it continues to be hard at work in consolidating our multiple data systems into a single customer relationship management and billing system for cost-savings and improved customer experience. The new system will also boast an integrated suite of systems that can fully support all of our new products and solutions from 2010 onwards. Secondly, the IS division has initiated a number of programmes that will help improve our operational excellence through the standardisation of core IT processes that support the delivery of new products and services as well as aligning them to the industry's best practices. For example, we increased our adoption of Storage Virtualisation and embarked on Server Virtualisation to further improve operational efficiencies and cost-effectiveness. Finally, we are looking at new methodologies that can help improve time-to-market, and quality of service delivery to our customers.

## **Significant events scorecard**

#### **March**

Launched Asia Pacific's first HSPA+ Network

#### **April**

Launched Hub Cruiser and Hub Troopers services

#### **June**

Joined consortium to develop the Asia-Pacific Gateway submarine cable system that will link the Asia-Pacific region

#### **August**

Deployed Singapore's first solar-powered mobile base station

*(Left)*

*We are well connected to many global partners, enabling your organisations to deliver superior info-comms services across the world.*

# Awards and Industry Honours

**It was a banner year for StarHub as we clinched a number of major awards that reflected the capabilities of the Company. Below outlines some of the major awards and industry honours garnered throughout the year.**

## **Corporate and Investor Relations Awards**

Winner of the Singapore 1000: Return on Equity Excellence Award at the **22nd Annual Singapore 1000 & SME 500 Awards 2009**

Winner of the Overall Best Managed and Corporate Governance Companies in **Euromoney Magazine Asia Poll 2009**

Gold winner for Investor Relations in Telecom in Singapore in **The Asset Triple A Corporate Awards 2009**

**Singapore Corporate Awards 2009** – Bronze for the Best IR award

**SIAS Investor Choice Award 09** – Runner-up in the category of Transport/Storage/Communication for Most Transparent Award

**MIS Asia Strategic 100** – Cited in the Regional 20 category

**National Customer Satisfaction Survey** – No. 1 in Info-Comms and Internet Service Provider sectors for first three quarters in 2009

Ranked sixth in **The Wall Street Journal Asia 200 Survey**

## **Management Awards**

**Singapore Corporate Awards 2009** – Terry Clontz, winner of the CEO of the Year award

**Telecom Asia Awards 2009** – Terry Clontz, Best CEO of the Year

**HDS IT Inspiration Awards 2009** – Alex Siow, StarHub's Head of Information Services and Business Excellence, received two awards – Best CIO of the Year, and CIO of the CIOs for Asia-Pacific

## **Technology Awards**

**Telecom Asia Awards 2009** – Best Broadband Carrier Award

**Global Telecoms Business Innovation Awards 2009** – StarHub and Huawei in the “Indoor residential services innovation award” for its Home Zone femtocell service

**Asia Mobile Awards** – Nominated in the Green Mobile Award category for StarHub's Solar-Powered BTS

## **Brand and Marketing Awards**

‘Best Brand’ for the **World Communications Awards 2009**

StarHub ranked third (after Colgate & Google) in **Singapore's Top Ten Favourite Brands 2009**

**Singapore Advertising Hall of Fame Award** – Online Campaign of the Year ‘Geeks not Freaks’ for StarHub's pfmgo service

**EFFIE Singapore Awards** – Two awards: Telecom Services Gold for ‘Geeks not Freaks’ and Telecom Services Bronze for ‘Freedom at Midnight!’

# Corporate Environmental Responsibility

**If 2008 was the year when StarHub formalised its commitment to be environmentally responsible in its operations with the adoption of a six-point corporate Green Policy, 2009 was the year when we put this commitment into greater action.**

*(Right)*  
As part of its efforts to go 'green', StarHub deployed Singapore's first solar-powered mobile base station on the roof of StarHub's main office, StarHub Green, in August 2009.



## Living in Green

2009 was the first year since StarHub was publicly listed in 2004, when our 2008 Annual Report and the EGM circular were primarily available in an electronic format. Subsequent annual reports will follow a similar process.

We also introduced a 'Green' component to the company-wide Balance Scorecard, a strategic performance management tool used to keep track of the performance level of the company's various departments. This year, the focus was very much on limiting our paper consumption and increasing our paper-recycling efforts company-wide. To this end, we installed a paper-recycling system at all our offices in StarHub Green, Noble House, at our Tai Seng offices and at Ayer Rajah, channeling all internal waste paper consumption (such as newspapers and shredded paper bundles) to centralised storage areas to be collected by an authorised paper-recycling company. We are also closely monitoring the volume of paper being ordered and used internally. Beyond this, departments such as Networks, Information Services, Marketing, Finance and Customer Service are not only looking at ways to reduce overall paper consumption, but also reducing energy consumption and carbon emissions.

In August, we announced the trial deployment of Singapore's first solar-powered mobile base

station (BTS) located on the roof of our main office, StarHub Green, at Ubi. The environmentally-friendly, fully-operational BTS is used to service StarHub mobile users in StarHub Green itself as well as the surrounding areas. The new BTS system is equipped with 20 solar panels, which means that it will operate using solar energy and rely less on utility power during the day. Based on the average call loads on the BTS, approximately 58% of the BTS power consumption is driven by the solar panels. As far as it can be ascertained, if the current energy savings are maintained for the whole year, the CO<sub>2</sub> reduction from the operation of the BTS would be about 2.5 tonnes. The solar energy generated for the BTS also runs parallel to StarHub Green's utility power grid, so that on cloudy or rainy days, or at night, the BTS will revert to using energy from the grid. This project, initiated by StarHub's mobile network team is part of our programme to initiate green projects internally in order to lower our overall power consumption in our operations. We are currently looking to deploy more 'Green' BTS around Singapore in 2010.

Finally, StarHub was one of the participants involved in the Earth Hour initiative in 2009. Earth Hour is a global awareness campaign designed to raise awareness of climate change by asking participants to switch off their lights for a pre-determined hour. On 28 March 2009, between 8:30pm to 9:30pm, we did just that: we turned off all our office lights and dimmed our shop fronts and CSCs for that hour. In fact, we went one step further by switching off our office lights a day before, during lunch hour, to demonstrate our commitment to the cause. A week prior, we actively promoted Earth Hour to our customer base across all our platforms: on cable TV, via SMS and email, online and at our shops and CSCs.

Looking ahead, with wide support and encouragement from staff and management, StarHub's Green efforts in 2010 looks set to be just as active and just as committed as those in 2009.



## Corporate Social Responsibility

**The spark of good corporate social responsibility (CSR) in StarHub continues to burn brightly this year as we introduce new programmes to encourage our employees to volunteer their time and services to a variety of community outreach initiatives.**



(Left)  
StarHub was a Presenting Partner of the Christmas Light-up 2009 Switch-on ceremony at ION Orchard and invited students of Grace Orchard School to attend the ceremony. StarHub employees embraced the opportunity to fulfil the Christmas wishes of these students by sponsoring their Christmas wish list of gifts.

### **Building a Strong Foundation to Help the Less Fortunate**

Since 2000, StarHub has been channelling 1% of all revenues from our IDD 008 and IDD 018 services to StarHub Sparks Fund. The Sparks Fund represents the company's sincere belief in corporate philanthropy, and aims to make a difference in the lives of the less fortunate.

Now, in addition to the Sparks Fund, we have also spread the joy of giving to all our customers by launching the 'StarHub Rewards Redemption for Charity' programme earlier this year. The programme empowers our customers to redeem a donation to charity with their monthly Rewards points. Donations made through this Rewards scheme will go to MINDS Towner Gardens School, which caters towards intellectually-disabled children in Singapore.

### **Beneficiaries of the Sparks Fund**

Apart from the new Rewards redemption programme scheme, our partnership with MINDS Towner Gardens School also extended to a donation of an additional \$100,000 to fund the purchase of equipment such as educational toys and aids, teaching materials, physiotherapy equipment, psychological test kits and equipment for the school's Sensory Integrated Room. StarHubbers also organised an exciting carnival for the students, as they manned the game and food stalls, such as bouncy castles, fun animal rides, popcorn and cotton candy stalls.

Another beneficiary that received aid from the Sparks Fund this year is the Grace Orchard School, a school for intellectually-disabled and autistic youths. A cheque of \$200,000 was given to the school and the presentation was witnessed by President S R Nathan at ION Orchard. Students of the school were also invited to Orchard Road to view the Christmas

Light-up Switch-on Ceremony. In addition, our generous StarHubbers fulfilled the Christmas wish list of some of these youths by purchasing special gifts for them, and brought them for a stroll down Singapore's major shopping district so that the students can soak in the festive atmosphere.

On 2 December, more than 360 needy elderly, students and their families received an early Christmas gift from StarHub as the company partnered Rotary Club of Marina City to organise a Christmas celebration for them at Chua Chu Kang Community Club. Over 50 StarHub volunteers manned the game stalls at the party and shared a fun and meaningful evening with the invited guests who included Mr Gan Kim Yong, Minister for Manpower and Member of Parliament for Chua Chu Kang Constituency. In addition to the Christmas party, StarHub worked with the charity Food From the Heart (FFTH) to launch our own 'StarHub Food First for Families' programme which committed \$200,000 towards the monthly purchase of essential food items for over 300 needy students from six schools and their families in 2010. Riding on FFTH's existing food distribution programme via the schools network, StarHub's initiative aims to meet the basic needs of students from vulnerable families and serves as an incentive for them to attend school regularly and enables them to stay focused on their studies. The first schools to benefit from the 'StarHub Food First for Families' programme include Chua Chu Kang Secondary School, New Town Primary School, Seng Kang Primary School, Shuqun Primary School, Teck Whye Primary School and Yu Neng Primary School.

# Corporate Social Responsibility

(Left)  
StarHub launched a new component to its Rewards loyalty programme which gives StarHub customers the option to redeem a donation to MINDS Towner Gardens School with their StarHub Rewards Monthly Points. To celebrate the launch of its new initiative, StarHub organised a carnival event for the students, whereby 50 StarHub employees manned the game and food stalls at the carnival.

(Right)  
StarHub launched 'Sparklers' – a volunteer network for StarHub employees with a shared passion for helping the underprivileged. Members of Sparklers shared a day of fun with students of Eden School at Kidz Amaze and BazGym Gymnastics School at SAFRA Jurong.



Eden School, an autism-focused school in Singapore, also received critical financial support from the Sparks Fund, as we donated \$200,000 towards the construction and equipping of two computer labs at Eden School's new building. StarHub also jointly organised for the students, a sports day event where 30 StarHub employees assisted in coordinating the flow of sporting activities. StarHub also was involved in a fun-filled school outing to Kidz Amaze and BazGym Gymnastics School.

## Connecting the 'Sparklers' Network

StarHub's community outreach programmes have always been popular with StarHub employees in general, as seen by the number of volunteers that have given their time to help with these initiatives. StarHub grants employees two working days of paid volunteerism leave per year in order to promote a corporate culture of volunteerism. A new development this year was the formalisation of an internal volunteer network made up of StarHub employees with a shared passion to help the underprivileged. The



network, called 'Sparklers,' serves as a platform for like-minded employees to network with their peers, collaborate actively to drive StarHub's community outreach efforts and lead long-term volunteer commitments. Through a survey conducted with the employees, it was found that a large number of staff had indicated their interest in participating in longer-term volunteering initiatives, in addition to ad-hoc community outreach activities organised by the company, hence the creation of 'Sparklers'.

To date, StarHub has contributed over \$6 million from the Sparks Fund to CSR activities, and thousands of man-hours by generous staff volunteers to bring that spark of love and life to the less fortunate.

# Investor Relations

**The twin engines of communications and relationship building drive StarHub's Investor Relations (IR) strategy. Communications involves the regular two-way flow of information that gives investors, analysts and media a basis for evaluating StarHub.**

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

Quarterly meetings and briefing sessions, which include conference call-ins and webcasts, are arranged with the local/regional analysts and fund managers. Our senior management team also provides updates by way of one-on-one sessions with the fund managers and their clients or at larger-scale analysts briefing sessions. When the management team is not available, the IR team will host the sessions.

StarHub is an active participant in regional equity conferences organised by the bankers. The Company also goes on international roadshows at least once a quarter to Asia, Europe and the US, to meet with existing institutional shareholders as well as potential investors to broaden our base of shareholders.

To get a better understanding of whether our meetings with these analysts and fund managers are effective as well as to improve our overall IR efforts, we engage a third-party research firm to conduct extensive qualitative and quantitative interviews with targeted and critical fund managers and analysts. The research firm's approach is to elicit open and honest sharing with regard to respondents' views, comments, insights and criticism of the Company.

StarHub also maintains a dedicated IR section within our corporate website. This site is the easiest and most cost-effective way of reaching a wide audience and providing investors and other interested parties with up-to-date information. In fact, StarHub views online IR as part of a holistic approach to our IR endeavours.

StarHub's online IR ensures ease-of-use and accessibility to content, which is also available on SGXNET. For a growing number of stakeholders, the online IR is the first and primary area of contact with the Company.

## **Achievements & Accolades**

In 2009, StarHub was recognised for the following IR awards:

- Two awards at the Singapore Corporate Awards 2009 – Terry Clontz, winner of the CEO of the Year award, and Bronze for the Best IR award
- Euromoney Magazine Asia Poll 2009 – Winner (Overall Best Managed and Corporate Governance Companies)
- The Asset Triple A Corporate Awards 2009 – Gold winner for Investor Relations in Telecom in Singapore
- SIAS Investor Choice Award 2009 – Runner up for Most Transparent Award (Transport/Storage/Communication)



# Investor Relations

## IR calendar of events

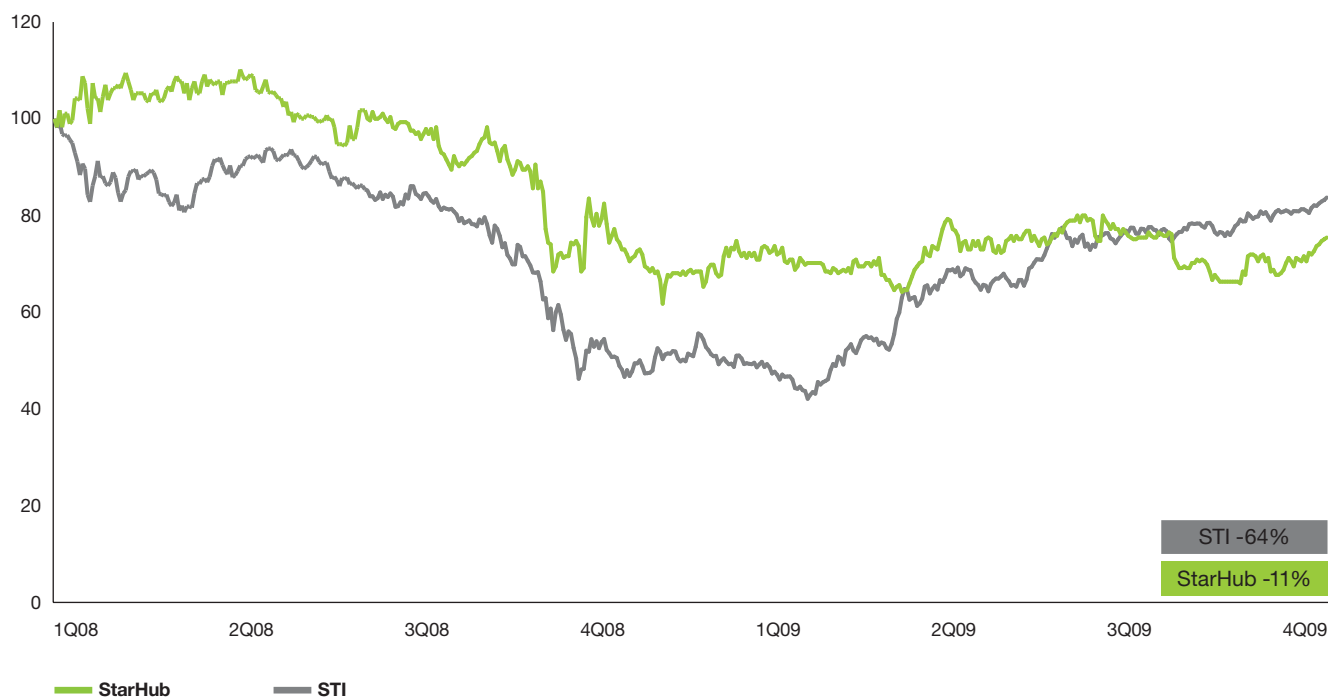
Date	Activities
1Q2009	<ul style="list-style-type: none"> <li>FY2008 results announcement</li> <li>Singapore Investor Roadshows</li> <li>Macquarie Emerging Leaders Conference – London &amp; New York</li> <li>CS Asian Investment Conference – Hong Kong</li> </ul>
2Q2009	<ul style="list-style-type: none"> <li>1Q2009 results announcement</li> <li>DBSVickers Pulse of Asia Conference – Singapore</li> <li>Merrill Lynch Asian Stars Conference – Singapore</li> <li>CLSA Corporate Access Forum – Singapore</li> <li>UBS Pan-Asian Telco Conference – Singapore</li> <li>JP Morgan Emerging ASEAN Corporate Day – New York &amp; London</li> </ul>
3Q2009	<ul style="list-style-type: none"> <li>1H2009 results announcement</li> <li>Singapore Investor Roadshows</li> <li>1st StarHub Investors Technology Day (with Goldman Sachs) – Singapore</li> <li>Citi ASEAN Conference – Singapore</li> <li>BNP Corporate Day – Singapore</li> <li>DBSVickers Asian Corporate Conference – New York</li> <li>Morgan Stanley Asian Telecom Day – Singapore</li> <li>CLSA Investor Forum – Hong Kong</li> <li>Daiwa Asian Telecom – Tokyo</li> </ul>
4Q2009	<ul style="list-style-type: none"> <li>3Q2009 results announcement</li> <li>Singapore Investor Luncheons</li> <li>Morgan Stanley Annual APAC Summit – Singapore</li> </ul>

## Financial calendar for 2010/2011\*

Date	Activities
4 February	<ul style="list-style-type: none"> <li>Webcast of FY2009 results for the analysts and media</li> </ul>
16 April	<ul style="list-style-type: none"> <li>12th Annual General Meeting</li> </ul>
May	<ul style="list-style-type: none"> <li>1Q2010 results announcement</li> </ul>
August	<ul style="list-style-type: none"> <li>1H2010 results announcement</li> </ul>
November	<ul style="list-style-type: none"> <li>3Q2010 results announcement</li> </ul>
February 2011	<ul style="list-style-type: none"> <li>FY2010 results announcement</li> </ul>

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

## StarHub share performance against STI 2008-2009 (%)



# Group Financial Review

**Delivering sustained revenue and profitability despite the challenging operating conditions.**

## 1.1 Operating revenue

	Year ended 31 December				
	2009 \$m	2009 %	2008 \$m	2008 %	Incr/(Decr) %
Mobile revenue	1,094.0	50.9	1,079.0	50.7	1.4
Pay TV revenue	405.5	18.9	398.2	18.7	1.8
Broadband revenue	240.5	11.2	253.2	11.9	(5.0)
Fixed Network services revenue	317.5	14.8	299.9	14.1	5.9
Total service revenue	2,057.5	95.7	2,030.3	95.4	1.3
Sales of equipment	92.6	4.3	97.3	4.6	(4.9)
Total	2,150.0	100.0	2,127.6	100.0	1.1

Total operating revenue for the full year increased 1% to \$2,150.0 million due to higher service revenue.

Against 2008, the Group's overall service revenue increased 1% to \$2,057.5 million. Higher revenue was reported by Mobile, Pay TV and Fixed Network services, while Broadband revenue was lower. Revenue from sales of equipment was \$92.6 million in 2009. This was 5% lower when compared to 2008 which included retail sales revenue for Hubstation and HDTV set-top boxes. The retail sales of these set-top boxes were discontinued since August 2008 and are now available on a rental basis.

In 2009, Fixed Network services revenue was up 6% year-on-year to \$317.5 million due to higher Data and Internet services sold. Pay TV revenue increased 2% to \$405.5 million due to increase in subscribers, while Mobile services revenue registered a 1% increase year-on-year to \$1,094.0 million for 2009. The 2009 Broadband revenue was 5% lower at \$240.5 million due to promotions and competitive pricing pressure in the broadband market.

# Group Financial Review

## 1.2 Operating expenses

	Year ended 31 December				
	2009 \$m	2009 %	2008 \$m	2008 %	Incr/(Decr) %
Cost of sales	829.7	47.6	782.4	45.5	6.0
Other operating expenses	912.0	52.4	936.0	54.5	(2.6)
Total	1,741.6	100.0	1,718.4	100.0	1.4

Compared to 2008, the Group's total operating expenses for the year was 1% higher at \$1,741.6 million driven by a 6% increase in cost of sales, which was mitigated by 3% lower other operating expenses. As a percentage of operating revenue, total operating expenses was 81.0% in 2009 compared to 80.8% in 2008.

The breakdown of the cost of sales is as follows:

### Cost of sales

	Year ended 31 December				
	2009 \$m	2009 %	2008 \$m	2008 %	Incr/(Decr) %
Cost of equipment sold	230.4	27.8	239.6	30.6	(3.9)
Cost of services	333.4	40.2	300.7	38.4	10.9
Traffic expenses	265.9	32.0	242.1	30.9	9.8
Total	829.7	100.0	782.4	100.0	6.0

Cost of sales was up 6% year-on-year at \$829.7 million for 2009, impacted by higher cost of services and traffic expenses, mitigated by lower cost of equipment sold. As a percentage of operating revenue, total cost of sales was higher at 38.6% in 2009 when compared to 36.8% last year.

Cost of equipment sold in 2009 amounted to \$230.4 million, 4% lower year-on-year. The 2008 costs of equipment sold included Pay TV Hubstation and HDTV set-top boxes as these devices were available for retail sales. The retail sale basis was discontinued in August 2008 and these devices are now offered on rental basis to promote higher take-up. As a percentage of operating revenue, cost of equipment was lower at 10.7% in 2009 as against 11.3% last year.

Against last year, cost of services was 11% higher at \$333.4 million. This was mainly due to increased Pay TV and mobile content costs. As a percentage of operating revenue, 2009 cost of services was higher at 15.5% as against 14.1% in 2008.

For the year, traffic expenses were up 10% year-on-year at \$265.9 million. Included in last year's traffic expenses was a credit adjustment relating to prior periods' traffic costs overcharged by domestic mobile operators. Excluding this one-time credit adjustment in 2008, the traffic expenses in 2009 would be 6% higher year-on-year due to higher traffic volume delivered over the fixed network. As a ratio of operating revenue, 2009 traffic expenses were higher at 12.4% compared to 11.4% last year.



## Other operating expenses

	Year ended 31 December				
	2009 \$m	2009 %	2008 \$m	2008 %	Incr/(Decr) %
Staff costs	201.6	22.1	216.3	23.1	(6.8)
Operating lease	144.8	15.9	128.9	13.8	12.3
Marketing and promotion	154.9	17.0	189.6	20.3	(18.3)
Allowance for doubtful receivables	13.1	1.4	11.1	1.2	17.5
Repair and maintenance	66.4	7.3	63.5	6.8	4.5
Other expenses	86.2	9.4	91.3	9.8	(5.7)
Sub total	666.9	73.1	700.8	74.9	(4.8)
Depreciation and amortisation	245.1	26.9	235.1	25.1	4.2
Total	912.0	100.0	936.0	100.0	(2.6)

Cost containment measures implemented in the year helped to keep total other operating expenses lower by 3% year-on-year to \$912.0 million in 2009. Decreases in marketing and promotion, staff costs and other expenses, offset the increases in operating lease expenses, depreciation and amortisation, repair and maintenance and allowance for doubtful receivables. As a ratio of operating revenue, total other operating expenses was lower at 42.4% in 2009, compared to 44.0% in 2008.

### Staff costs

Against last year, staff costs decreased 7% to \$201.6 million in 2009. During the year, the Group instituted a headcount freeze and reduced variable bonus provisions in view of the gloomy macro-economic conditions. These cost-reduction measures and the Government job credits assistance helped to contain overall staff costs for the Group in 2009. As a percentage of operating revenue, staff costs reduced from 10.2% last year to 9.4% for 2009.

### Operating lease

Compared to 2008, operating lease expenses increased 12% to \$144.8 million in 2009. Approximately 40% of the increase in operating lease was attributed to rental costs for overlapping periods as the Group consolidated its offices and relocated to new premises during the year. The balance increase in operating lease expenses was due to higher international lease capacity and base stations rental to support increased business activities. As a percentage of operating revenue, operating lease expenses were higher at 6.7% in 2009 as compared to 6.1% last year.

### Marketing and promotion

Marketing and promotion expenses in 2009 were 18% lower year-on-year at \$154.9 million. The higher expenses in 2008 were mainly for promotional activities leading to mobile number portability and Euro 2008 events. Compared to last year, marketing and promotion expenses as a percentage of operating revenue were lower at 7.2% for 2009.

### Allowance for doubtful receivables

Allowance for doubtful receivables was 18% higher year-on-year at \$13.1 million in 2009. As a percentage of service revenue, this year's allowance for doubtful receivables was marginally higher at 0.6% when compared to 0.5% in 2008.

### Repair and maintenance

This year's repair and maintenance expenses increased \$2.9 million or 5% to \$66.4 million when compared to last year. The 2008 lower expenses were due to the reversal of previously over-accrued expenses in 2008. As a percentage of operating revenue, repair and maintenance was higher at 3.1% in 2009 as compared to 3.0% last year.

# Group Financial Review

## Other expenses

Against last year, this year's other expenses decreased 6% to \$86.2 million. Major expenses contributing to the decrease were net gains from financial instruments/foreign exchange (\$3.0 million), lower indirect content & services costs (\$5.0 million) which is now included in cost of services, and decrease in relocation costs accrued (\$3.3 million), offset by higher expenses in occupancy (\$3.7 million), fixed assets written off (\$1.8 million), and billing & collection costs (\$1.1 million). As a percentage of operating revenue, other expenses were lower at 4.0% for 2009.

## Depreciation and amortisation

Depreciation and amortisation for the year was 4% higher year-on-year at \$245.1 million. The higher depreciation charge was in line with the higher fixed assets base which increased 4.2% year-on-year. As a percentage of operating revenue, this year's depreciation and amortisation was at 11.4% as compared to 11.1% last year.

## 1.3 Profitability

	Year ended 31 December		
	2009 \$m	2008 \$m	Incr/(Decr) %
Operating revenue	2,150.0	2,127.6	1.1
Operating expenses	(1,741.6)	(1,718.4)	1.4
Profit from operations	408.4	409.3	(0.2)
Net interest expense	(23.3)	(26.5)	(12.1)
Profit before taxation	385.2	382.8	0.6
Taxation	(65.5)	(71.5)	(8.4)
Profit for the year	319.7	311.3	2.7
EBITDA	653.5	644.4	1.4
EBITDA as a % of service revenue	31.8%	31.7%	0.1% pts

The Group's profit from operations in 2009 was \$0.9 million lower than 2008 at \$408.4 million.

2009 EBITDA increased by \$9.1 million or 1% year-on-year to \$653.5 million. EBITDA margin as a percentage of service revenue was 31.8% for 2009.

Against last year, the lower interest rates and lower average outstanding loan balances in 2009 resulted in net interest expenses decreasing 12% year-on-year to \$23.3 million in 2009.

Taxation for the year amounted to \$65.5 million. Included in this year's taxation was a net tax credit adjustment of \$10.0 million. This relates to adjustments to the group tax relief position and deferred tax assets upon finalisation of tax assessments with the Inland Revenue and a reduction in corporate tax rate from 18% to 17%.

Overall, the Group's net profit after tax was 3% higher at \$319.7 million when compared to last year.

## 1.4 Liquidity and Resources

	Year ended 31 December		
	2009 \$m	2008 \$m	Incr/(Decr) %
Profit before tax	385.2	382.8	0.6
Non-cash items & net interest expense adjustments	274.7	270.1	1.7
Net change in working capital	32.6	(55.7)	nm
Income tax refund	(0.0)	0.3	nm
Net cash from operating activities	692.4	597.5	15.9
Net cash used in investing activities	(230.0)	(218.8)	5.1
Net cash used in financing activities	(356.6)	(388.4)	(8.2)
Net change in cash and cash equivalents	105.9	(9.6)	nm
Cash and cash equivalents at beginning of the year	128.3	138.0	(7.0)
Cash and cash equivalents at end of the year	234.2	128.3	82.5
Free Cash Flow <sup>(1)</sup>	461.0	377.7	22.1

<sup>(1)</sup> Free Cash Flow refers to net cash flow from operating activities less purchase of fixed assets in the cash flow statement  
nm – not meaningful

2009 Group's net cash flow from operating activities amounted to \$692.4 million, 16% higher than 2008. This year's net cash flow from operating activities was favourably impacted by positive working capital changes of \$32.6 million as against the negative working capital changes of \$55.7 million in 2008. The positive change in working capital in 2009 was primarily contributed by increased trade payables and accruals after netting off the higher inventory balance and other current assets as at balance sheet dates.

Higher payments for fixed assets resulted in total cash outflow from investing activities increasing 5% to \$230.0 million in 2009. The higher capex outflow was mitigated by the positive working capital change which led to the year's free cash flow increasing 22% year-on-year to \$461.0 million.

Compared to a year ago, the Group's outstanding capital expenditure commitments increased \$35.2 million to \$219.5 million as at 31 December 2009. The increase was mainly for commitments for new network central offices and data centres for the next generation fibre broadband network infrastructure.

Against 2008, the Group's cash outflow from financing activities was 8% lower at \$356.6 million.

As at 31 December 2009, the Group's cash and cash equivalents was 83% higher year-on-year at \$234.2 million.

## 1.5 Gearing

Compared to 2008, the Group's gross debt reduced by \$17.9 million to \$895.8 million as at 31 December 2009. After netting off the cash balance of \$234.2 million, the Group's net debt amounted to \$661.6 million as at year end. This was \$123.8 million or 16% lower compared to a year ago. As a ratio of 2008 EBITDA, the Group's net gearing ratio improved from 1.2 times as at 31 December 2008 to 1.0 time as at 31 December 2009.

# Corporate Governance

## Timely disclosures, transparency and accountability

**The Company has always strived to maintain the highest standards of corporate governance, professionalism and integrity so as to maintain value for shareholders and safeguard stakeholders' interests.**

### Corporate Governance Statement

StarHub firmly believes that good corporate governance is the cornerstone of a well-managed and respected organisation. The Company has always strived to maintain the highest standards of corporate governance, professionalism and integrity so as to create and maintain value for shareholders, safeguard stakeholders' interests, and build a company that our shareholders, employees, business partners and other stakeholders can trust and be proud of. On this basis, we have founded our corporate governance framework on timely disclosures, transparency and accountability. We have a Board of Directors with the appropriate diversity of skills, experience and independence, a responsible Management with integrity and professionalism, and comprehensive risk management and compliance policies.

### Corporate Governance Report 2009

This Report sets out the Company's corporate governance framework with specific reference to the principles of the Code of Corporate Governance issued by the Ministry of Finance on 14 July 2005 (the Code). The Company has substantially complied with the principles and guidelines of the Code and, where the Company has deviated from the Code, each area of deviation is disclosed herein.

#### 1. Board Matters

##### The Board's Conduct of Affairs

The Board is responsible for charting the Group's overall corporate strategy, and for leading and guiding the Group. Key roles of the Board include:

- overseeing and monitoring the Group's business, operations and financial performance;
- assessing and approving key operational and business strategies, funding and investment initiatives and other corporate actions, including the determination of the Group's budget and capital and the release of the Group's quarterly and full year financial results;
- formulating internal controls and policies to manage risk and implement corporate governance best practices;
- ensuring the Group's compliance with all relevant laws and regulations; and
- putting in place effective human resource management policies and leadership of the highest quality and integrity.

To ensure an equitable distribution of responsibilities among Board members and to optimise the effectiveness of the Board, the Board has delegated some of its responsibilities to its Audit Committee (AC), Nominating Committee (NC), Executive Resource and Compensation Committee (ERCC) and Strategy Committee (SC). Each Board Committee makes decisions on matters within its terms of reference and applicable limits of authority, and recommends the course of action for the Board's consideration and decision. Additional committees may be formed when necessary to look into specific areas of oversight.

The composition of the Board Committees is set out in Table 1 below:

**Table 1**

AC	NC	ERCC	SC
Kua Hong Pak (Chairman)	Peter Seah Lim Huat (Chairman)	Peter Seah Lim Huat (Chairman)	Nihal Vijaya Devadas Kaviratne CBE (Chairman)
Nihal Vijaya Devadas Kaviratne CBE	Lee Theng Kiat	Lee Theng Kiat	Tan Guong Ching
Lim Ming Seong	Teo Ek Tor	Lim Ming Seong	Steven Terrell Clontz
Teo Ek Tor		Lim Chin Beng	Lim Ming Seong
			Liu Chee Ming
			Robert J. Sachs
			Stephen Geoffrey Miller (co-opted)
			Yong Lum Sung (co-opted)

The Chairman and all members of the AC, NC and ERCC are non-executive Directors independent of Management. While the Chairman of the ERCC and NC may not be considered independent within the meaning of the Code, he is not involved in the daily operations and business of the Group, and is able to exercise independent judgment and act objectively in the best interests of the Company in carrying out his duties.

Each Director is required to ensure his compliance with all applicable laws, and should act objectively, in good faith and with due diligence and care in the best interests of the Company and all its shareholders at all times. Each Director is also required to promptly disclose to the Board any new information relating to his financial or other interests and relationships which may affect his independence, including any related-party transactions with the Group, without delay. Although not required under the Code, in order to sieve out potential conflicts of interest, the Company also requires each Director to formally declare his independence from all other stakeholders of the Company on an annual basis.

All newly-appointed Directors are briefed by Management on the Group's strategies, business, performance and governance policies. New Directors are also given manuals containing, among other things, information about their statutory and other responsibilities and the Company's insider trading policy. The Directors are updated regularly on key legal, regulatory and accounting changes impacting the Group and/or their obligations. Directors are also notified of and encouraged to attend seminars and training relating to the Group's business and their duties as directors, particularly those conducted by the Singapore Institute of Directors and the SGX-ST.

The Board meets regularly, with at least five scheduled Board meetings each financial year, and may convene additional Board meetings on an ad hoc basis as appropriate. Every year, the Board holds a full day meeting for the specific purpose of reviewing the budget and business strategies of the Group. The Company's Articles of Association allow Board meetings to be held via telephonic and video conference.

A total of five Board meetings were held in the financial year ended 31 December 2009. Each Director's attendance at the Board and Board Committee meetings held in the financial year ended 31 December 2009 is summarised in Table 2 below:

**Table 2**

<b>Name of Director</b>	<b>Board</b>	<b>AC<sup>(1)</sup></b>	<b>ERCC<sup>(2)</sup></b>	<b>NC<sup>(3)</sup></b>	<b>SC<sup>(4)</sup></b>
	<b>Meeting Attendance (in %)</b>	<b>Meeting Attendance (in %)</b>	<b>Meeting Attendance (in %)</b>	<b>Meeting Attendance (in %)</b>	<b>Meeting Attendance (in %)</b>
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	80	75	–	–	75
Lee Theng Kiat	100	–	100	100	–
Lim Ming Seong	100	100	67	–	100
Lim Chin Beng	100	–	100	–	–
Sadao Maki <sup>(5)</sup>	100	–	–	–	–
Teo Ek Tor	100	100	–	100	–
Liu Chee Ming	100	–	–	–	100
Robert J. Sachs	100	–	–	–	75
Nasser Marafih <sup>(5)</sup>	80	–	–	–	–

<sup>(1)</sup> The AC held four meetings in the financial year ended 31 December 2009.

<sup>(2)</sup> The ERCC held three meetings in the financial year ended 31 December 2009.

<sup>(3)</sup> The NC held two meeting in the financial year ended 31 December 2009.

<sup>(4)</sup> The SC held four meetings in the financial year ended 31 December 2009.

<sup>(5)</sup> Includes meetings attended by Alternate Director on Director's behalf.

# Corporate Governance

The Board has adopted internal guidelines prescribing the authority and approval limits for capital and operating expenditure, investments, divestments, bank facilities and cheque signatories at the Board level. Authority and approval sub-limits at various Management levels have also been implemented to optimise operational efficiency.

## Board Composition and Guidance

In 2009, the Board comprised 13 Directors, 12 of whom were non-executive and independent of Management. The sole executive Director was Mr Steven Terrell Clontz, who was the Chief Executive Officer (CEO). He retired as CEO on 1 January 2010.

There is a strong element of independence in the Board. In 2009, six Directors, or almost half of the Board, were non-executive independent Directors within the meaning of the Code. They were Mr Kua Hong Pak, Mr Nihal Vijaya Devadas Kaviratne CBE, Mr Lim Chin Beng, Mr Teo Ek Tor, Mr Liu Chee Ming and Mr Robert J. Sachs. This composition exceeds the Code's requirement that at least one third of the Board should comprise independent directors.

The Directors are business leaders with a broad diversity of expertise and experience (both domestically and internationally) and professionals with financial, banking, accounting, regulatory, industry, legal and management expertise. Each Director brings to the Board valuable insights and objective perspectives that enable a robust exchange of ideas at the Board level to help shape the Company's strategic directions, and allow balanced and well-considered decisions to be made.

For details on the experience and expertise of the Board, please refer to the profiles of the Directors at the start of this Annual Report. All principal directorships and chairmanships in any listed companies held by any of the Directors currently, and in the preceding three years, are also detailed in the Directors' Particulars found in this Annual Report.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the Board is of an appropriate size that is conducive to effective decision-making, has an appropriate balance of independent Directors, and comprises Directors with the rights skills and expertise to meet the business needs of the Company.

The NC's main responsibilities are:

- to conduct periodic reviews to ensure that the size of the Board is appropriate, and that the Board is comprised of a sufficient number of independent Directors as well as Directors with the requisite financial, regulatory and industry knowledge, and management, strategic planning and customer-based experience and expertise;
- to conduct internal and external searches for candidates for appointment to the Board; and
- to review and assess nominations for appointments, re-appointments and re-election of Directors before making recommendations to the Board on the same.

The SC's main responsibilities are:

- to support and advise Management and the Board in the formulation and implementation of the Group's strategies to grow and enhance shareholder value;
- to identify and assess significant intermediate and long-term opportunities and risks in the Group's business areas, operations and the industry; and
- to provide constructive input and add elements of objectivity and independence in the strategy formulation and review process.

## Chairman and Chief Executive Officer

There is clear division of roles and responsibilities between the Chairman and the CEO. This enables the Company to maintain an effective balance of power, authority and responsibility within the Company, and to ensure Management accountability and Board independence.

The Chairman is non-executive and unrelated to the CEO. Although not required under the Code, to ensure a better separation of powers, the Company also ensures that the Board's agenda at each meeting is not determined solely by the CEO. Instead, the Board's agenda is proposed by the CEO, for review, revision and approval by the Chairman.



The Chairman leads the Board and facilitates effective and comprehensive Board discussions and decision-making on strategic and operational issues. The Chairman also oversees the translation of the Board's decisions into executive action. With the assistance of the Company Secretary, he ensures the accuracy and timeliness of information flow between the Board and Management, effective shareholder communications as well as high standards of corporate transparency.

The CEO is charged with full executive responsibility for the day-to-day running of the Group's businesses and the implementation of the Group's strategies and policies.

### **Board Membership and Board Performance**

Board renewal is an ongoing process to ensure good governance and maintain relevance to the changing needs of the Company and its business. The NC is responsible for regularly reviewing the composition of the Board, and identifying and proposing suitable candidates for appointment to the Board.

The NC reviews nominations and recommends candidates for appointment to the Board in accordance with a formal procedure involving both external and internal searches for potential candidates. Candidates are assessed for appointment to the Board based on their skills, expertise and experience in the Group's areas of business. Potential candidates are also assessed based on their ability to devote sufficient time and attention to the Company, potential conflicts of interest, the composition and independence of the existing Board, and the evolving needs of the Company. All new appointments to the Board are subject to the approval of the Company's regulators, namely the Infocomm Development Authority of Singapore and the Media Development Authority of Singapore.

At each Annual General Meeting (AGM), one-third of the Directors (who have been longest in office since their appointment or re-election, and including the CEO who is an Executive Director) are required to retire from office by rotation (one-third rotation rule). A retiring Director is eligible for re-election by shareholders at the AGM. Accordingly, no Director can stay in office beyond three years without being re-elected by the Company's shareholders. In addition, under the Companies Act, Directors who are more than 70 years of age have to be re-elected at each AGM. Newly-appointed Directors are also required to submit themselves for retirement and re-election at the AGM immediately following their appointment, after which he is subject to the one-third rotation rule.

The Company believes that Board performance is ultimately reflected in the performance of the Group. The NC assesses the performance of the Board annually based on its ability to support, lead and communicate with Management, its conduct of its principal functions, each Director's participation and attendance at Board and Board Committee meetings, the level and quality of his contributions and his standard of conduct.

To assist the NC in its assessment, the Board is required to complete a Board Performance Evaluation Form (Evaluation Form) annually. Through the Evaluation Form, feedback from the Board is elicited on various aspects of the Board's performance, including the Board's composition, the contributions of the Board and the Board Committees and the Directors' standards of conduct. Specifically, the Evaluation Form seeks feedback from the Directors on, among other things, whether there is an adequate degree of independence in the Board, whether the Board understands the Company's business sufficiently, whether the Board provides useful advice and guidance to the Management, whether the Board Committees' scope of responsibilities enable the Board to discharge its duties effectively and whether there are adequate opportunities for informal discussions between the Board and the Management. Each Director is requested to complete the Evaluation Form individually. Feedbacks provided by the Directors are collated for review and discussion.

The NC reviews the feedback gathered through the Evaluation Forms collectively and will determine and recommend to the Board the steps which need to be taken to strengthen the Board's leadership so as to improve the Board's oversight of the Company. Where appropriate, the Board may involve Management in the review process, and procure the Management's assistance in implementing the measures needed to improve the Board's oversight of the Company.

### **Access to Information**

Prior to each Board meeting, and as and when the need arises, Management provides timely, pertinent and complete information about the Group, its financials and businesses to the Board and the relevant Board Committees. The Board also receives monthly management accounts, updates on key performance indicators of the Group and regular analysts' reports on the Company and the industry. The Board is therefore able to make informed and sound decisions, and keep abreast of key challenges and opportunities, for the Group.

# Corporate Governance

The Board has independent and unrestricted access to Management at all times. Frequent dialogue and interaction take place between Senior Management and the Board members, as encouraged by the CEO. This allows non-executive Directors to constructively challenge and assist in developing the Company's strategies, and enables the Board to provide valuable inputs and insights to the Company.

Further, the Board has separate and independent access to the Company Secretary who attends all Board meetings and advises the Board on Board procedures, the requirements of the Company's Memorandum and Articles of Association, the Companies Act and the SGX-ST Listing Manual. The Company Secretary also ensures that there is good information flow within the Board and between the Board, the Board Committees and the Senior Management.

The Board can also seek independent professional advice at the Company's cost where necessary.

## 2. Remuneration Matters

### Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration

The Company recognises the importance of having committed and talented human resources to manage and grow the Company's businesses in order to remain competitive. The Company therefore places immense focus on motivating its employees through engagement, recognition and the proper alignment of reward to performance.

The ERCC is responsible for the Company's remuneration policies, and its key duties include:

- establishing, reviewing and approving competitive compensation policies for the CEO, key executives and Directors with a focus on long-term sustainability and shareholders' return;
- assessing and approving share options, and conditional performance share and restricted stock awards under the Company's approved share plans;
- succession planning for the CEO and key officers such as the Chief Operating Officer (COO) and the Chief Financial Officer (CFO). Potential candidates for immediate, medium and long term needs are identified each year; and
- assessing and approving proposed candidates for key appointments.

In 2009, the ERCC held three meetings. The ERCC determines the remuneration of the Board and key executives of the Company based on (a) the performance of the Group, the Company and each individual, (b) industry practices and compensation norms, and (c) the need to attract and retain key executives. The ERCC is also advised by external professionals.

ERCC decisions are made by the majority of the ERCC members present and voting. The votes, approval or recommendation of any members with a conflict of interest in the subject matter under consideration are excluded. The CEO is not present at any ERCC discussions relating to his own terms of service and the review of his performance. However, he attends ERCC discussions on the compensation and incentive policies, including share awards, bonus framework, salary and other incentive schemes, of key staff of the Company.

The CEO, as the executive Director, is remunerated as a member of the Senior Management and does not receive Director's fees from the Company. His compensation consists of a base salary, allowances, performance-related bonuses/payments, benefits-in-kind and share awards. The vesting of the conditional share awards granted to the CEO under the StarHub Performance Share Plan is subject to the CEO achieving prescribed performance targets over the relevant performance period. These 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 the cost of equity. No shares will be granted to the CEO 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 granted if the prescribed performance targets are met or exceeded. The bonuses awarded to the CEO are similarly dependent on the CEO's achievement of his prescribed performance targets.

Non-executive Directors' remuneration consists of Directors' fees and share awards. The Company's Directors' Fee policy divides these fees into basic retainer fees, attendance fees and additional fees for serving on Board Committees. Non-executive Directors' fees are subject to shareholders' approval at each AGM.

The annual remuneration of the non-executive Directors of the Company for the financial year ended 31 December 2009 (excluding share awards which were granted to the Directors during the year, details of which are set out in the Directors' Report) are set out in Table 3 below.

**Table 3**

<b>Number of Non-Executive Directors in Each Remuneration Band</b>	<b>2009</b>	<b>2008</b>
\$500,000 and above	–	–
\$250,000 to \$499,999	–	–
Below \$250,000	12	12
<b>Total</b>	<b>12</b>	<b>12</b>

<b>Name of Directors</b>	<b>Position Held</b>	<b>Directors' Fees</b>
Tan Guong Ching	Board Chairman SC Member	\$123,000
Kua Hong Pak	Director AC Chairman	\$93,000
Peter Seah Lim Huat	Director ERCC & NC Chairman	\$100,000
Nihal Vijaya Devadas Kaviratne CBE	Director SC Chairman AC Member	\$99,000
Lee Theng Kiat <sup>(1)</sup>	Director ERCC & NC Member	\$86,000
Lim Ming Seong	Director AC, ERCC & SC Member	\$106,000
Lim Chin Beng	Director ERCC Member	\$73,000
Sadao Maki <sup>(1)</sup>	Director	\$59,000
Teo Ek Tor	Director AC & NC Member	\$93,000
Liu Chee Ming	Director SC Member	\$73,000
Robert J. Sachs	Director SC Member	\$88,000
Nasser Marafih	Director	\$86,000

<sup>(1)</sup> Fees are payable to Director's employer company.

During the year ended 31 December 2009, none of the Directors' immediate family members were employees of the Group whose remuneration exceeded \$150,000 per annum.

The aggregate annual compensation (including any benefits-in-kind) accruing and paid to the CEO and each of the top five key senior executives (who are not also Directors of the Company) for the services rendered by them in any capacity to the Group in the financial year ended on 31 December 2009, is set out in Table 4, in bands of S\$250,000.

# Corporate Governance

The StarHub Performance Share Plan and the StarHub Restricted Stock Plan (Share Plans) are long-term incentive plans to motivate senior executives and Directors to strive for exceptional personal and Group performance and to align their interests with those of shareholders. Share awards under the StarHub Performance Share Plan are conditional on the targets prescribed for the relevant performance period (which is currently set at 3 years) being met, while the length of the vesting period for each award under the StarHub Restricted Stock Plan is determined at date of each grant. Details of the Share Plans are contained in the Directors' Report.

**Table 4**

	Fixed <sup>(1)</sup> (%)	Variable <sup>(2)</sup> (%)	Benefits-in-kind <sup>(3)</sup> (%)	Remuneration bands <sup>(4)</sup> (%)	Share Awards granted in 2009 under StarHub Performance Share Plan <sup>(5)</sup>	Share Awards granted in 2009 under StarHub Restricted Stock Plan <sup>(6)</sup>
<b>CEO and Executive Director</b>						
Steven Terrell Clontz <sup>(7)</sup>	27%	53%	20%	D	Refer to details in Directors' Report <sup>(7)</sup>	Refer to details in Directors' Report <sup>(7)</sup>
<b>Senior Executives</b>						
Tan Tong Hai	63%	31%	6%	C	Up to 212,000 shares	100,000 shares <sup>(8)</sup> Up to 106,500 shares <sup>(6)</sup>
Kwek Buck Chye	62%	32%	6%	B	Up to 160,000 shares	Up to 88,500 shares
Chan Kin Hung	71%	24%	5%	A	Up to 90,000 shares	Up to 48,000 shares
Alex Siow Yuen Khong	69%	24%	7%	A	Up to 90,000 shares	Up to 48,000 shares
Diana Lee	72%	22%	6%	A	Up to 90,000 shares	Up to 48,000 shares

<sup>(1)</sup> Fixed refers to base salary, Annual Wage Supplement and fixed allowances earned for the year ended 31 December 2009.

<sup>(2)</sup> 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 2009. The Company's performance bonus scheme is the "balanced scorecard" scheme used to determine the annual performance bonuses payable to 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 is 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 is 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.

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

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

"A" refers to remuneration between S\$400,001 and S\$650,000 p.a.

"B" refers to remuneration between S\$650,001 and S\$900,000 p.a.

"C" refers to remuneration between S\$900,001 and S\$1,150,000 p.a.

"D" refers to remuneration between S\$3,750,001 and S\$4,000,000 p.a.

<sup>(5)</sup> A share award was granted under the StarHub Performance Share Plan on 29 May 2009. The share valuation adopted a Monte-Carlo simulation methodology applied at the point of grant. The share award is conditional upon the participant achieving prescribed performance targets over the performance period from 1 January 2009 to 31 December 2011. 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.

<sup>(6)</sup> A share award was granted under the StarHub Restricted Stock Plan on 29 May 2009. The share valuation adopted a Monte-Carlo simulation methodology applied at the point of grant. The share award is conditional upon the participant achieving prescribed performance targets over the performance period from 1 January 2009 to 31 December 2010. 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.

<sup>(7)</sup> Mr Clontz retired as CEO of the Company on 1 January 2010. For his employment with the Company, he received compensation (including benefits-in-kind and deferred compensation accrued for the financial year) from the Company for services rendered in all capacities to the Company and its related corporations. As part of his remuneration disclosed, Mr Clontz received a gratuity of S\$964,700 upon his retirement in recognition of his contribution to the Company's success. All outstanding conditional share awards granted to Mr Clontz under the StarHub Performance Share Plan and the StarHub Restricted Stock Plan from 2006 to 2009 lapsed on 1 January 2010, except for the conditional share award granted in 2007 under the StarHub Performance Share Plan.

<sup>(8)</sup> Mr Tan Tong Hai was appointed as COO of the Company with effect from 15 January 2009. A time-based restricted award of 100,000 shares was granted to Mr Tan Tong Hai under the StarHub Restricted Stock Plan upon his appointment. The shares under this award will vest in three equal tranches over a 3-year period from 1 January 2009 to 31 December 2011 according to a specified vesting schedule.

Note: The above disclosure excludes Mr David William Storrie, Head, StarHub Integrated Network Engineering who resigned with effect from 1 May 2009.

### **3. Accountability and Audit**

#### **Accountability**

The Board has overall accountability to the shareholders for the Group's performance and for ensuring that the Group is well managed and guided by strategic objectives. The Group's operating performance and financial results are reported each quarter via SGXNET, with an accompanying negative assurance by the Board to confirm that nothing has come to its attention that may render the results false or misleading. This provides shareholders with a balanced and accurate assessment of the Group's performance, financial position and prospects. The Company believes that prompt and full compliance with statutory reporting requirements is key to maintaining shareholder confidence and trust.

To ensure that the Board is able to make decisions based on up-to-date information, Management provides Board members with monthly business and financial reports which clearly explain the Company's performance (in comparison with its forecasted performance and budget) and financial position. Other business reports are also provided to the Board in a timely and regular fashion.

The Company has adopted a more stringent policy than required under the SGX-ST Listing Manual with respect to dealings in the securities of the Company by the Directors and employees of the Group. The Company, all Directors and employees of the Group are prohibited from dealing in the Company's securities from a month before the announcement of the Group's quarterly and full year results until the results are announced. All Directors, Management and employees are notified by email prior to the start of each trading blackout period and restrictions are only lifted after the announcement of the respective results. The Company, all Directors and employees of the Group are also strictly required to observe insider trading laws at all times.

The Company has also adopted a policy against acquiring any of its shares pursuant to its Share Purchase Mandate where a price-sensitive development has occurred or been the subject of a decision, until the development has been publicly announced. Further, the Board has voluntarily undertaken to reduce the amount of its shares it may issue and allot pursuant to the general authority granted by the Company's shareholders to the Board, from 20% to 15% of the Company's total issued share capital.

The Board and Management believe that the Company has complied with and exceeded the Code and SGX-ST Listing Manual, as well as industry best practices.

#### **Audit Committee**

The AC is constituted by non-executive Directors, all of whom have accounting and financial management expertise. The majority of the AC members, including the Chairman, are independent Directors.

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

- reviewing and approving the audit plan at the start of each financial year and assessing the adequacy of the Group's internal controls;
- assessing the competence and independence of the Group's external auditors, including the nature, extent and cost of non-audit services provided to the Group by the external auditors in each financial year;
- reviewing Interested Person Transactions to ensure compliance with the SGX-ST Listing Manual and the Shareholders' Mandate that is renewable annually;
- reviewing and approving the Group's quarterly and full year financial statements; and
- investigating suspected fraud, irregularity, failure of internal controls or violation of any law or regulations likely to materially impact the Group's results.

Management is required to fully co-operate with the AC, which has the discretion to invite any Director or officer to attend its meetings and to require Management to provide it with all such resources as are necessary for it to discharge its functions properly.



# Corporate Governance

In 2009, the AC held four meetings and met the Company's external and internal auditors, without Management, at least once. Having satisfied itself that the external auditors' independence is not impaired by their provision of non-audit services to the Group, the AC has recommended to the Board that KPMG LLP be nominated for re-appointment as the Group's external auditors at the next AGM. To further safeguard KPMG LLP's independence, the Company ensures that the KPMG LLP's partner in charge of auditing the Group is changed every 5 years.

In line with the Company's zero tolerance for fraud and other ethical violations, the Group encourages all employees to report suspected fraud, corruption, financial impropriety, unethical conduct and other criminal or dishonest practices promptly and in good faith to their immediate supervisors, the relevant Heads of Department or the Head of Human Resource (as may be appropriate). Thereafter, an Investigation Committee (comprising representatives from the Senior Management, Risk, Human Resource, Legal) will be constituted to investigate the suspected wrongdoing and implement rectification and prevention measures. Any personnel with a conflict of interest (actual or potential) will be barred from appointment to the Investigation Committee. All cases of suspected wrongdoing will be reported to and reviewed by the AC. The AC Chairman (or his nominee) will chair all Investigation Committees appointed to look into cases of suspected wrongdoing involving the CEO, the COO and/or the CFO. Upon completing the investigations for each case of suspected wrongdoing, the Investigation Committee will determine if it is in the interests of the Group, taking into account the consent of the whistle-blower, to circulate the results of the investigation to all employees.

The Group's whistle-blowing policy has been uploaded onto the Company's intranet for easy access by all employees. The Company aims to provide all whistle-blowers with protection against reprisals, and will not hesitate to take disciplinary action against any party who victimises whistle-blowers. To afford whistle-blowers further confidence that they will be treated fairly and need not fear retaliation, the Company does not disregard anonymous complaints, but will give such complaints the appropriate weight.

The Company has taken steps to ensure that its Employee Code of Conduct and Ethics is readily available on the Company's intranet for easy access by all employees. Even though not required under the Code, a summary of the key requirements under the Employee Code of Conduct and Ethics has also been uploaded onto the Company's corporate website for greater transparency.

## Internal Controls and Audit

At least once each year, the AC reviews the Group's key internal controls and risk management systems, which are supported by its policies on employee discipline and conduct. The AC assesses the external auditors' recommendations for resolving any weaknesses or lapses in these controls, taking Management's views into account. The AC also takes steps to correct such deficiencies with the assistance of the internal auditors.

The Company's key internal controls which are reviewed by the AC annually include:

- policies and procedures for risk identification and amelioration;
- approval limits for key financial and operational matters, and guidelines for delegation of authority;
- procedures and processes for maintaining the integrity, confidentiality and availability of critical information and systems, including accounting records;
- policies and procedures for safeguarding assets; and
- measures for ensuring compliance with applicable laws and regulations.

The Group's internal auditor, Ethos Advisory Pte. Ltd., is an independent contracted internal audit service provider which fulfils the Standards for the Professional Practice of Internal Auditing prescribed by The Institute of Internal Auditors. The internal auditors report primarily to the AC Chairman, and administratively to the CEO and CFO of the Company.

The annual internal audit plan is developed in consultation with, but independent of Management, and is submitted to the AC for its approval at the beginning of each financial year. Quarterly internal audit reports are submitted to the AC detailing the internal auditors' progress in executing the audit plan and any major findings and corrective actions taken by Management. The AC meets with the internal auditors at least once a year without the presence of Management to ensure independence of these functions.

Based on the external and internal auditors' findings, the Board is of the view that the Group's internal controls (including operational, financial and compliance controls) and risk management systems provide reasonable (though not absolute) assurance against material financial misstatements and loss, and safeguards the Group's assets. The internal controls ensure the maintenance of proper accounting records, the Group's compliance with applicable regulations and best practices, and the timely identification and containment of financial and operational risks. The AC is also satisfied that material internal control deficiencies were identified and remedied on a timely basis.

The Company has implemented an employee intellectual property rights compliance policy which is reviewed on an annual basis, and the Company requires all employees to undertake not to breach any intellectual property rights or software licences prior to commencing and during their employment with the Company.

#### **4. Communication with Shareholders**

##### **Regular, Effective and Fair Communication with Shareholders**

The Company's Investor Relations team, together with the CEO and other members of the Senior Management, keep the Company's shareholders informed of major industry and corporate developments, the Group's performance and other relevant information on a timely basis. Analyst and media briefings are conducted periodically throughout the year. The Company's Management and Investor Relations team also meet with institutional investors on a regular basis, through international roadshows and conferences organised by major brokerage firms.

All of the Group's media releases, financial results, annual reports, SGXNET announcements, presentation materials, archived webcasts and conference calls, and other corporate information are accessible on the Company's regularly updated website at [www.starhub.com/ir](http://www.starhub.com/ir) and, upon request, will be notified to each investor through an e-mail alert service. To ensure fair and non-selective disclosure of information to all investors, the Company announces material price-sensitive information (such as financial results) through SGXNET before conducting any media or analyst conferences.

Contact details of the Investor Relations team are provided on the Company's website and the team is always ready to address shareholders' queries and concerns. The team also keeps Management fully apprised of shareholder views and sentiments. Full-year results of the Company released within 60 days of the end of each financial year.

##### **Greater Shareholder Participation**

The Company views the AGM and other general meetings as good opportunities for meeting investors and addressing their concerns. The Board, Senior Management and external auditors attend all such meetings. Registered shareholders are invited to attend and participate actively in such meetings, including by clarifying and questioning the Group's strategic direction, business, operations, performance and proposed resolutions.

Each shareholder can vote in person or by appointing a maximum of two proxies to attend and vote on his behalf. The Company's Articles of Association do not allow shareholders to vote in absentia. Separate issues are tabled in separate resolutions at general meetings. Voting is carried out systematically and the resolutions passed are properly recorded.

Beyond complying with the requirements of the Code and the Companies Act, the Company has also undertaken various additional measures to enhance corporate governance. Firstly, the Company has taken steps to ensure that its notice of AGM is issued to shareholders at least 28 days before the scheduled date of the AGM. Secondly, the Company sends electronic annual reports (in the form of a CD-ROM) to all our shareholders (including foreign shareholders) at least 28 days before the AGM to ensure that all our shareholders have adequate opportunity to review our annual reports before the AGM. Hardcopies will be sent to shareholders upon request. Thirdly, the Board has undertaken not to introduce new resolutions within one week of each general meeting. Fourthly, voting at general meetings is conducted by way of a show of hands (rather than a poll) to ensure that minority shareholders' are not unduly prejudiced. Nonetheless, polls will be conducted upon the request of the Chairman or any shareholder.

# 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 2009 to 31 December 2009	
	\$m
<b>Transactions for the Sale of Goods &amp; Services</b>	
CapitalLand Limited & its associates	0.2
Singapore Telecommunications Limited & its associates	57.3
TeleChoice International Ltd & its associates	2.5
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	0.9
	60.9
<b>Transactions for the Purchase of Goods &amp; Services</b>	
CapitalLand Limited & its associates	4.5
Singapore Power Limited & its associates	25.7
Singapore Telecommunications Limited & its associates	134.3
STT Communications Ltd and its associates	2.3
TeleChoice International Ltd & its associates	119.3
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	6.1
	292.2

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 2009 to 31 December 2009.

During the financial year ended 31 December 2009, no material contracts were entered into by StarHub Ltd or any of its subsidiaries involving the interests of the CEO, any Director or controlling shareholder pursuant to Rule 1207(8) of the SGX-ST Listing Manual.

# Directors' Particulars

Directors	Age in year 2010	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		Present Principal Directorships/Chairmanships & Appointments (as at 31 Dec 2009)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2007 to 30 Dec 2009)
Tan Guong Ching	64	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 Temasek Life Sciences Laboratory Limited IP Academy Pteris Global Limited Singapore Shipping Corporation Limited	Allco (Singapore) Limited Allco SIF Ltd
Kua Hong Pak	66	ComfortDelGro Corporation Limited PSA Corporation Limited PSA International Pte Ltd SBS Transit Ltd Temasek Holdings (Private) Limited VICOM Ltd ComfortDelGro Cabcharge Pty Ltd CabCharge Australia Limited CityFleet (UK) Pte Ltd Metroline plc (UK)	–
Peter Seah Lim Huat	64	Singapore Technologies Engineering Ltd SembCorp Industries Limited CapitaLand Limited Global Crossing Limited Government of Singapore Investment Corporation Private Limited STATS ChipPAC Ltd Singapore Technologies Telemedia Pte Ltd Alliance Bank Malaysia Berhad Bank of China Limited DBS Group Holdings Ltd DBS Bank Ltd	PT Bank Internasional Indonesia Tbk The National Kidney Foundation EDB Investments Pte Ltd PT Indosat Tbk Singapore Computer Systems Limited The Siam Commercial Bank Public Company Limited, Singapore Branch Chartered Semiconductor Manufacturing Ltd

# Directors' Particulars

Directors	Age in year 2010	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		Present Principal Directorships/Chairmanships & Appointments (as at 31 Dec 2009)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2007 to 30 Dec 2009)
Nihal Vijaya Devadas Kaviratne CBE	66	GlaxoSmithKline Pharmaceuticals Limited TVS Motor Company (Europe) BV PT TVS Motor Company Agro Tech Foods Limited Fullerton India Credit Company Limited Titan Industries Ltd Wildlife Reserves Singapore Pte Ltd Fullerton Securities and Wealth Advisors Limited ICI India Limited	–
Lee Theng Kiat	57	Singapore Technologies Telemedia Pte Ltd STT Communications Ltd Asia Mobile Holding Company Pte. Ltd. Asia Mobile Holdings Pte. Ltd. Global Crossing Limited i-STT Investments Pte. Ltd. ST Telecommunications (Beijing) Co., Ltd ST Teleport Pte Ltd STT Crossing Ltd TeleChoice International Limited Shenington Investments Pte Ltd	PT Indosat Tbk Indonesia Communications Limited
Steven Terrell Clontz	60	InterDigital, Inc. Global Crossing Limited (as Executive Committee Member) Equinix, Inc. LiveCargo Inc. Foosti Pte. Ltd.	–



Directors	Age in year 2010	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		Present Principal Directorships/ Chairmanships & Appointments (as at 31 Dec 2009)	Past Principal Directorships/ Chairmanships & Appointments (from 1 Jan 2007 to 30 Dec 2009)
Lim Ming Seong	63	CSE Global Limited First Resources Ltd Singapore Technologies Kinetics Pte Ltd Singapore Technologies Telemedia Pte Ltd WhiteRock Partners Ltd Amplus Communications Pte Ltd	Healthstats International Pte Ltd WhiteRock Management Ltd WhiteRock Investments III Ltd STATS ChipPAC Ltd Genovate Solutions Pte Ltd Tuas Power Ltd Singapore Aerospace Manufacturing Pte Ltd Accuron Technologies Ltd United BMEC Pte Ltd WhiteRock Healthcare Pte Ltd
Lim Chin Beng	78	The Ascott Limited Changi Airport International Pte Ltd CapitaLand Hope Foundation CapitaLand Limited Pontiac Hotel Pte Ltd Pontiac Land Pte Ltd RCMS Hotels Ltd RCMS Properties Pte Ltd West Paces Hotel Group Asia Pte Ltd	Public Service Commission (as Member) Singapore Changi Airport Enterprise Pte Ltd Singapore Airshow & Events Pte Ltd
Sadao Maki	58	NTT Communications Corporation NTT Worldwide Telecommunications Corporation NTT Singapore Pte. Ltd. NTT Europe Ltd. NTT America, Inc. Verio, Inc. NTT Com China Company Ltd.	–
Teo Ek Tor	57	PrimePartners Group Pte Ltd PrimePartners Asset Management Pte Ltd Prime Partners Corporate Finance Pte Ltd PrimePartners Renewable Energy Inc United Pacific Industries Limited ServTouch Holdings Pte Ltd WhiteRock Medical Company Pte Ltd	ECS Holdings Limited Nylex (Malaysia) Bhd Tamco Corporate Holdings Berhad PFA Malaysia Sdn. Bhd.

# Directors' Particulars

Directors	Age in year 2010	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		Present Principal Directorships/Chairmanships & Appointments (as at 31 Dec 2009)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2007 to 30 Dec 2009)
Liu Chee Ming	59	Platinum Broking Company Limited Platinum Holdings Company Limited Platinum Securities Company Limited Platinum Securities Company Limited (Singapore) Access Investment Management (H.K.) Limited Brianne Investments Limited Kader Holdings Company Limited Keltyhill Incorporated Odlins Holdings Limited Yantai Raffles Shipyard Limited The Singapore International School Foundation Ltd	Media Asia Entertainment Group Ltd L.K. Technology Holdings Ltd Robinson & Co. Ltd Rainbow City Limited
Robert J. Sachs	62	Continental Consulting Group, LLC. (as Principal) Global Crossing Limited Big Band Networks, Inc. Dana-Farber Cancer Institute, Inc. National Coalition for Cancer Survivorship (as Chairman of Board of Trustees) UpdateLogic, Inc. WGBH Educational Foundation Citi Performing Arts Center	–
Nasser Marafih	49	Asia Mobile Holdings Pte. Ltd. Asiacell Communications LLC National Mobile Telecommunications Company K.S.C. Omani Qatari Telecommunications Company S.A.O.C. Orascom Telecom Tunisie SA PT Indosat, Tbk Shenington Investments Pte Ltd Wataniya Telecom Algeria S.p.A. Wataniya Palestine Mobile Telecommunications Co. Wi-tribe Ltd	–

# Financial Statements

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# Directors' Report

Year ended 31 December 2009

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 2009.

## Directors

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

Tan Guong Ching	(Chairman)
Neil Montefiore	(CEO) (Appointed as Director and CEO on 1 January 2010)
Kua Hong Pak	
Peter Seah Lim Huat	
Nihal Vijaya Devadas Kaviratne CBE	
Lee Theng Kiat	
Steven Terrell Clontz	
Lim Ming Seong	
Lim Chin Beng	
Sadao Maki	
Teo Ek Tor	
Liu Chee Ming	
Robert J. Sachs	
Nasser Marafih	
Sio Tat Hiang	(Alternate to Peter Seah Lim Huat)
Stephen Geoffrey Miller	(Alternate to Lee Theng Kiat)
Masakazu Inori	(Alternate to Sadao Maki)
Guy William Norman	(Appointed as Alternate to Nasser Marafih on 22 October 2009)

## Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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 2009	31 December 2009
<b>The Company</b>		
<b>Ordinary shares</b>		
Tan Guong Ching	–	10,300
Peter Seah Lim Huat	447,560	470,710
Nihal Vijaya Devadas Kaviratne CBE	–	8,400
Lee Theng Kiat	156,730	163,730
Steven Terrell Clontz	6,807,010 <sup>+</sup>	6,923,910 <sup>+</sup>
Lim Ming Seong	133,000	179,600
Lim Chin Beng	139,720 <sup>+</sup>	151,570 <sup>+</sup>
Teo Ek Tor	–	51,550
Liu Chee Ming	88,950 <sup>+</sup>	94,850 <sup>+</sup>
Robert J. Sachs	–	31,400

<sup>+</sup> Held (partly or wholly) by a nominee.

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

	1 January 2009	31 December 2009
<b>Related Corporations</b>		
<b>Global Crossing Limited</b>		
<b>Common stock of US\$0.01 each</b>		
Peter Seah Lim Huat	13,532	21,618
Lee Theng Kiat	10,835	17,506
Steven Terrell Clontz	11,665	18,916
Robert J. Sachs	11,665	18,916
<b>i-STT Investments Pte Ltd</b>		
<b>Ordinary shares (held in trust for STT Communications Ltd)</b>		
Lee Theng Kiat	1	1
<b>Singapore Airlines Limited</b>		
<b>Ordinary shares</b>		
Tan Guong Ching	2,000	2,000
<b>Singapore Technologies Engineering Ltd</b>		
<b>Ordinary shares</b>		
Tan Guong Ching	–	966
Peter Seah Lim Huat	307,500	335,108
Lim Ming Seong	30,000	45,790
Lim Chin Beng	121,373 <sup>+</sup>	121,373 <sup>+</sup>
<b>Singapore Telecommunications Limited</b>		
<b>Ordinary shares</b>		
Tan Guong Ching	2,840	2,840
Kua Hong Pak	3,027	3,027
Peter Seah Lim Huat	3,040	3,040
Lee Theng Kiat	1,610	1,610
Lim Chin Beng	1,360	1,360
Sio Tat Hiang	1,490	1,490

<sup>+</sup> Held (partly or wholly) by a nominee.



# Directors' Report

Year ended 31 December 2009

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

	1 January 2009	31 December 2009
<b>Related Corporations (continued)</b>		
<b>SMRT Corporation Ltd</b>		
Ordinary shares		
Tan Guong Ching	11,000	11,000
<b>SP Australia Networks (Transmission) Ltd ("SPANTL")</b>		
<b>SP Australia Networks (Distribution) Ltd ("SPANDL")</b>		
<b>SP Australia Networks (Finance) Trust ("SPANFT")</b>		
Stapled securities comprising shares in SPANTL and SPANDL and units in SPANFT		
Tan Guong Ching	100,000	140,685
<b>STATS ChipPAC Ltd</b>		
Ordinary shares		
Peter Seah Lim Huat	6,900	6,900
Steven Terrell Clontz	800	800
Lim Ming Seong	6,900	6,900
<b>TeleChoice International Limited</b>		
Ordinary shares		
Peter Seah Lim Huat	50,000	50,000
Steven Terrell Clontz	120,000	–
Lim Ming Seong	60,000	60,000
Sio Tat Hiang	150,000	150,000

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

	1 January 2009	31 December 2009	Exercise Price \$	Exercise Period
<b>The Company</b>				
<b>Options to subscribe for ordinary shares</b>				
Peter Seah Lim Huat	6,250	–	0.985	27.11.2005 to 26.11.2009
	8,500	–	1.52	31.05.2006 to 30.05.2010
Lim Ming Seong	18,750	–	0.96	03.04.2005 to 02.04.2009
	18,750	–	0.985	27.11.2005 to 26.11.2009
	25,500	25,500	1.52	31.05.2006 to 30.05.2010
Lim Chin Beng	6,250	–	0.985	27.11.2005 to 26.11.2009
	8,500	8,500	1.52	31.05.2006 to 30.05.2010
Teo Ek Tor	18,750	–	0.985	27.11.2005 to 26.11.2009
	25,500	–	1.52	31.05.2006 to 30.05.2010
Robert J. Sachs	25,500	–	1.52	31.05.2006 to 30.05.2010

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

	1 January 2009	31 December 2009
<b>The Company (continued)</b>		
<b>Conditional awards of shares</b>		
<b>Shares to be delivered after 2007</b>		
Steven Terrell Clontz	78,000 <sup>(1)</sup>	39,000 <sup>(1)</sup>
<b>Shares to be delivered after 2008</b>		
Tan Guong Ching	21,200 <sup>(2)</sup>	20,652 <sup>(2)</sup>
Peter Seah Lim Huat	17,200 <sup>(2)</sup>	16,712 <sup>(2)</sup>
Nihal Vijaya Devadas Kaviratne CBE	17,200 <sup>(2)</sup>	16,712 <sup>(2)</sup>
Lee Theng Kiat	14,400 <sup>(2)</sup>	14,024 <sup>(2)</sup>
Steven Terrell Clontz	300,000 <sup>(3)</sup>	—
	160,000 <sup>(4)</sup>	155,700 <sup>(4)</sup>
Lim Ming Seong	18,700 <sup>(2)</sup>	18,202 <sup>(2)</sup>
Lim Chin Beng	11,500 <sup>(2)</sup>	11,190 <sup>(2)</sup>
Teo Ek Tor	15,100 <sup>(2)</sup>	14,746 <sup>(2)</sup>
Liu Chee Ming	12,200 <sup>(2)</sup>	11,912 <sup>(2)</sup>
Robert J. Sachs	12,200 <sup>(2)</sup>	11,912 <sup>(2)</sup>
<b>Shares to be delivered after 2009</b>		
Tan Guong Ching	23,300 <sup>(5)</sup>	23,300 <sup>(5)</sup>
Peter Seah Lim Huat	19,000 <sup>(5)</sup>	19,000 <sup>(5)</sup>
Nihal Vijaya Devadas Kaviratne CBE	19,000 <sup>(5)</sup>	19,000 <sup>(5)</sup>
Lee Theng Kiat	15,800 <sup>(5)</sup>	15,800 <sup>(5)</sup>
Steven Terrell Clontz	176,000 <sup>(5)</sup>	176,000 <sup>(5)</sup>
	240,000 <sup>(6)</sup>	240,000 <sup>(6)</sup>
Lim Ming Seong	19,800 <sup>(5)</sup>	19,800 <sup>(5)</sup>
Lim Chin Beng	13,400 <sup>(5)</sup>	13,400 <sup>(5)</sup>
Teo Ek Tor	17,400 <sup>(5)</sup>	17,400 <sup>(5)</sup>
Liu Chee Ming	13,400 <sup>(5)</sup>	13,400 <sup>(5)</sup>
Robert J. Sachs	13,400 <sup>(5)</sup>	13,400 <sup>(5)</sup>
Nasser Marafih	11,000 <sup>(5)</sup>	11,000 <sup>(5)</sup>

<sup>(1)</sup> A conditional award under the StarHub Restricted Stock Plan was granted in July 2006. The performance period was from 2006 to 2007. The final award was granted in 2008 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2008 and 2009, and the balance would be delivered in 2010.

<sup>(2)</sup> A conditional award under the StarHub Restricted Stock Plan was granted in May 2007. The performance period was from 2007 to 2008. The final award was granted in 2009 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2009 and the balance would be delivered in phases according to the stipulated vesting periods in 2010 and 2011.

<sup>(3)</sup> A conditional award under the StarHub Performance Share Plan was granted in March 2006. The performance period was from 2006 to 2008. The conditional award lapsed in June 2009.

<sup>(4)</sup> A conditional award under the StarHub Restricted Stock Plan was granted in April 2007. The performance period was from 2007 to 2008. The final award was granted in 2009 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2009 and the balance would be delivered in phases according to the stipulated vesting periods in 2010 and 2011.

<sup>(5)</sup> A conditional award under the StarHub Restricted Stock Plan was granted in May 2008. The performance period is from 2008 to 2009. No shares will be delivered if the threshold performance targets are not achieved while up to 1.5 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.

<sup>(6)</sup> A conditional award under the StarHub Performance Share Plan was granted in March 2007. The performance period is from 2007 to 2009. 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 2009

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

	1 January 2009	31 December 2009
<b>The Company (continued)</b>		
<b>Conditional awards of shares</b>		
<b>Shares to be delivered after 2010</b>		
Tan Guong Ching	—	23,300 <sup>(7)</sup>
Peter Seah Lim Huat	—	19,000 <sup>(7)</sup>
Nihal Vijaya Devadas Kaviratne CBE	—	19,000 <sup>(7)</sup>
Lee Theng Kiat	—	15,800 <sup>(7)</sup>
Steven Terrell Clontz	—	176,000 <sup>(7)</sup>
	264,000 <sup>(8)</sup>	264,000 <sup>(8)</sup>
Lim Ming Seong	—	19,800 <sup>(7)</sup>
Lim Chin Beng	—	13,400 <sup>(7)</sup>
Teo Ek Tor	—	17,400 <sup>(7)</sup>
Liu Chee Ming	—	13,400 <sup>(7)</sup>
Robert J. Sachs	—	13,400 <sup>(7)</sup>
Nasser Marafih	—	11,000 <sup>(7)</sup>
<b>Shares to be delivered after 2011</b>		
Steven Terrell Clontz	—	264,000 <sup>(9)</sup>

<sup>(7)</sup> A conditional award under the StarHub Restricted Stock Plan was granted in May 2009. The performance period is from 2009 to 2010. No shares will be delivered if the threshold performance targets are not achieved while up to 1.5 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.

<sup>(8)</sup> A conditional award under the StarHub Performance Share Plan was granted in May 2008. The performance period is from 2008 to 2010. 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.

<sup>(9)</sup> A conditional award under the StarHub Performance Share Plan was granted in May 2009. The performance period is from 2009 to 2011. 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.

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

	1 January 2009	31 December 2009	Exercise Price \$	Exercise Period
<b>Related Corporations</b>				
<b>Global Crossing Limited</b>				
<b>Options to subscribe for common stock of US\$0.01 each</b>				
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
Steven Terrell Clontz	12,000	12,000	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 2009	31 December 2009	Vesting Period
<b>Global Crossing Limited</b>			
<b>Restricted stock units</b>			
Peter Seah Lim Huat	2,250	–	08.03.2005 to 08.03.2009
	4,176	–	On 24.06.2009
	–	2,345	On 04.06.2010
Lee Theng Kiat	1,500	–	08.03.2005 to 08.03.2009
	4,176	–	On 24.06.2009
	–	2,345	On 04.06.2010
Steven Terrell Clontz	1,500	–	08.03.2005 to 08.03.2009
	4,176	–	On 24.06.2009
	–	2,345	On 04.06.2010
Robert J. Sachs	1,500	–	08.03.2005 to 08.03.2009
	4,176	–	On 24.06.2009
	–	2,345	On 04.06.2010

# Directors' Report

Year ended 31 December 2009

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

	1 January 2009	31 December 2009	Exercise Price \$	Exercise Period
<b>Related Corporations (continued)</b>				
<b>Singapore Technologies Engineering Ltd</b>				
<b>Options to subscribe for ordinary shares</b>				
Tan Guong Ching	10,750	10,750	2.57	11.08.2006 to 10.08.2010
	13,500	13,500	3.01	10.02.2007 to 09.02.2011
	13,500	13,500	2.84	11.08.2007 to 10.08.2011
	13,500	13,500	3.23	16.03.2008 to 15.03.2012
	13,500	13,500	3.61	11.08.2008 to 10.08.2012
Peter Seah Lim Huat	11,125	–	2.09	10.02.2005 to 09.02.2009
	11,125	–	2.12	11.08.2005 to 10.08.2009
	22,250	22,250	2.37	08.02.2006 to 07.02.2010
	22,250	22,250	2.57	11.08.2006 to 10.08.2010
	33,375	33,375	3.01	10.02.2007 to 09.02.2011
	33,375	33,375	2.84	11.08.2007 to 10.08.2011
	44,500	44,500	3.23	16.03.2008 to 15.03.2012
	44,500	44,500	3.61	11.08.2008 to 10.08.2012
Lim Ming Seong	7,500	–	2.09	10.02.2005 to 09.02.2009
	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	7,500	3.01	10.02.2007 to 09.02.2011
	7,500	7,500	2.84	11.08.2007 to 10.08.2011
	7,500	7,500	3.23	16.03.2008 to 15.03.2012
	7,500	7,500	3.61	11.08.2008 to 10.08.2012
Lim Chin Beng	1,793	1,793	2.57	11.08.2006 to 10.08.2010
<b>Singapore Technologies Engineering Ltd</b>				
<b>Conditional awards of shares</b>				
<b>Shares to be delivered after 2008</b>				
Tan Guong Ching	8,250 <sup>(10)</sup>	1,933 <sup>(10)</sup>		
Peter Seah Lim Huat	45,750 <sup>(10)</sup>	10,716 <sup>(10)</sup>		
Lim Ming Seong	6,750 <sup>(10)</sup>	1,582 <sup>(10)</sup>		
<b>Shares to be delivered after 2009</b>				
Tan Guong Ching	–	8,250 <sup>(11)</sup>		
Peter Seah Lim Huat	–	45,750 <sup>(11)</sup>		
Lim Ming Seong	–	6,000 <sup>(11)</sup>		

<sup>(10)</sup> The minimum threshold performance over the period from 1 January 2008 to 31 December 2008 is required for any restricted shares to be released. The final award was granted in 2009 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2009 and the balance would be delivered in phases according to the stipulated vesting periods.

<sup>(11)</sup> The minimum threshold performance over the period from 1 January 2009 to 31 December 2009 is required for any restricted shares to be released. A specific number of restricted shares to be released will depend on the extent of achievement of all performance conditions and will be delivered in phases according to the stipulated vesting periods.



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

	1 January 2009	31 December 2009	Exercise Price \$	Exercise Period
<b>Related Corporations (continued)</b>				
<b>STATS ChipPAC Ltd</b>				
<b>Options to subscribe for ordinary shares</b>				
Peter Seah Lim Huat	70,000	70,000	1.99	06.08.2004 to 05.08.2013
	35,000	35,000	1.91	17.02.2005 to 16.02.2014

	1 January 2009	31 December 2009	Vesting Period
<b>STATS ChipPAC Ltd</b>			
<b>Restricted share units</b>			
Peter Seah Lim Huat		13,800	6,900
			16.02.2008 to 16.02.2010

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 date of appointment, if later, or at the end of the financial year.

There were no changes in the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2010 except for the following director's change in interests in the Company:

## Options and other interests in the Company

	31 December 2009	21 January 2010
<b>The Company</b>		
<b>Conditional awards of shares</b>		
<b>Shares to be delivered after 2007</b>		
Steven Terrell Clontz	39,000 <sup>(1)</sup>	—
<b>Shares to be delivered after 2008</b>		
Steven Terrell Clontz	155,700 <sup>(4)</sup>	—
<b>Shares to be delivered after 2009</b>		
Steven Terrell Clontz	176,000 <sup>(5)</sup>	—
<b>Shares to be delivered after 2010</b>		
Steven Terrell Clontz	176,000 <sup>(7)</sup>	—
	264,000 <sup>(8)</sup>	—
<b>Shares to be delivered after 2011</b>		
Steven Terrell Clontz	264,000 <sup>(9)</sup>	—

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 19.2.2 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 2009

## 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 held on 16 August 2004.

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

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

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

- (i) The StarHub Share Option Plan 2000 was terminated in 2004, while the StarHub Share Option Plan 2004 has been suspended since 2006. Hence, no option has been granted since 2006. The existing options granted will continue to vest according to the terms of the StarHub Share Option Plan 2000, or as applicable, the StarHub Share Option Plan 2004 and the respective grants.
- (ii) Details of options granted to directors of the Company under the StarHub Share Option Plans are as follows:

Name of director	Options granted during the financial year	Aggregate options granted and accepted since commencement of the StarHub Share Option Plans to 31 December 2009	Aggregate options exercised since commencement of the StarHub Share Option Plans to 31 December 2009	Aggregate options outstanding as at 31 December 2009
<b>StarHub Share Option Plan 2000</b>				
Peter Seah Lim Huat	—	93,750	93,750	—
Lee Theng Kiat	—	143,750	143,750	—
Steven Terrell Clontz	—	6,875,010	6,875,010	—
Lim Ming Seong	—	118,750	118,750	—
Lim Chin Beng	—	143,750	143,750	—
<b>StarHub Share Option Plan 2004</b>				
Peter Seah Lim Huat	—	44,250	44,250	—
Nihal Vijaya Devadas Kaviratne CBE	—	44,250	44,250	—
Lee Theng Kiat	—	44,250	44,250	—
Lim Ming Seong	—	44,250	18,750	25,500
Lim Chin Beng	—	44,250	35,750	8,500
Teo Ek Tor	—	44,250	44,250	—
Liu Chee Ming	—	44,250	44,250	—
Robert J. Sachs	—	25,500	25,500	—

- (iii) As at the end of the financial year, no options have been granted to controlling shareholders of the Company or its associates or to directors or employees of the Parent Group.
- (iv) No options had been offered at a discount during the financial year.
- (v) The options granted by the Company do not entitle the option holders, by virtue of such holding, to any rights to participate in any share issue of any other company.
- (vi) During the financial year, a total of 1,974,445 ordinary shares fully paid in the Company were issued pursuant to the exercise of options under the StarHub Share Option Plans at exercise prices of between \$0.68 and \$1.52 per share.

## Equity Compensation Benefits (continued)

(vii) As at the end of the financial year, unissued shares of the Company under the StarHub Share Option Plans are as follows:

Number of Optionholders	Exercise Period	Number of Unissued Shares	Exercise Price per Share
3	17.06.2001 to 16.06.2010	13,500	0.480
1	03.10.2001 to 02.10.2010	3,000	0.480
5	28.04.2002 to 27.04.2011	6,375	0.880
13	27.10.2002 to 26.10.2011	10,250	0.880
21	29.11.2002 to 29.11.2012	104,685	0.680
19	27.04.2003 to 26.04.2012	21,875	0.880
77	30.11.2003 to 29.11.2012	311,760	0.880
117	31.05.2004 to 30.05.2013	264,038	0.880
184	29.11.2004 to 28.11.2013	449,880	0.880
299	03.04.2005 to 02.04.2014	628,546	0.960
428	27.11.2005 to 26.11.2014	1,048,157	0.985
2	31.05.2006 to 30.05.2010	34,000	1.520
713	31.05.2006 to 30.05.2015	3,100,309	1.520
Total		5,996,375	

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 StarHub 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 the 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.

# Directors' Report

Year ended 31 December 2009

## Equity Compensation Benefits (continued)

- (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.

Since the commencement of the StarHub Performance Share Plan to the financial year ended 31 December 2009, conditional awards aggregating 5,328,000 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.

Details of share awards granted under the StarHub Performance Share Plan (or "PSP"), are as follows:

Participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of the PSP to 31 December 2009	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2009
<b>Executive director:</b>				
Steven Terrell Clontz	264,000	1,943,000	—	768,000
<b>Key executives</b>	321,000	3,385,000	—	795,000

- (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 2009:

- (1) performance-based restricted awards aggregating 7,140,100 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 or as the case may be 1.5 times, the number of shares that are the subject of the award, will be delivered if stretched performance targets are met or exceeded; and
- (2) a time-based restricted award of 100,000 shares has been granted on 15 January 2009. The shares under this award will vest in three equal tranches over a 3-year period from 1 January 2009 to 31 December 2011 according to a specified vesting schedule.

## Equity Compensation Benefits (continued)

Details of share awards granted under the StarHub Restricted Stock Plan (or “RSP”), are as follows:

Participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of the RSP to 31 December 2009	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2009
<b>Non-executive directors:</b>				
Tan Guong Ching	23,300	67,800	10,300	67,252
Peter Seah Lim Huat	19,000	55,200	8,400	54,712
Nihal Vijaya Devadas Kaviratne CBE	19,000	55,200	8,400	54,712
Lee Theng Kiat	15,800	46,000	7,000	45,624
Lim Ming Seong	19,800	58,300	9,100	57,802
Lim Chin Beng	13,400	38,300	5,600	37,990
Teo Ek Tor	17,400	49,900	7,300	49,546
Liu Chee Ming	13,400	39,000	5,900	38,712
Robert J. Sachs	13,400	39,000	5,900	38,712
Nasser Marafih	11,000	22,000	–	22,000
<b>Executive director:</b>				
Steven Terrell Clontz	176,000	692,000	116,900	546,700
<b>Key employees</b>	1,640,000	6,019,400	926,300	4,010,152

As at 31 December 2009, no participant has been granted options under the StarHub 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:

- the total number of new shares available under the StarHub Share Option Plans, StarHub Performance Share Plan and StarHub Restricted Stock Plan collectively; and
- the total number of existing shares delivered pursuant to options exercised under the StarHub 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 2009

## 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 has undertaken a review of all non-audit services provided by the external auditors, and is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that KPMG LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

## Auditors

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

On behalf of the Board of Directors



**Tan Guong Ching**  
Director



**Steven Terrell Clontz**  
Director

Singapore  
4 February 2010



# Statement by Directors

Year ended 31 December 2009

## In our opinion:

- (a) the financial statements set out on pages 93 to 137 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 2009 and the results and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 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

Singapore  
4 February 2010



**Steven Terrell Clontz**  
Director

# Independent Auditors' Report

Year ended 31 December 2009

## 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 statements of financial position of the Group and the Company as at 31 December 2009, the income statement and statement of comprehensive income, statement of changes in equity and cash flow statement of the Group, and the income statement and statement of comprehensive income and statement of changes in equity of Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 93 to 137.

### Management's responsibility for the financial statements

Management is 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:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statements and statements of financial position and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

### Auditors' 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 judgement, 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 management, 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 statement of financial position, the income statement and statement of comprehensive income 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 2009 and the results, changes in equity and cash flows of the Group and the results and changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



### KPMG LLP

Public Accountants and  
Certified Public Accountants

Singapore  
4 February 2010

# Statements of Financial Position

As at 31 December 2009

	Notes	GROUP		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	3	<b>785,133</b>	845,654	<b>347,835</b>	324,913
Intangible assets	4	<b>415,735</b>	380,997	<b>133,873</b>	94,190
Subsidiaries	5	<b>–</b>	–	<b>1,174,068</b>	1,162,068
Deferred tax assets	6	<b>5,318</b>	25,098	<b>–</b>	–
		<b>1,206,186</b>	1,251,749	<b>1,655,776</b>	1,581,171
<b>Current assets</b>					
Inventories	7	<b>28,195</b>	20,505	<b>22,729</b>	12,041
Trade receivables	8	<b>125,362</b>	127,760	<b>91,393</b>	90,564
Other receivables, deposits and prepayments	9	<b>116,091</b>	112,801	<b>22,537</b>	21,260
Balances with related parties	10	<b>22,584</b>	20,127	<b>714,412</b>	811,611
Cash and bank balances	11	<b>234,193</b>	128,327	<b>132,312</b>	111,611
		<b>526,425</b>	409,520	<b>983,383</b>	1,047,087
Less:					
<b>Current liabilities</b>					
Trade payables and accruals		<b>377,126</b>	339,854	<b>223,021</b>	204,825
Other payables	12	<b>196,392</b>	197,704	<b>59,893</b>	51,821
Balances with related parties	10	<b>42,096</b>	40,088	<b>143,477</b>	207,797
Bank loans	13	<b>290,392</b>	217,892	<b>290,392</b>	217,892
Provision for taxation		<b>19,460</b>	–	<b>19,460</b>	–
		<b>925,466</b>	795,538	<b>736,243</b>	682,335
<b>Net current (liabilities)/assets</b>		<b>(399,041)</b>	(386,018)	<b>247,140</b>	364,752
<b>Non-current liabilities</b>					
Bank loans	13	<b>(605,395)</b>	(695,787)	<b>(605,395)</b>	(695,787)
Other payables	12	<b>(8,062)</b>	(12,372)	<b>(8,062)</b>	(11,287)
Deferred income	14	<b>(6,635)</b>	(10,709)	<b>–</b>	–
Deferred tax liabilities	6	<b>(61,237)</b>	(38,810)	<b>(47,694)</b>	(27,158)
		<b>(681,329)</b>	(757,678)	<b>(661,151)</b>	(734,232)
<b>Net assets</b>		<b>125,816</b>	108,053	<b>1,241,765</b>	1,211,691
<b>Shareholders' equity</b>					
Share capital	15	<b>257,514</b>	255,116	<b>257,514</b>	255,116
Reserves	17	<b>(131,698)</b>	(147,063)	<b>984,251</b>	956,575
<b>Total equity</b>		<b>125,816</b>	108,053	<b>1,241,765</b>	1,211,691

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

# Income Statements

Year ended 31 December 2009

		GROUP		COMPANY	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Operating revenue	18	<b>2,150,041</b>	2,127,608	<b>932,240</b>	869,519
Operating expenses	19	<b>(1,741,633)</b>	(1,718,351)	<b>(791,883)</b>	(767,636)
Other income	20	<b>–</b>	–	<b>241,957</b>	263,387
		<b>408,408</b>	409,257	<b>382,314</b>	365,270
Finance income	21	<b>800</b>	844	<b>17,386</b>	16,074
Finance expense	21	<b>(24,053)</b>	(27,303)	<b>(22,901)</b>	(26,371)
Net finance costs		<b>(23,253)</b>	(26,459)	<b>(5,515)</b>	(10,297)
<b>Profit before taxation</b>		<b>385,155</b>	382,798	<b>376,799</b>	354,973
Taxation	22	<b>(65,469)</b>	(71,479)	<b>(43,785)</b>	(84,035)
<b>Profit for the year</b>		<b>319,686</b>	311,319	<b>333,014</b>	270,938
Attributable to:					
Equity holders of the Company		<b>319,686</b>	311,319	<b>333,014</b>	270,938
Profit for the year		<b>319,686</b>	311,319	<b>333,014</b>	270,938
<b>Earnings per share</b>					
Basic (cents)	23	<b>18.68</b>	18.28		
Diluted (cents)	23	<b>18.58</b>	18.16		
<b>EBITDA</b>	24	<b>653,487</b>	644,382		

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

# Statements of Comprehensive Income

Year ended 31 December 2009

		GROUP		COMPANY	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit for the year</b>		<b>319,686</b>	311,319	<b>333,014</b>	270,938
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedge, (net of tax)		<b>5,004</b>	(10,110)	<b>3,987</b>	(10,345)
<b>Other comprehensive income for the year, net of tax</b>		<b>5,004</b>	(10,110)	<b>3,987</b>	(10,345)
<b>Total comprehensive income for the year</b>		<b>324,690</b>	301,209	<b>337,001</b>	260,593
Attributable to:					
Equity holders of the Company		<b>324,690</b>	301,209	<b>337,001</b>	260,593
<b>Total comprehensive income for the year</b>		<b>324,690</b>	301,209	<b>337,001</b>	260,593

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

# Statements of Changes in Equity

Year ended 31 December 2009

GROUP	Share Capital \$'000	Treasury Shares \$'000	Goodwill Written Off \$'000	Share- Based Payments Reserve \$'000	Hedging Reserve \$'000	Retained Profits \$'000	Total Reserves \$'000	Total Equity \$'000
At 1.1.2008	247,207	(16,223)	(276,290)	19,883	(2,262)	135,342	(139,550)	107,657
Issue of shares pursuant to share option plans	7,909	–	–	–	–	–	–	7,909
Share-based payments expenses	–	–	–	4,719	–	–	4,719	4,719
Purchase of treasury shares	–	(5,785)	–	–	–	–	(5,785)	(5,785)
Transfer from treasury shares to share-based payments reserve	–	16,008	–	(16,008)	–	–	–	–
Dividends paid (note 16)	–	–	–	–	–	(307,656)	(307,656)	(307,656)
Total comprehensive income for the year	–	–	–	–	(10,110)	311,319	301,209	301,209
At 31.12.2008	255,116	(6,000)	(276,290)	8,594	(12,372)	139,005	(147,063)	108,053
At 1.1.2009	<b>255,116</b>	<b>(6,000)</b>	<b>(276,290)</b>	<b>8,594</b>	<b>(12,372)</b>	<b>139,005</b>	<b>(147,063)</b>	<b>108,053</b>
Issue of shares pursuant to share option plans	<b>2,398</b>	–	–	–	–	–	–	<b>2,398</b>
Share-based payments expenses	–	–	–	<b>5,092</b>	–	–	<b>5,092</b>	<b>5,092</b>
Transfer from treasury shares to share-based payments reserve	–	<b>3,026</b>	–	<b>(733)</b>	–	–	<b>2,293</b>	<b>2,293</b>
Dividends paid (note 16)	–	–	–	–	–	<b>(316,710)</b>	<b>(316,710)</b>	<b>(316,710)</b>
Total comprehensive income for the year	–	–	–	–	<b>5,004</b>	<b>319,686</b>	<b>324,690</b>	<b>324,690</b>
At 31.12.2009	<b>257,514</b>	<b>(2,974)</b>	<b>(276,290)</b>	<b>12,953</b>	<b>(7,368)</b>	<b>141,981</b>	<b>(131,698)</b>	<b>125,816</b>

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



<b>COMPANY</b>	<b>Share Capital \$'000</b>	<b>Treasury Shares \$'000</b>	<b>Merger/ Capital Reserve \$'000</b>	<b>Share- Based Payments Reserve \$'000</b>	<b>Hedging Reserve \$'000</b>	<b>Retained Profits \$'000</b>	<b>Total Reserves \$'000</b>	<b>Total Equity \$'000</b>
At 1.1.2008	247,207	(16,223)	276,526	19,883	(942)	725,460	1,004,704	1,251,911
Issue of shares pursuant to share option plans	7,909	–	–	–	–	–	–	7,909
Share-based payments expenses	–	–	–	4,719	–	–	4,719	4,719
Purchase of treasury shares	–	(5,785)	–	–	–	–	(5,785)	(5,785)
Transfer from treasury shares to share-based payments reserve	–	16,008	–	(16,008)	–	–	–	–
Dividends paid (note 16)	–	–	–	–	–	(307,656)	(307,656)	(307,656)
Total comprehensive income for the year	–	–	–	–	(10,345)	270,938	260,593	260,593
At 31.12.2008	255,116	(6,000)	276,526	8,594	(11,287)	688,742	956,575	1,211,691
At 1.1.2009	<b>255,116</b>	<b>(6,000)</b>	<b>276,526</b>	<b>8,594</b>	<b>(11,287)</b>	<b>688,742</b>	<b>956,575</b>	<b>1,211,691</b>
Issue of shares pursuant to share option plans	<b>2,398</b>	–	–	–	–	–	–	<b>2,398</b>
Share-based payments expenses	–	–	–	<b>5,092</b>	–	–	<b>5,092</b>	<b>5,092</b>
Transfer from treasury shares to share-based payments reserve	–	<b>3,026</b>	–	<b>(733)</b>	–	–	<b>2,293</b>	<b>2,293</b>
Dividends paid (note 16)	–	–	–	–	–	<b>(316,710)</b>	<b>(316,710)</b>	<b>(316,710)</b>
Total comprehensive income for the year	–	–	–	–	<b>3,987</b>	<b>333,014</b>	<b>337,001</b>	<b>337,001</b>
At 31.12.2009	<b>257,514</b>	<b>(2,974)</b>	<b>276,526</b>	<b>12,953</b>	<b>(7,300)</b>	<b>705,046</b>	<b>984,251</b>	<b>1,241,765</b>

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

# Consolidated Cash Flow Statement

Year ended 31 December 2009

	2009 \$'000	2008 \$'000
<b>Operating activities</b>		
Profit before taxation	385,155	382,798
Adjustments for:		
Depreciation and amortisation (net of asset grants)	245,079	235,125
Property, plant and equipment and intangible assets written-off	3,418	1,577
Share-based payments	5,092	4,719
Changes in fair value of financial instruments	(2,869)	1,274
Interest expense	24,053	27,303
Interest income	(800)	(844)
Other non-cash items	689	916
Operating cash flow before working capital changes	659,817	652,868
Changes in working capital:		
Inventories	(7,690)	(657)
Trade receivables	2,398	(14,250)
Other receivables, deposits and prepayments	(3,092)	(17,850)
Trade payables, accruals and other payables	41,430	6,757
Related corporations balances (trade)	(449)	(29,657)
Cash generated from operating activities	692,414	597,211
Income tax refund	–	269
<b>Net cash from operating activities</b>	<b>692,414</b>	<b>597,480</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment and intangible assets	660	146
Purchase of property, plant and equipment and intangible assets	(231,397)	(219,768)
Interest received	784	864
<b>Net cash used in investing activities</b>	<b>(229,953)</b>	<b>(218,758)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	2,398	7,909
Interest paid	(24,391)	(28,517)
Proceeds from loans	200,000	–
Repayment of loans	(217,892)	(54,321)
Dividends paid	(316,710)	(307,656)
Purchase of treasury shares	–	(5,785)
<b>Net cash used in financing activities</b>	<b>(356,595)</b>	<b>(388,370)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>105,866</b>	<b>(9,648)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>128,327</b>	<b>137,975</b>
<b>Cash and cash equivalents at end of year (note 11)</b>	<b>234,193</b>	<b>128,327</b>

## Significant non-cash transactions

During the financial year ended 31 December 2009, the Group entered into capacity swap transactions of \$5.8 million (2008: \$6.0 million) with other operators.

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

# Notes to the Financial Statements

Year ended 31 December 2009

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 February 2010.

## 1 Domicile and Activities

StarHub Ltd ("StarHub" or the "Company") is incorporated in the Republic of Singapore and has its registered office at 67 Ubi Avenue 1, #05-01 StarHub Green, Singapore 408942.

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) pursuant to the requirements of the Companies Act, Chapter 50.

The financial statements are prepared on a 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 accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements, except as disclosed below.

#### Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2009. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

Comparative information has been re-presented so that it is in conformity with the revised standards. The changes in accounting policies do not have any material impact on earnings per share and profit or loss.

#### FRS 1 Presentation of Financial Statements

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. Components of income and expenses (non-owner changes in equity) are not allowed in the statement of changes in equity, these items are presented in the statement of comprehensive income and only the totals are presented in the statement of changes in equity.

Statement of comprehensive income is presented with this revised standard.

#### FRS 23 Borrowing costs (revised)

The revised FRS 23 requires the capitalisation of borrowing costs when such costs relate to a qualifying asset and removes the option to immediately expense all borrowing costs. A qualifying asset is an asset that necessarily takes a substantial period of time to be ready for its intended use or sale. Previously, the Group immediately recognised all borrowing costs as an expense.

# Notes to the Financial Statements

Year ended 31 December 2009

## 2 Summary of Significant Accounting Policies (continued)

### 2.1 Basis of preparation (continued)

#### FRS 108 Operating Segments

FRS 108 requires the disclosure of segment information based on the information reviewed by the chief operating decision maker ("CODM"). Previously, segment information was presented in accordance with FRS 14 which requires the identification of two sets of segments (business and geographical). With the adoption of FRS 108, the identification of the Group's reportable segments is changed to reflect the information as reviewed by the CODM for performance assessment and resource allocation. This is a disclosure standard. It does not have impact on the financial position and results of the Group.

#### INT FRS 113 Customer Loyalty Programmes

The adoption of INT FRS 113 requires the Group to account for customer loyalty programmes by a multi-element approach. Consideration received from a sales transaction which attracts customer loyalty credits need to be separated into consideration from goods and services delivered and customer loyalty credits that can be redeemed in the future. The consideration allocated to customer loyalty credits is measured by its fair value to the customer and is accounted as unearned revenue until the customer loyalty credits are redeemed by the customer. At customer's redemption, the cost of fulfilling the customer loyalty credits is also recognised.

Previously, the Group accounted for customer loyalty programme when the services qualifying for customer loyalty credits are met by making a provision for customer loyalty programmes.

#### New accounting standards and interpretations not yet adopted

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the reporting date but are not yet effective:

FRS 27 (revised)	: Consolidated and Separate Financial Statements
FRS 101 (revised)	: First-time Adoption of FRS
FRS 103 (revised)	: Business Combinations
INT FRS 117	: Distributions of Non-cash Assets to Owners
Amendments to FRS 32	: Amendments Relating to Classification of Rights Issues
Amendments to FRS 39	: Amendments Relating to Eligible Hedged Items
Amendments to FRS 102	: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 105	: Non-current Assets Held for Sale and Discontinued Operations
Improvement to FRSs 2009	

The initial application of these standards and interpretations relevant to the Group's operations 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 31 December 2009.

### 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 statement of financial position 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.

## **2 Summary of Significant Accounting Policies (continued)**

### **2.2 Consolidation (continued)**

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, 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 reporting date. Income, expenses and cash flows are translated at average rates prevailing during the period. Translation differences are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve. When a foreign subsidiary is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

All significant intra-group transactions, balances and unrealised gains/losses 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. Otherwise they are recognised immediately in the income statement.

### **2.3 Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets include the cost of materials and direct labour, an appropriate proportion of overheads, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised borrowing costs.

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 income statement on the date of retirement or disposal.

Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Leasehold building	– 30 years
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

# Notes to the Financial Statements

Year ended 31 December 2009

## **2 Summary of Significant Accounting Policies (continued)**

### **2.3 Property, plant and equipment and depreciation (continued)**

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 assets, liabilities and contingent liabilities of the acquiree. Goodwill is stated at cost less accumulated 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 the consolidated income statement.

Goodwill arising on acquisitions of subsidiaries that occurred prior to 1 January 2001 was written off against reserves in the year of acquisition and has not been retrospectively capitalised and amortised.

Goodwill that has previously been taken to reserves is not taken to the income 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 income statement when the business is disposed of.

#### **Telecommunications licences**

Telecommunications licences costs incurred is measured at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to income statement using the straight-line method over the period of the licence, being 10 to 20 years, commencing from the effective date of the licence.

#### **Computer software**

Computer software comprises software purchased from third parties, and also the cost of internally developed software. Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to income statement using the straight-line method over their estimated useful lives of 2 years to 5 years.

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 recognised in income statement as incurred.

Computer software integral to a related item of equipment is accounted for as property, plant and equipment.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### **2.5 Impairment**

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting 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 income statement unless it reverses a previous revaluation, in which case it is charged to other comprehensive income.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually or earlier within the year when indicators of impairment are identified.



## **2 Summary of Significant Accounting Policies (continued)**

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

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 of an asset or its cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 income statement.

### **2.6 Inventories**

Inventories comprise goods held for resale and reserved telephone numbers. Inventories are valued at the lower of cost and net realisable value. The cost 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.

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

### **2.7 Trade and other receivables**

Trade and other receivables (including balances with related parties) are 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.

### **2.8 Cash and cash equivalents**

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents comprise cash balances and deposits with financial institutions and bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

### **2.9 Trade and other payables**

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

### **2.10 Bank loans**

Bank loans are initially recognised at fair value of the proceeds received less directly attributable transaction costs. After initial recognition, bank loans are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transactions costs) and the settlement or redemption of the bank loans is recognised in income statement over the period of the bank loans.

# Notes to the Financial Statements

Year ended 31 December 2009

## 2 Summary of Significant Accounting Policies (continued)

### 2.11 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 reporting 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 the Restricted Stock Plan are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expense is amortised and recognised in the income statement on a straight line basis over the vesting period. At each reporting 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 income statement, with a corresponding adjustment to equity.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement when incurred.

#### Other short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or Performance Cash Plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 2.12 Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable from a sales transaction which attracts customer loyalty credits or points is allocated between the customer loyalty points and the other component of the sale. The amount allocated to the customer loyalty points is estimated by reference to the fair value of the customer loyalty points for which they could be redeemed. The fair value of the customer loyalty points is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and recorded as unearned revenue until the customer loyalty points are redeemed. At this juncture, the cost of fulfilling the customer loyalty credits is also recognised.

### 2.13 Provisions

Provisions are 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.

### 2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity shares are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased and held as treasury shares, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

## **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 income 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 statement of financial position 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 statement of financial position as unearned revenue. Upon the expiry of pre-paid and phone cards, any unutilised value of the cards is taken to the income 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 recognised in the income 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 income 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 income 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 income 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 income statement on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income 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 where 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 2009

## **2 Summary of Significant Accounting Policies (continued)**

### **2.21 Income taxes**

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case such tax is recognised in equity, or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is provided based on the expected realisation or settlement of the temporary differences, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction other than a business combination that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **2.22 Dividends to Company's shareholders**

Interim dividends to the Company's shareholders are recognised in the financial year in which they are declared payable. Final dividends to the Company's shareholders are recognised in 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 exchange rates approximate to those ruling at the reporting date. Transactions in foreign currencies are translated at rates ruling on transaction dates. The translation differences arising from such transactions are included in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Singapore dollars at the exchange rate at the date on which fair value was determined.

## **2 Summary of Significant Accounting Policies (continued)**

### **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 prevailing at reporting date. The gain or loss on remeasurement to fair value is recognised immediately in the income 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 reporting 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 reporting date, being the present value of the quoted forward price.

### **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 other comprehensive income and presented in the Hedging Reserve 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 other comprehensive income 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 in other comprehensive income are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For other cash flow hedges, the associated cumulative gain or loss that was recognised in other comprehensive income is removed and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income 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 other comprehensive income 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 other comprehensive income is recognised immediately in the income 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 income statement.

# Notes to the Financial Statements

Year ended 31 December 2009

## **2 Summary of Significant Accounting Policies (continued)**

### **2.26 Segment reporting**

With the adoption of FRS 108, segment information is presented based on the information reviewed by chief operating decision makers ("CODM") for performance assessment and resource allocation.

The Group operates primarily in Singapore and delivers its Mobile, Pay TV, Broadband, Fixed network services and equipment sales on an operationally integrated network, customer service, sales, marketing and administration support. Accordingly, the Group is regarded as one reporting segment.

### **2.27 Significant accounting estimates and judgements**

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.

In the application of the Group's accounting policies, which are described in note 2, management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

The key assumptions concerning the future, and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are described in the following notes:

- Note 4 – measurement of recoverable amounts relating to goodwill impairment
- Note 8 – measurement of recoverable amounts of trade receivables
- Note 19.2.2 – measurement of share-based payments
- Note 27 – valuation of financial instruments



### 3 Property, Plant and Equipment

GROUP	Leasehold building \$'000	Leasehold improve- ments \$'000	Freehold property \$'000	Network equipment \$'000	Office equipment, computers and furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>								
At 1.1.2008	5,722	44,384	1,657	2,397,988	130,789	6,464	79,039	2,666,043
Additions	–	120	–	9,812	734	450	162,210	173,326
Transfers	–	912	–	126,422	11,577	263	(139,174)	–
Reclassifications	–	–	–	–	5	–	(67)	(62)
Disposals	–	–	–	(5,465)	(1,194)	(1,002)	–	(7,661)
Write-offs	–	(3)	–	(4,986)	(2,805)	–	(1,180)	(8,974)
At 31.12.2008	5,722	45,413	1,657	2,523,771	139,106	6,175	100,828	2,822,672
At 1.1.2009	<b>5,722</b>	<b>45,413</b>	<b>1,657</b>	<b>2,523,771</b>	<b>139,106</b>	<b>6,175</b>	<b>100,828</b>	<b>2,822,672</b>
Additions	–	–	–	136	181	–	169,748	170,065
Transfers	–	26,178	–	161,597	9,776	1,856	(199,407)	–
Reclassifications	–	–	–	–	–	–	(137)	(137)
Disposals	–	–	–	(25,716)	(7,028)	(1,855)	–	(34,599)
Write-offs	–	(7,774)	–	(35,161)	(4,182)	–	–	(47,117)
At 31.12.2009	<b>5,722</b>	<b>63,817</b>	<b>1,657</b>	<b>2,624,627</b>	<b>137,853</b>	<b>6,176</b>	<b>71,032</b>	<b>2,910,884</b>
<b>Accumulated depreciation and impairment losses</b>								
At 1.1.2008	32	41,143	–	1,623,377	94,355	5,873	7,293	1,772,073
Charge for the year	191	1,403	–	202,815	15,327	329	–	220,065
Disposals	–	–	–	(5,441)	(1,211)	(1,001)	–	(7,653)
Write-offs	–	(3)	–	(4,668)	(2,796)	–	–	(7,467)
At 31.12.2008	223	42,543	–	1,816,083	105,675	5,201	7,293	1,977,018
At 1.1.2009	<b>223</b>	<b>42,543</b>	<b>–</b>	<b>1,816,083</b>	<b>105,675</b>	<b>5,201</b>	<b>7,293</b>	<b>1,977,018</b>
Charge for the year	<b>191</b>	<b>4,780</b>	<b>–</b>	<b>206,315</b>	<b>15,160</b>	<b>508</b>	<b>–</b>	<b>226,954</b>
Transfers	–	–	–	7,293	–	–	(7,293)	–
Disposals	–	–	–	(25,379)	(7,023)	(1,850)	–	(34,252)
Write-offs	–	(7,523)	–	(32,307)	(4,139)	–	–	(43,969)
At 31.12.2009	<b>414</b>	<b>39,800</b>	<b>–</b>	<b>1,972,005</b>	<b>109,673</b>	<b>3,859</b>	<b>–</b>	<b>2,125,751</b>
<b>Carrying amount</b>								
At 1.1.2008	5,690	3,241	1,657	774,611	36,434	591	71,746	893,970
At 31.12.2008	5,499	2,870	1,657	707,688	33,431	974	93,535	845,654
At 1.1.2009	<b>5,499</b>	<b>2,870</b>	<b>1,657</b>	<b>707,688</b>	<b>33,431</b>	<b>974</b>	<b>93,535</b>	<b>845,654</b>
At 31.12.2009	<b>5,308</b>	<b>24,017</b>	<b>1,657</b>	<b>652,622</b>	<b>28,180</b>	<b>2,317</b>	<b>71,032</b>	<b>785,133</b>
							2009 \$'000	2008 \$'000
Staff costs capitalised in construction in progress during the year							<b>3,307</b>	2,042

# Notes to the Financial Statements

Year ended 31 December 2009

## 3 Property, Plant and Equipment (continued)

COMPANY	Leasehold building \$'000	Leasehold improve- ments \$'000	Network equipment \$'000	Office equipment, computers and furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>							
At 1.1.2008	5,722	30,917	782,152	95,753	2,835	53,718	971,097
Additions	–	85	101	560	–	80,737	81,483
Transfers	–	670	44,548	10,995	–	(56,213)	–
Disposals	–	–	(42)	(1,048)	(268)	–	(1,358)
Write-offs	–	–	(358)	(1,724)	–	–	(2,082)
At 31.12.2008	5,722	31,672	826,401	104,536	2,567	78,242	1,049,140
At 1.1.2009	<b>5,722</b>	<b>31,672</b>	<b>826,401</b>	<b>104,536</b>	<b>2,567</b>	<b>78,242</b>	<b>1,049,140</b>
Additions	–	–	80	–	–	93,021	93,101
Transfers	–	26,023	99,792	9,423	553	(135,791)	–
Disposals	–	–	(2,141)	(3,456)	(1,140)	(2)	(6,739)
Write-offs	–	(7,295)	(4,326)	(3,863)	–	–	(15,484)
At 31.12.2009	<b>5,722</b>	<b>50,400</b>	<b>919,806</b>	<b>106,640</b>	<b>1,980</b>	<b>35,470</b>	<b>1,120,018</b>
<b>Accumulated depreciation and impairment losses</b>							
At 1.1.2008	32	28,064	559,480	64,964	2,796	7,292	662,628
Charge for the year	191	1,149	51,463	12,190	14	–	65,007
Disposals	–	–	(21)	(1,046)	(268)	–	(1,335)
Write-offs	–	–	(358)	(1,715)	–	–	(2,073)
At 31.12.2008	223	29,213	610,564	74,393	2,542	7,292	724,227
At 1.1.2009	<b>223</b>	<b>29,213</b>	<b>610,564</b>	<b>74,393</b>	<b>2,542</b>	<b>7,292</b>	<b>724,227</b>
Charge for the year	<b>191</b>	<b>4,561</b>	<b>51,699</b>	<b>13,078</b>	<b>64</b>	<b>–</b>	<b>69,593</b>
Transfers	–	–	7,292	–	–	(7,292)	–
Disposals	–	–	(1,834)	(3,449)	(1,140)	–	(6,423)
Write-offs	–	(7,068)	(4,324)	(3,822)	–	–	(15,214)
At 31.12.2009	<b>414</b>	<b>26,706</b>	<b>663,397</b>	<b>80,200</b>	<b>1,466</b>	<b>–</b>	<b>772,183</b>
<b>Carrying amount</b>							
At 1.1.2008	5,690	2,853	222,672	30,789	39	46,426	308,469
At 31.12.2008	5,499	2,459	215,837	30,143	25	70,950	324,913
At 1.1.2009	<b>5,499</b>	<b>2,459</b>	<b>215,837</b>	<b>30,143</b>	<b>25</b>	<b>70,950</b>	<b>324,913</b>
At 31.12.2009	<b>5,308</b>	<b>23,694</b>	<b>256,409</b>	<b>26,440</b>	<b>514</b>	<b>35,470</b>	<b>347,835</b>

#### 4 Intangible Assets

GROUP	Telecom- munications licences \$'000	Software \$'000	Software in development \$'000	Goodwill \$'000	Total \$'000
<b>Cost</b>					
At 1.1.2008	98,119	219,388	25,154	220,292	562,953
Additions	–	1,371	46,877	–	48,248
Transfers	–	7,969	(7,969)	–	–
Reclassifications	–	62	–	–	62
Disposals	–	(116)	–	–	(116)
Write-offs	–	(1,039)	(57)	–	(1,096)
At 31.12.2008	98,119	227,635	64,005	220,292	610,051
At 1.1.2009	<b>98,119</b>	<b>227,635</b>	<b>64,005</b>	<b>220,292</b>	<b>610,051</b>
Additions	–	<b>155</b>	<b>56,915</b>	–	<b>57,070</b>
Transfers	–	<b>15,355</b>	<b>(15,355)</b>	–	–
Reclassifications	–	<b>137</b>	–	–	<b>137</b>
Disposals	–	<b>(8)</b>	–	–	<b>(8)</b>
Write-offs	–	<b>(549)</b>	<b>(128)</b>	–	<b>(677)</b>
At 31.12.2009	<b>98,119</b>	<b>242,725</b>	<b>105,437</b>	<b>220,292</b>	<b>666,573</b>
<b>Accumulated amortisation</b>					
At 1.1.2008	31,576	179,469	–	–	211,045
Charge for the year	4,801	14,333	–	–	19,134
Disposals	–	(99)	–	–	(99)
Write-offs	–	(1,026)	–	–	(1,026)
At 31.12.2008	36,377	192,677	–	–	229,054
At 1.1.2009	<b>36,377</b>	<b>192,677</b>	–	–	<b>229,054</b>
Charge for the year	<b>4,801</b>	<b>17,398</b>	–	–	<b>22,199</b>
Disposals	–	<b>(8)</b>	–	–	<b>(8)</b>
Write-offs	–	<b>(407)</b>	–	–	<b>(407)</b>
At 31.12.2009	<b>41,178</b>	<b>209,660</b>	–	–	<b>250,838</b>
<b>Carrying amount</b>					
At 1.1.2008	66,543	39,919	25,154	220,292	351,908
At 31.12.2008	61,742	34,958	64,005	220,292	380,997
At 1.1.2009	<b>61,742</b>	<b>34,958</b>	<b>64,005</b>	<b>220,292</b>	<b>380,997</b>
At 31.12.2009	<b>56,941</b>	<b>33,065</b>	<b>105,437</b>	<b>220,292</b>	<b>415,735</b>

#### Impairment tests for goodwill

The carrying value of the Group's goodwill is assessed for impairment annually or more frequently if there are indications that the goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to the cash generating unit comprising the Group's integrated fixed, mobile, cable and broadband operations. This represents the lowest level within the Group at which goodwill is monitored for impairment for internal management purposes.

# Notes to the Financial Statements

Year ended 31 December 2009

## 4 Intangible Assets (continued)

The recoverable amount of the cash-generating unit ("CGU") is determined based on value-in-use calculations.

The value-in-use calculations apply a discounted cash flow model using cash flow projections from the most recent financial budget and forecasts approved by management covering 1 to 4 years. The forecast cash flows were extrapolated using an estimated growth rate of 3%. The pre-tax discount rate applied is assumed at 6.3% for the value-in-use calculation.

No impairment charge was required for the carrying amount of goodwill assessed as at 31 December 2009 and 31 December 2008 as the recoverable value was in excess of the carrying value. Any reasonably possible change to the key assumptions applied was not likely to cause the recoverable values to be below the carrying values.

COMPANY	Telecom- munications licences \$'000	Software \$'000	Software in development \$'000	Total \$'000
<b>Cost</b>				
At 1.1.2008	1,032	178,799	24,339	204,170
Additions	–	1,099	46,187	47,286
Transfers	–	6,847	(6,847)	–
At 31.12.2008	1,032	186,745	63,679	251,456
At 1.1.2009	<b>1,032</b>	<b>186,745</b>	<b>63,679</b>	<b>251,456</b>
Additions	–	–	<b>54,525</b>	<b>54,525</b>
Transfers	–	<b>13,791</b>	<b>(13,791)</b>	–
Disposals	–	(2)	–	(2)
Write-offs	–	(535)	–	(535)
At 31.12.2009	<b>1,032</b>	<b>199,999</b>	<b>104,413</b>	<b>305,444</b>
<b>Accumulated amortisation</b>				
At 1.1.2008	258	147,075	–	147,333
Charge for the year	103	9,830	–	9,933
At 31.12.2008	361	156,905	–	157,266
At 1.1.2009	<b>361</b>	<b>156,905</b>	–	<b>157,266</b>
Charge for the year	<b>103</b>	<b>14,597</b>	–	<b>14,700</b>
Disposals	–	(2)	–	(2)
Write-offs	–	(393)	–	(393)
At 31.12.2009	<b>464</b>	<b>171,107</b>	–	<b>171,571</b>
<b>Carrying amount</b>				
At 1.1.2008	774	31,724	24,339	56,837
At 31.12.2008	671	29,840	63,679	94,190
At 1.1.2009	<b>671</b>	<b>29,840</b>	<b>63,679</b>	<b>94,190</b>
At 31.12.2009	<b>568</b>	<b>28,892</b>	<b>104,413</b>	<b>133,873</b>
<b>GROUP AND COMPANY</b>				
				2009 \$'000
				2008 \$'000
Staff costs capitalised in software in development during the year				<b>10,194</b> 6,148

## 5 Subsidiaries

COMPANY	2009 \$'000	2008 \$'000
Investments in subsidiaries, at cost	<b>1,181,100</b>	1,169,100
Discount implicit in the interest-free loan to a subsidiary	<b>21,885</b>	21,885
	<b>1,202,985</b>	1,190,985
Allowance for impairment losses	<b>(28,917)</b>	(28,917)
	<b>1,174,068</b>	1,162,068

The subsidiaries directly held by the Company are as follows:

Name of company	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2009 %	2008 %
StarHub Cable Vision Ltd. <sup>(1)</sup> ("SCV")	Provision of subscription television and television broadcasting services	Singapore	<b>100</b>	100
StarHub Mobile Pte Ltd <sup>(1)</sup>	Provision of mobile telecommunications services	Singapore	<b>100</b>	100
StarHub Internet Pte Ltd <sup>(1)</sup>	Provision and operation of internet services	Singapore	<b>100</b>	100
StarHub Online Pte Ltd <sup>(1)</sup>	Provision of broadband access services	Singapore	<b>100</b>	100
Nucleus Connect Pte. Ltd. <sup>(1)</sup>	Provision of high speed wholesale broadband services	Singapore	<b>100</b>	–
StarHub Shop Pte Ltd <sup>(2)</sup>	Dormant	Singapore	<b>100</b>	100
StarHub, Inc. <sup>(2)</sup>	Dormant	United States	<b>100</b>	100
StarHub (Hong Kong) Limited <sup>(2)</sup>	Dormant	Hong Kong	<b>100</b>	100
StarHub Mauritius Ltd <sup>(3)</sup>	Dormant	Mauritius	<b>100</b>	100

Other subsidiary indirectly held by the Company is as follows:

Name of company	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2009 %	2008 %
Foosti Pte. Ltd. <sup>(1)</sup>	Marketing and advertising services	Singapore	<b>100</b>	100

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

<sup>(2)</sup> Not required to be audited by laws of the country of incorporation

<sup>(3)</sup> Audited by KPMG Mauritius, a member firm of KPMG International

# Notes to the Financial Statements

Year ended 31 December 2009

## 6 Deferred Taxes

Movement in deferred tax assets and liabilities during the year are as follows:

<b>GROUP</b> <b>2009</b>	<b>At 1.1.2009</b> <b>\$'000</b>	<b>Recognised</b> <b>in income</b> <b>statement</b> <b>\$'000</b>	<b>Recognised</b> <b>in other</b> <b>comprehen-</b> <b>sive income</b> <b>\$'000</b>	<b>Recognised</b> <b>in equity</b> <b>statement</b> <b>\$'000</b>	<b>At 31.12.2009</b> <b>\$'000</b>
<b>Deferred tax assets</b>					
Property, plant and equipment and intangible assets	23,970	(18,752)	–	–	5,218
Other payables and accruals	1,002	(1,002)	–	13	13
Tax losses carried forward	126	(39)	–	–	87
<b>Total</b>	<b>25,098</b>	<b>(19,793)</b>	<b>–</b>	<b>13</b>	<b>5,318</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(41,974)	(23,043)	–	–	(65,017)
Other payables and accruals	2,810	(2,939)	1,495	2,154	3,520
Inventories	354	(94)	–	–	260
<b>Total</b>	<b>(38,810)</b>	<b>(26,076)</b>	<b>1,495</b>	<b>2,154</b>	<b>(61,237)</b>

<b>GROUP</b> <b>2008</b>	<b>At 1.1.2008</b> <b>\$'000</b>	<b>Recognised</b> <b>in income</b> <b>statement</b> <b>\$'000</b>	<b>At 31.12.2008</b> <b>\$'000</b>
<b>Deferred tax assets</b>			
Property, plant and equipment and intangible assets	80,191	(56,221)	23,970
Other payables and accruals	3,314	(2,312)	1,002
Tax losses carried forward	7,901	(7,775)	126
Other items	576	(576)	–
<b>Total</b>	<b>91,982</b>	<b>(66,884)</b>	<b>25,098</b>
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(34,268)	(7,706)	(41,974)
Other payables and accruals	220	2,590	2,810
Inventories	102	252	354
<b>Total</b>	<b>(33,946)</b>	<b>(4,864)</b>	<b>(38,810)</b>

## 6 Deferred Taxes (continued)

COMPANY 2009	At 1.1.2009 \$'000	Recognised in income statement \$'000	Recognised in other comprehen- sive income \$'000	Recognised in equity statement \$'000	At 31.12.2009 \$'000
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(29,959)	(21,403)	–	–	(51,362)
Inventories	213	(63)	–	–	150
Other payables and accruals	2,588	(2,719)	1,495	2,154	3,518
Total	(27,158)	(24,185)	1,495	2,154	(47,694)

COMPANY 2008	At 1.1.2008 \$'000	Recognised in income statement \$'000	At 31.12.2008 \$'000
<b>Deferred tax assets</b>			
Property, plant and equipment and intangible assets	54,463	(54,463)	–
Other payables and accruals	2,114	(2,114)	–
Other items	570	(570)	–
Total	57,147	(57,147)	–

<b>Deferred tax liabilities</b>			
Property, plant and equipment	–	(29,959)	(29,959)
Other payables and accruals	–	213	213
Inventories	–	2,588	2,588
Total	–	(27,158)	(27,158)

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

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

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Tax losses	52,839	69,615	–	–
Deferred tax assets	8,983	12,531	–	–

The Group has not recognised deferred tax assets in respect of the above tax losses 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 2009

## 7 Inventories

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Inventories, at lower of cost and net realisable value	<b>28,195</b>	20,505	<b>22,729</b>	12,041
(Write back)/ allowance made during the year	<b>(452)</b>	(66)	<b>(300)</b>	75

## 8 Trade Receivables

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	<b>155,532</b>	158,304	<b>116,978</b>	116,618
Allowance for doubtful receivables	<b>(30,170)</b>	(30,544)	<b>(25,585)</b>	(26,054)
	<b>125,362</b>	127,760	<b>91,393</b>	90,564

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

The Group and the Company's primary credit risk exposure arises through its trade receivables, which include corporate and retail customers. There is no concentration of credit risk with respect to trade receivables as the Group and the Company have a large number of customers. The recorded allowances for doubtful receivables have been made based on the Group and the Company's historical collections experience. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group and the Company's trade receivables.

The age analysis of trade receivables past due but not impaired at the reporting date is as follows:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Past due 0 – 30 days	<b>47,947</b>	54,698	<b>30,320</b>	33,345
Past due 31 – 60 days	<b>10,321</b>	9,168	<b>7,589</b>	6,094
Above 60 days	<b>1,031</b>	3,404	<b>16</b>	1,892
	<b>59,299</b>	67,270	<b>37,925</b>	41,331

The movement in allowance for doubtful receivables in respect of trade receivables during the year is as follows:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At beginning of year	<b>30,544</b>	31,115	<b>26,054</b>	28,388
Allowance for doubtful receivables	<b>13,066</b>	11,121	<b>933</b>	2,420
Allowance utilised	<b>(13,440)</b>	(11,692)	<b>(1,402)</b>	(4,754)
At end of year	<b>30,170</b>	30,544	<b>25,585</b>	26,054

## 9 Other Receivables, Deposits and Prepayments

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accrued revenue	<b>52,587</b>	51,638	<b>6,279</b>	3,608
Deposits	<b>4,152</b>	4,740	<b>1,526</b>	2,589
Prepayments	<b>59,015</b>	55,391	<b>14,550</b>	14,938
Other receivables	<b>155</b>	1,032	–	125
Mark-to-market financial instruments				
– Forward exchange contracts	<b>182</b>	–	<b>182</b>	–
	<b>116,091</b>	112,801	<b>22,537</b>	21,260

## 10 Balances with Related Parties

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loans to subsidiaries	–	–	<b>584,000</b>	674,000
Amounts due from (trade):				
– Ultimate holding company	<b>65</b>	97	<b>63</b>	97
– Subsidiaries	–	–	<b>112,495</b>	125,218
– Related corporations	<b>22,519</b>	20,030	<b>17,854</b>	12,296
	<b>22,584</b>	20,127	<b>714,412</b>	811,611
Amounts due to (trade):				
– Subsidiaries	–	–	<b>113,407</b>	178,059
– Related corporations	<b>42,096</b>	40,088	<b>30,070</b>	29,738
	<b>42,096</b>	40,088	<b>143,477</b>	207,797

At 31 December 2009, the loans to the subsidiaries are unsecured, repayable on demand and bore interest at 2.65% (2008: 1.24% to 2.13%) per annum.

Asia Mobile Holdings Pte. Ltd. is the immediate holding company of the Company. Asia Mobile Holdings Pte. Ltd. is a subsidiary of Asia Mobile Holding Company Pte. Ltd., which in turn is a 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.

## 11 Cash and Cash Equivalents

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fixed deposits	<b>184,519</b>	91,353	<b>118,115</b>	91,353
Cash at bank and in hand	<b>49,674</b>	36,974	<b>14,197</b>	20,258
	<b>234,193</b>	128,327	<b>132,312</b>	111,611

# Notes to the Financial Statements

Year ended 31 December 2009

## 12 Other Payables

		GROUP		COMPANY	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Deferred income	14	<b>4,074</b>	4,074	–	–
Property, plant and equipment vendors		<b>37,522</b>	41,783	<b>24,567</b>	25,187
Unearned revenue		<b>145,631</b>	140,617	<b>30,711</b>	20,706
Deposits from customers		<b>8,350</b>	8,496	<b>3,882</b>	3,319
Mark-to-market financial instruments					
– Interest rate swaps		<b>815</b>	–	<b>733</b>	–
– Forward exchange contracts		–	2,734	–	2,609
		<b>196,392</b>	197,704	<b>59,893</b>	51,821
<b>Non-current</b>					
Mark-to-market financial instruments					
– Interest rate swaps		<b>8,062</b>	12,372	<b>8,062</b>	11,287

INT FRS 113 Customer Loyalty Programmes has been adopted retrospectively. This has no significant impact on the results for the year but has resulted in the reclassification of \$7.1 million for the Group and \$1.2 million for the Company from provision for loyalty programme to unearned revenue in the 2008 comparative figures.

The interest rate swaps are designated hedging instruments. The 2008 comparative figures of mark-to-market figures of interest rate swaps were reclassified from current to non-current based on the maturity dates.

## 13 Bank Loans (unsecured)

	GROUP AND COMPANY	
	2009 \$'000	2008 \$'000
<b>Floating rate loans</b>		
Current	<b>290,392</b>	217,892
Non-current	<b>605,395</b>	695,787
Total	<b>895,787</b>	913,679
Repayable:		
– Within 1 year	<b>290,392</b>	217,892
– 1 to 5 years	<b>605,395</b>	695,787
	<b>895,787</b>	913,679

At 31 December 2009, these floating rate loans bore interest at rates ranging from 0.92% to 1.39% (2008: 1.24% to 2.13%) per annum, reprice every 3 or 6 months and are repayable in instalments by 2013.

## 14 Deferred Income

		GROUP		COMPANY	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Deferred grants</b>					
At beginning of year		<b>14,783</b>	18,857	–	–
Amount accreted to the income statement		<b>(4,074)</b>	(4,074)	–	–
At end of year		<b>10,709</b>	14,783	–	–
Deferred grants to be accreted:					
Current	12	<b>4,074</b>	4,074	–	–
Non-current					
– 1 to 5 years		<b>6,539</b>	10,243	–	–
– After 5 years		<b>96</b>	466	–	–
		<b>6,635</b>	10,709	–	–
Total		<b>10,709</b>	14,783	–	–

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

## 15 Share Capital

COMPANY	2009		2008	
	Number of shares '000	\$'000	Number of shares '000	\$'000
<b>Issued and fully paid ordinary shares:</b>				
At beginning of year	<b>1,711,952</b>	<b>255,116</b>	1,705,293	247,207
Issue of ordinary shares for cash pursuant to the exercise of options under the				
– StarHub Share Option Plan 2000	<b>370</b>	<b>324</b>	1,521	1,313
– StarHub Share Option Plan 2004	<b>1,604</b>	<b>2,074</b>	5,138	6,596
At end of year	<b>1,713,926</b>	<b>257,514</b>	1,711,952	255,116

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

As at 31 December 2009, included in the total number of ordinary shares was 1,092,000 shares (2008: 2,203,100 shares) purchased by the Company by way of market acquisition at an average price of approximately \$2.72 per share (2008: \$2.72 per share). The shares, held as treasury shares, were included as a deduction from equity (note 17).

# Notes to the Financial Statements

Year ended 31 December 2009

## 16 Dividends

	COMPANY	
	2009 \$'000	2008 \$'000
Final dividend of \$0.045 (2008: \$0.045) per share (1-tier tax exempt) paid in respect of the previous financial year	<b>77,012</b>	76,884
Interim dividends of \$0.140 (2008: \$0.135) per share (1-tier tax exempt) paid in respect of the current financial year	<b>239,698</b>	230,772
	<b>316,710</b>	307,656

## 17 Reserves

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Treasury shares	<b>(2,974)</b>	(6,000)	<b>(2,974)</b>	(6,000)
Merger/Capital reserve	–	–	<b>276,526</b>	276,526
Goodwill written off	<b>(276,290)</b>	(276,290)	–	–
Share-based payments reserve	<b>12,953</b>	8,594	<b>12,953</b>	8,594
Hedging reserve	<b>(7,368)</b>	(12,372)	<b>(7,300)</b>	(11,287)
Retained profits	<b>141,981</b>	139,005	<b>705,046</b>	688,742
	<b>(131,698)</b>	(147,063)	<b>984,251</b>	956,575

Treasury shares comprise the cost of the Company's shares held by the Group.

The merger/capital reserve comprises reserve arising from the acquisition of a subsidiary, StarHub Cable Vision Ltd. ("SCV"), on 2 July 2002 and 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 payments 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.

## 18 Operating Revenue

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Mobile revenue	<b>1,093,999</b>	1,079,015	–	–
Pay TV revenue	<b>405,450</b>	398,183	–	–
Broadband revenue	<b>240,500</b>	253,180	–	–
Fixed network services revenue	<b>317,527</b>	299,930	<b>681,725</b>	609,457
Sale of equipment	<b>92,565</b>	97,300	<b>250,515</b>	260,062
	<b>2,150,041</b>	2,127,608	<b>932,240</b>	869,519

## 19 Operating Expenses

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cost of equipment sold	<b>230,366</b>	239,646	<b>229,133</b>	229,505
Cost of services	<b>333,419</b>	300,674	<b>26,400</b>	24,922
Traffic expenses	<b>265,868</b>	242,071	<b>111,454</b>	97,144
Depreciation and amortisation (net of asset grants)	<b>245,079</b>	235,125	<b>84,293</b>	74,940
Marketing and promotion	<b>154,923</b>	189,647	<b>16,070</b>	14,825
Staff costs	<b>201,553</b>	216,307	<b>150,253</b>	166,197
Allowance for doubtful receivables	<b>13,066</b>	11,121	<b>933</b>	2,420
Repairs and maintenance	<b>66,405</b>	63,526	<b>35,198</b>	34,336
Operating leases	<b>144,801</b>	128,889	<b>77,572</b>	66,543
Other expenses	<b>86,153</b>	91,345	<b>60,577</b>	56,804
	<b>1,741,633</b>	1,718,351	<b>791,883</b>	767,636

### 19.1 Depreciation and amortisation

Depreciation and amortisation expenses comprise the following:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Depreciation of property, plant and equipment	<b>226,954</b>	220,065	<b>69,593</b>	65,007
Accretion of asset grants to the income statement	<b>(4,074)</b>	(4,074)	–	–
	<b>222,880</b>	215,991	<b>69,593</b>	65,007
Amortisation of intangible assets	<b>22,199</b>	19,134	<b>14,700</b>	9,933
Total	<b>245,079</b>	235,125	<b>84,293</b>	74,940

### 19.2 Staff costs

The following are included in staff costs:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Defined contribution plans	<b>17,522</b>	18,676	<b>12,331</b>	13,538
Share-based payments	<b>5,092</b>	4,719	<b>5,092</b>	4,719
Government grants - Jobs Credit Scheme	<b>(9,366)</b>	–	<b>(9,366)</b>	–

# Notes to the Financial Statements

Year ended 31 December 2009

## 19 Operating Expenses (continued)

### 19.2.1 Key management personnel compensation

The key management personnel compensation is as follows:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term employee benefits	<b>7,400</b>	8,047	<b>7,400</b>	8,047
Equity compensation benefits	<b>2,649</b>	2,642	<b>2,649</b>	2,642
	<b>10,049</b>	10,689	<b>10,049</b>	10,689

Included in the above is the total compensation to directors of the Company which amounted to \$5.0 million (2008: \$4.9 million).

Key management personnel also participate in the StarHub Share Option Plans, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan as detailed in Note 19.2.2. The short term benefits include the Company balanced scorecard incentive programme to reward employees for achieving or exceeding performance target.

Conditional awards of 585,000 shares (2008: 620,000 shares) under the StarHub Performance Share Plan and conditional awards of 696,500 shares (2008: 641,500 shares) under the StarHub Restricted Stock Plan were granted to the key management personnel of the Company during the year.

Based on the actual level of achievement of the pre-determined performance targets over the 2006 to 2008 performance period, there were no shares delivered to the key management personnel of the Company during the year under the 2006 conditional awards granted to key management personnel of the Company in March 2006 pursuant to the StarHub Performance Share Plan.

Based on the actual level of achievement of the pre-determined performance targets over the 2007 to 2008 performance period, final awards comprising 677,002 shares were awarded to the key management personnel of the Company during the year under the 2007 conditional awards granted to the key management personnel of the Company in April 2007 pursuant to the StarHub Restricted Stock Plan. 225,600 shares under the final awards were delivered during the year, with the balance of 451,402 shares to be delivered in phases accordingly to the stipulated vesting periods.

All share options and conditional share awards (except for the time-based restricted share awards) granted to the key management personnel of the Company were on the same terms and conditions as those offered to other employees of the Company.

At the 31 December 2009, 235,000 (2008: 773,750) of those share options, 1,563,000 (2008: 1,598,000) of those conditional awards of shares under the StarHub Performance Share Plan and 1,739,502 (2008: 1,145,700) of those conditional awards of shares under the StarHub Restricted Stock Plan are outstanding.

### 19.2.2 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 held on 16 August 2004.

The Plans and the StarHub Share Option Plan 2000 are administered by the Company's ERCC.

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

The StarHub Pte Ltd Share Option Plan was terminated in 2004, while the StarHub Share Option Plan 2004 has been suspended since 2006. Hence, no option has been granted since 2006. The existing options granted will continue to vest according to the terms of the StarHub Share Option Plan 2000, or as applicable, the StarHub Share Option Plan 2004 and the respective grants.



## **19 Operating Expenses (continued)**

### **19.2.2 Equity Compensation Benefits (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 “StarHub 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 StarHub 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 2009, the conditional grants of 585,000 (2008: 620,000) shares under the StarHub Performance Share Plan and the conditional grants of 2,010,500 (2008: 1,657,500) shares under the StarHub Restricted Stock Plan were made to the directors of the Company and key employees of the Group. These represent the number of shares to be delivered when performance targets at “on-target” level are achieved, or as the case may be, when the time-based service conditions are completed.

# Notes to the Financial Statements

Year ended 31 December 2009

## 19 Operating Expenses (continued)

### 19.2.2 Equity Compensation Benefits (continued)

#### StarHub Share Option Plan

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

COMPANY	Number of share options		Weighted average exercise price per share	
	2009 '000	2008 '000	2009 \$	2008 \$
Outstanding at beginning of year	8,044	14,961	1.23	1.21
Exercised	(1,975)	(6,659)	1.21	1.19
Forfeited	(73)	(258)	1.27	1.38
Outstanding at end of year	5,996	8,044	1.24	1.23
Exercisable at end of year	5,996	8,044	1.24	1.23

Options were exercised throughout the year. The weighted average share price during the year was \$2.06 per share (2008: \$2.63 per share).

The outstanding share options have the following exercise prices:

COMPANY	2009 '000	2008 '000
Exercise price range:		
\$1.50 to \$1.52	3,134	4,111
\$0.48 to \$0.99	2,862	3,933
	5,996	8,044
Weighted average remaining contractual life	4.77 years	5.69 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 StarHub 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.

## 19 Operating Expenses (continued)

### 19.2.2 Equity Compensation Benefits (continued)

#### StarHub Performance Share Plan

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

COMPANY	Date of grant					Total
	17 Nov 2005	17 Mar 2006	21 Mar 2007	9 May 2008	29 May 2009	
<b>Number of shares ('000)</b>						
Outstanding at 1.1.2008	2,555	880	648	–	–	4,083
Granted	–	–	–	620	–	620
Vested	(2,448)	–	–	–	–	(2,448)
Forfeited	(107)	(260)	(184)	(106)	–	(657)
Outstanding and unvested at 31.12.2008	–	620	464	514	–	1,598
Outstanding at 1.1.2009	–	<b>620</b>	<b>464</b>	<b>514</b>	–	<b>1,598</b>
Granted	–	–	–	–	<b>585</b>	<b>585</b>
Vested	–	–	–	–	–	–
Forfeited	–	<b>(620)</b>	–	–	–	<b>(620)</b>
Outstanding and unvested at 31.12.2009	–	–	<b>464</b>	<b>514</b>	<b>585</b>	<b>1,563</b>
<b>Fair value at measurement date</b>	\$1.15	\$1.82	\$2.48	\$2.37	\$2.35	
<b>Assumptions under Monte-Carlo Model</b>						
<b>Expected Volatility</b>						
StarHub	30.83%	30.26%	29.51%	20.28%	26.27%	
MSCI Asia-Pacific Telecommunications Component Stock	12.65%	13.01%	14.43%	13.50%	18.14%	
<b>Risk-free interest rates</b>						
Zero-coupon Singapore Sovereign	2.90%	3.25%	2.61%	1.22%	0.70%	

The fair value of the shares is 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 StarHub 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 2009

## 19 Operating Expenses (continued)

### 19.2.2 Equity Compensation Benefits (continued)

#### StarHub Restricted Stock Plan

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

COMPANY	Date of grant						Total
	05 Jul 2006	18 Apr 2007	21 May 2007	9 May 2008	15 Jan 2009	29 May 2009	
<b>Number of shares ('000)</b>							
Outstanding at 1.1.2008	1,839	1,369	140	–	–	–	3,348
Granted	–	–	–	1,658	–	–	1,658
Vested	(547)	–	–	–	–	–	(547)
Forfeited	(347)	(205)	–	(98)	–	–	(650)
Outstanding and unvested at 31.12.2008	945	1,164	140	1,560	–	–	3,809
Outstanding at 1.1.2009	<b>945</b>	<b>1,164</b>	<b>140</b>	<b>1,560</b>	<b>–</b>	<b>–</b>	<b>3,809</b>
Granted	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>1,911</b>	<b>2,011</b>
Vested	<b>(476)</b>	<b>(388)</b>	<b>(47)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(911)</b>
Forfeited	<b>(32)</b>	<b>(42)</b>	<b>–</b>	<b>(126)</b>	<b>–</b>	<b>(65)</b>	<b>(265)</b>
Outstanding and unvested at 31.12.2009	<b>437</b>	<b>734</b>	<b>93</b>	<b>1,434</b>	<b>100</b>	<b>1,846</b>	<b>4,644</b>
<b>Fair value at measurement date</b>	\$1.58	\$2.29	\$2.18	\$2.54	\$1.57	\$1.97	
<b>Assumptions under Monte-Carlo Model</b>							
<b>Expected Volatility</b>							
StarHub	30.98%	29.36%	29.12%	20.28%	–	26.27%	
STI Index	11.38%	12.85%	13.08%	–	–	–	
<b>Risk-free interest rates</b>							
Zero-coupon Singapore Sovereign							
2 year Government Bond Yield	3.11%	2.27%	2.10%	0.99%	–	0.49%	
3 year Government Bond Yield	3.20%	2.34%	2.16%	1.18%	–	0.66%	
4 year Government Bond Yield	3.28%	2.41%	2.22%	1.48%	–	0.88%	

The fair value of the shares is 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 StarHub Restricted Stock Plan has been estimated on the basis that the Group will be on target in respect of the performance conditions.

The fair value of the share award granted on 15 January 2009 is estimated at grant date, after discounting for expected dividend yield. It is solely time-based with no performance conditions tied to this grant.

## 19 Operating Expenses (continued)

### 19.3 Other expenses

Included in other expenses are the following:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fees paid to auditors of the Company:				
– Audit	307	323	120	129
– Non-audit	268	233	145	118
Exchange loss/(gain)	1,753	664	2,787	(622)
Changes in fair value of financial instruments	(2,869)	1,274	(2,790)	1,149
Gain on disposal of property, plant and equipment and intangible assets	(314)	(121)	(157)	(42)
Property, plant and equipment and intangible assets written-off	3,418	1,577	269	9

## 20 Other Income

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Corporate recharges to subsidiaries	–	–	141,957	137,387
Dividend income from subsidiaries	–	–	100,000	126,000
	–	–	241,957	263,387

## 21 Finance Income and Expense

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest income:				
– Bank deposits	800	844	756	795
– Subsidiaries	–	–	16,630	15,279
Finance income	800	844	17,386	16,074
Interest on bank borrowings	24,053	27,303	22,901	26,371
Finance expense	24,053	27,303	22,901	26,371
Net finance costs	(23,253)	(26,459)	(5,515)	(10,297)

# Notes to the Financial Statements

Year ended 31 December 2009

## 22 Taxation

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current tax</b>				
Current income tax	19,600	–	19,600	–
Over provision in prior year	–	(269)	–	(269)
	19,600	(269)	19,600	(269)
<b>Deferred tax</b>				
Origination and reversal of temporary differences	57,439	82,670	27,945	42,352
Effect of changes in Singapore tax rate	(762)	–	(1,508)	–
Over provision of tax assets in prior year	1,174	1,056	3,655	1,056
Recognition/ utilisation of deferred tax assets	(11,982)	(11,978)	(5,907)	40,896
	45,869	71,748	24,185	84,304
Total income tax in income statement	65,469	71,479	43,785	84,035

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December is as follows:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit before taxation	385,155	382,798	376,799	354,973
Income tax using Singapore tax rate of 17% (2008: 18%)	65,476	68,904	64,056	63,895
Effect of changes in Singapore tax rate	(762)	–	(1,508)	–
Income not subject to tax	(2,334)	(1,269)	(18,618)	(22,680)
Non-deductible expenses	5,535	3,087	2,107	1,137
Deferred tax assets not recognised	8,362	11,948	–	–
Under provision in prior year, net	1,174	787	3,655	787
Recognition/ utilisation of deferred tax assets	(11,982)	(11,978)	(5,907)	40,896
Total income tax in income statement	65,469	71,479	43,785	84,035

Income tax recognised in other comprehensive income for the year ended 31 December are as follows:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flow hedge, before tax	3,495	(10,110)	2,492	(10,345)
Income tax	1,509	–	1,495	–
<b>Other comprehensive income for the year, net of tax</b>	<b>5,004</b>	<b>(10,110)</b>	<b>3,987</b>	<b>(10,345)</b>

## 23 Earnings Per Share

	GROUP	
	2009 \$'000	2008 \$'000
Profit attributable to equity holders	<b>319,686</b>	311,319
	Number of shares ('000)	
	2009	2008
Weighted average number of ordinary shares (basic)	<b>1,711,790</b>	1,703,304
Potential ordinary shares under		
– StarHub Share Option Plans	<b>2,811</b>	5,369
– contingently issuable shares	<b>6,207</b>	5,407
Weighted average number of ordinary shares (diluted)	<b>1,720,808</b>	1,714,080

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders 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.

## 24 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	
	2009 \$'000	2008 \$'000
Profit before taxation	<b>385,155</b>	382,798
Adjustments for:		
Depreciation and amortisation (net of asset grants)	<b>245,079</b>	235,125
Interest income	<b>(800)</b>	(844)
Interest on borrowings	<b>24,053</b>	27,303
EBITDA	<b>653,487</b>	644,382



# Notes to the Financial Statements

Year ended 31 December 2009

## 25 Related Party Transactions

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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Ultimate holding company</b>				
Sales	678	1,197	509	533
<b>Subsidiaries</b>				
Sales	–	–	684,688	633,509
Purchase of services	–	–	19,934	14,344
<b>Related corporations</b>				
Sales	91,375	81,965	29,167	32,375
Purchase of property, plant and equipment	18,365	29,211	16,110	27,350
Rental expenses	92,357	89,553	47,470	48,132
Purchase of services	113,001	104,093	34,518	41,551
Purchase of inventories	107,235	173,515	106,416	173,033

## 26 Segment Reporting

Segment information is presented based on the information reviewed by chief operating decision makers ("CODM") for performance assessment and resource allocation.

The CODM assess the Group's financial performance using performance indicators which include revenue, EBITDA, capital expenditure and cash flow of the Group.

The Group operates primarily in Singapore in one segment. The Group delivers its Mobile, Pay TV, Broadband, Fixed networks services and equipment sales on a fully integrated network, customer service, sales, marketing and administration support.

The Group has a large and diversified customer base which consists of individuals and corporations. There was no single customer that contributed to 10% or more of the Group's revenue.

## 26 Segment Reporting (continued)

The Group's reportable segment information is as follows:

	GROUP	
	2009 \$'000	2008 \$'000
Mobile	1,093,999	1,079,015
Pay TV	405,450	398,183
Broadband	240,500	253,180
Fixed Network Services	317,527	299,930
Sale of Equipment	92,565	97,300
Operating revenue	2,150,041	2,127,608
EBITDA	653,487	644,382
Depreciation and amortisation (net of asset grants)	(245,079)	(235,125)
Interest income	800	844
Interest on borrowings	(24,053)	(27,303)
Profit before taxation	385,155	382,798
Taxation	(65,469)	(71,479)
Profit for the year	319,686	311,319
<b>Assets and liabilities</b>		
Non-current assets	1,206,186	1,251,749
Current assets	526,425	409,520
<b>Total assets</b>	<b>1,732,611</b>	<b>1,661,269</b>
Bank loans	895,787	913,679
Other non-current liabilities	75,934	61,891
Current liabilities	635,074	577,646
<b>Total liabilities</b>	<b>1,606,795</b>	<b>1,553,216</b>
<b>Other information</b>		
Capital expenditure	227,135	221,574
Free cash flow *	461,017	377,712

\* Free cash flow refers to net cash flow from operating activities less purchase of fixed assets in the cash flow statement.

# Notes to the Financial Statements

Year ended 31 December 2009

## 27 Financial Risk Management

### 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.

### Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Periodic frequent credit review and counterparty credit limits are practised.

The Group has no significant concentration of credit risk from trade receivables due to its large diversified customer base. Credit evaluations are performed on corporate customers requiring credit. Identification documents are obtained from retail customers. Deposits are obtained for certain categories of higher-risk customers.

The Group places its cash and cash equivalents and enters into treasury transactions only with creditworthy banks and financial institutions.

The maximum credit risk exposure is represented by the carrying value of each financial asset in the statement of financial position.

### Liquidity risk

The Group monitors its liquidity risk and actively manages its operating cash flows, debt maturity profile and availability of funding. The Group also maintains sufficient level of cash and cash equivalents to meet its working capital requirements. The Group regularly reviews its credit lines from banks to ensure its ability to access funding at any time with best possible rates.

## 27 Financial Risk Management (continued)

The following are the expected contractual undiscounted cash outflows (including interest payments) of financial liabilities:

GROUP	2009				2008			
	Carrying amount	Contractual cash flows			Carrying amount	Contractual cash flows		
	\$'000	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	\$'000	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000
<b>Non-derivative financial liabilities</b>								
Bank loans	895,787	923,440	296,584	626,856	913,679	955,694	228,386	727,308
Trade payables and accruals ^	373,732	373,732	373,732	–	337,444	337,444	337,444	–
Other payables *	45,872	45,872	45,872	–	50,279	50,279	50,279	–
Balances with related parties	42,096	42,096	42,096	–	40,088	40,088	40,088	–
<b>Derivative financial liabilities</b>								
Interest rate swaps used for hedging	12,271	12,384	8,808	3,576	14,782	18,476	6,092	12,384
Forward exchange contracts	–	–	–	–	2,734	2,734	2,734	–
	<b>1,369,758</b>	<b>1,397,524</b>	<b>767,092</b>	<b>630,432</b>	<b>1,359,006</b>	<b>1,404,715</b>	<b>665,023</b>	<b>739,692</b>

COMPANY	2009				2008			
	Carrying amount	Contractual cash flows			Carrying amount	Contractual cash flows		
	\$'000	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	\$'000	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000
<b>Non-derivative financial liabilities</b>								
Bank loans	895,787	923,440	296,584	626,856	913,679	955,694	228,386	727,308
Trade payables and accruals ^	220,135	220,135	220,135	–	202,851	202,851	202,851	–
Other payables *	28,449	28,449	28,449	–	28,506	28,506	28,506	–
Balances with related parties	143,477	143,477	143,477	–	207,797	207,797	207,797	–
<b>Derivative financial liabilities</b>								
Interest rate swaps used for hedging	11,682	11,794	8,218	3,576	13,261	16,814	5,020	11,794
Forward exchange contracts	–	–	–	–	2,609	2,609	2,609	–
	<b>1,299,530</b>	<b>1,327,295</b>	<b>696,863</b>	<b>630,432</b>	<b>1,368,703</b>	<b>1,414,271</b>	<b>675,169</b>	<b>739,102</b>

^ The carrying amount of trade payables and accruals disclosed in the table exclude interest accruals for derivative financial liabilities as these are included in the derivative financial liabilities.

\* Excludes deferred income, unearned revenue and derivative financial liabilities (shown separately).

# Notes to the Financial Statements

Year ended 31 December 2009

## 27 Financial Risk Management (continued)

The following table indicates the periods in which the cash flow hedges are expected to affect profit or loss:

	2009			2008		
	Within 1 year \$'000	After 1 year but within 5 years \$'000	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	Total \$'000
<b>GROUP</b>						
Interest rate swaps						
– Liabilities	<b>5,414</b>	<b>3,576</b>	<b>8,990</b>	3,682	12,384	16,066
<b>COMPANY</b>						
Interest rate swaps						
– Liabilities	<b>5,332</b>	<b>3,576</b>	<b>8,908</b>	3,046	11,794	14,840

### 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.

At 31 December 2009, the Group had outstanding interest rate swap agreements in cash flow hedges against borrowings with notional principal amounts totalling \$492.5 million (2008: \$430 million). These interest rate swaps will mature over the remaining term ranging from 1 month to 2.9 years (2008: 1 year to 3.5 years) to match the underlying hedged cash flows arising on the borrowings consisting of semi-annual interest payments. The fixed interest payable are at interest rates ranging from 1.75% to 4.96% per annum (2008: 2.20% to 4.96% per annum).

### Sensitivity analysis

The Group's and Company's borrowings are denominated in Singapore dollars. An increase/decrease in the interest rates by 100 basis points with all other variables remaining constant, will result in the Group's and Company's profit before taxation to be lower/higher by \$4.0 million (2008: \$4.8 million).

## 27 Financial Risk Management (continued)

### Foreign currency risk

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

The Group's and Company's exposures to US dollar are as follows:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade and other receivables	<b>20,123</b>	19,379	<b>3,699</b>	2,313
Cash and cash equivalents	<b>5,148</b>	22,254	<b>2,798</b>	20,200
Trade payables, accruals and other payables	<b>(136,434)</b>	(110,873)	<b>(87,982)</b>	(66,588)
	<b>(111,163)</b>	(69,240)	<b>(81,485)</b>	(44,075)

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.

At 31 December 2009, the Group and the Company have outstanding forward exchange contracts with notional principal amounts of approximately \$18.1 million (2008: \$81.4 million) and \$18.1 million (2008: \$71.2 million) respectively.

### Sensitivity analysis

At 31 December 2009, a 1% (2008: 1%) strengthening of Singapore dollar against the US dollar would increase profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit before taxation	<b>1,112</b>	564	<b>815</b>	359

A 1% (2008: 1%) weakening of Singapore dollar against the US dollar would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables, in particular interest rates, remain constant.

### Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

### 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 reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

### Loans

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

# Notes to the Financial Statements

Year ended 31 December 2009

## 27 Financial Risk Management (continued)

### Estimation of fair values (continued)

#### 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 2009 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2009 % per annum	2008 % per annum
Derivatives	1.75 – 4.96	2.20 – 4.96

### Fair value hierarchy

Effective 1 January 2009, the Group adopted the amendments to FRS 107 which requires disclosure of fair value measurements by level of the fair value measurement hierarchy. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation method, at reporting date:

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Mark-to-market financial instruments				
– Assets	182	–	182	–
– Liabilities	8,877	15,106	8,795	13,896

## 28 Capital Management

The Group regularly reviews its financial position, capital structure and use of capital, with the objective of achieving long-term capital efficiency, optimum shareholders' total returns, including the level of dividends, and proper strategic positioning.

From time to time, the Group may purchase its own shares on the market; the timing of these purchases depends on market prices. Such share purchases are intended to be used for issuing shares under the StarHub Share Option Plan, StarHub Performance Share Plan and StarHub Restricted Stock Plan programmes. Other than for such specific purposes, the Group does not have a defined share buy-back plan.

The Group manages the use of capital centrally and all borrowings to fund the operations of the subsidiaries are managed by the Company. The capital employed by the Company consists of equity attributable to shareholders and bank borrowings from financial institutions.

The Group is not subject to any externally imposed capital requirement.

There were no changes in the Group's approach to capital management during the year.



## 29 Commitments

### (a) Capital and other financial commitments

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Contracted and not provided for in the financial statements:				
– Capital expenditure	<b>219,523</b>	184,347	<b>121,253</b>	160,798
– Other operating expenditure	<b>161,967</b>	321,215	–	–
	<b>381,490</b>	505,562	<b>121,253</b>	160,798

Included in the capital expenditure contracted by the Company is an amount of approximately \$44.7 million (2008: \$39.4 million) which has been entered into on behalf of a subsidiary.

### (b) Operating leases

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

	GROUP		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Payable:				
– Within 1 year	<b>87,727</b>	91,718	<b>43,108</b>	47,639
– Within 2 to 5 years	<b>284,089</b>	278,815	<b>152,527</b>	148,194
– After 5 years	<b>130,926</b>	196,812	<b>65,253</b>	101,971
	<b>502,742</b>	567,345	<b>260,888</b>	297,804

Included in the operating lease commitment of the Company is \$2.6 million (2008: \$4.2 million) which is contracted on behalf of a subsidiary.

The operating leases include lease of premises and network infrastructure. The leases typically run for an initial period of 0.5 month to 12 years, with an option to renew the lease after that date.

## 30 Subsequent Event

The directors have proposed a final dividend of \$0.050 (2008: \$0.045) per share, tax exempt (one tier), totalling \$85.6 million (2008: \$76.9 million) in respect of the financial year ended 31 December 2009. 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 2010.

## 31 Comparative Information

Comparatives in the financial statements have been changed from the previous year as described in the respective notes.

# Shareholding Information

As at 22 February 2010

Class of shares	: Ordinary share
Voting rights	: One vote per share
Total number of issued shares excluding treasury shares	: 1,713,969,656
Total number of treasury shares held	: 133,700
Percentage of treasury shares held against the total number of issued shares excluding treasury shares	: 0.01%

## Distribution of shareholdings

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares	% of issued share capital
1 – 999	1,118	7.61	660,461	0.04
1,000 – 10,000	11,028	75.08	45,264,857	2.64
10,001 – 1,000,000	2,514	17.12	102,955,579	6.01
1,000,001 and above	28	0.19	1,565,222,459	91.31
Total	14,688	100.00	1,714,103,356	100.00

## Substantial shareholders

Name	Number of shares		% of issued share capital <sup>(5)</sup>
	Direct interest	Deemed interest	
Temasek Holdings (Private) Limited	–	974,762,109 <sup>(1)</sup>	56.87
Singapore Technologies Telemedia Pte Ltd	–	840,834,890 <sup>(2)</sup>	49.06
STT Communications Ltd	–	840,834,890 <sup>(2)</sup>	49.06
Asia Mobile Holding Company Pte. Ltd.	–	840,834,890 <sup>(2)</sup>	49.06
Asia Mobile Holdings Pte. Ltd.	840,834,890	–	49.06
Qatar Telecom (Qtel) Q.S.C.	–	840,834,890 <sup>(3)</sup>	49.06
Qtel Investment Holdings BSC	–	840,834,890 <sup>(3)</sup>	49.06
MediaCorp Pte. Ltd.	127,867,100	–	7.46
Nippon Telegraph and Telephone Corporation	–	171,490,520 <sup>(4)</sup>	10.01
NTT Communications Corporation	171,490,520	–	10.01

Notes:

<sup>(1)</sup> Temasek Holdings (Private) Limited is deemed to have an interest in 974,762,109 shares of StarHub in which Fullerton Fund Management Company Ltd, DBS Group Holdings Limited, MediaCorp Pte. Ltd., and Singapore Technologies Telemedia Pte Ltd (ST Telemedia) group of companies have or are deemed to have an interest.

<sup>(2)</sup> ST Telemedia is deemed to have an interest in 840,834,890 shares of StarHub held by Asia Mobile Holdings Pte. Ltd. (AMH), a subsidiary of Asia Mobile Holding Company Pte. Ltd. (AMHC), which is in turn a wholly-owned subsidiary of STT Communications Ltd, a wholly-owned subsidiary of ST Telemedia. AMHC holds approximately 75% of the total issued share capital of AMH.

<sup>(3)</sup> Qtel Investment Holdings BSC (QIH) holds approximately 25% of the total issued share capital of AMH. QIH is a wholly-owned subsidiary of Qatar Telecom (Qtel) Q.S.C. (Qtel). QIH and Qtel are deemed to have an interest in 840,834,890 shares of StarHub held by AMH.

<sup>(4)</sup> Nippon Telegraph and Telephone Corporation (NTT) is deemed to have an interest in 171,490,520 shares of StarHub held by NTT Communications Corporation, a wholly-owned subsidiary of NTT.

<sup>(5)</sup> The shareholding percentage is based on the number of issued shares of the Company excluding treasury shares.

## Twenty largest shareholders

No.	Name of shareholder	Number of shares held	% of issued share capital <sup>(2)</sup>
1	Asia Mobile Holdings Pte. Ltd.	840,834,890	49.06
2	NTT Communications Corporation	171,490,520	10.01
3	MediaCorp Pte. Ltd.	127,867,100	7.46
4	Citibank Nominees Singapore Pte Ltd	121,666,042	7.10
5	DBSN Services Pte Ltd	68,652,547	4.01
6	HSBC (Singapore) Nominees Pte Ltd	65,822,539	3.84
7	DBS Nominees Pte Ltd	54,390,582	3.17
8	United Overseas Bank Nominees Pte Ltd	37,225,999	2.17
9	Raffles Nominees (Pte) Ltd	24,021,876	1.40
10	Singapore Press Holdings Limited	12,911,230	0.75
11	DB Nominees (Singapore) Pte Ltd	7,262,717	0.42
12	BNP Paribas Securities Services Singapore Pte Ltd	4,687,913	0.27
13	Morgan Stanley Asia (Singapore) Pte Ltd	2,958,178	0.17
14	ING Nominees (Singapore) Pte Ltd	2,918,290	0.17
15	Merrill Lynch (Singapore) Pte Ltd	2,686,865	0.16
16	DBS Vickers Securities (Singapore) Pte Ltd	2,302,700	0.13
17	Societe Generale Singapore Branch	1,982,414	0.12
18	Cheah Chee Kong	1,800,000	0.11
19	OCBC Nominees Singapore Pte Ltd	1,701,671	0.10
20	Steven Terrell Clontz	1,602,460 <sup>(1)</sup>	0.09
Total		1,554,786,533	90.71

<sup>(1)</sup> Mr Steven Terrell Clontz holds a total of 6,923,910 shares in StarHub, of which 1,602,460 shares are held in his own name and the remaining 5,321,450 shares are held by a nominee on his behalf.

<sup>(2)</sup> The shareholding percentage is based on the number of issued shares of the Company excluding treasury shares.

## Shareholding held in hands of the public

Based on the information available to StarHub as at 22 February 2010, approximately 32.65% of the total number of issued shares (excluding treasury 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 Twelfth Annual General Meeting

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held at StarHub Auditorium, 67 Ubi Avenue 1, #03-01 (South Wing) StarHub Green, Singapore 408942 on 16 April 2010 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 2009 and the Auditors' Report therein.   | <b>Resolution 1</b> |
| 2 | To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election: |                     |
|   | (a) Mr Tan Guong Ching;   | <b>Resolution 2</b> |
|   | (b) Mr Steven Terrell Clontz;   | <b>Resolution 3</b> |
|   | (c) Mr Teo Ek Tor (Independent Member of Audit Committee); and  | <b>Resolution 4</b> |
|   | (d) Mr Liu Chee Ming.   | <b>Resolution 5</b> |
| 3 | To re-elect Mr Neil Montefiore, who will retire pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.                              | <b>Resolution 6</b> |
| 4 | To approve the sum of S\$1,079,000 as Directors' Fees for the year ended 31 December 2009 (2008: S\$1,078,000).   | <b>Resolution 7</b> |
| 5 | To declare a final dividend of 5 cents per ordinary share for the financial year ended 31 December 2009.  | <b>Resolution 8</b> |
| 6 | To re-appoint KPMG LLP as Auditors of the Company and authorise the Directors to fix their remuneration.  | <b>Resolution 9</b> |

### 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:  | <b>Resolution 10</b> |
|   | (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 total number of issued shares (excluding treasury 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 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with subparagraph 2 below);
- (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 total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury 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 bonus issue, 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 (excluding treasury 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, 18 March 2010

# StarHub Ltd

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

## Notice of Twelfth 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 67 Ubi Avenue 1, #05-01 StarHub Green, Singapore 408942 (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 total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 15% 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 total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury 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 bonus issue, 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 options and/or grant awards and to issue shares in the capital of the Company pursuant to the StarHub Share Option Plan 2004, the StarHub Performance Share Plan and the StarHub Restricted Stock Plan (collectively, the "Share Plans") provided that the aggregate number of shares issued pursuant to the StarHub Pte Ltd Share Option Plan and the Share Plans shall not exceed 15% of the total number of issued shares (excluding treasury 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 Twelfth Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed on 23 April 2010 ("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 22 April 2010 ("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 7 May 2010.

# StarHub Ltd

(Incorporated in the Republic of Singapore)

Co. Reg. No. 199802208C

## Proxy Form

Twelfth 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 16 April 2010 at 10.00 a.m. at StarHub Auditorium, 67 Ubi Avenue 1, #03-01 (South Wing) StarHub Green, Singapore 408942 and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1	To receive and adopt the Reports of Directors and Auditors and Audited Accounts		
2	To re-elect Mr Tan Guong Ching as Director		
3	To re-elect Mr Steven Terrell Clontz as Director		
4	To re-elect Mr Teo Ek Tor as Director		
5	To re-elect Mr Liu Chee Ming as Director		
6	To re-elect Mr Neil Montefiore as Director		
7	To approve Directors' Fees		
8	To declare Final Dividend		
9	To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration		
	<b>Special Business</b>		
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 \_\_\_\_\_ 2010.

Total Number of  
Shares Held

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



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Affix  
Postage  
Stamp

**STARHUB LTD**  
67 Ubi Avenue 1  
#05-01 StarHub Green  
Singapore 408942  
Attn: Company Secretary

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**Notes:**

- 1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you only have shares registered in your name in the Register of Members, you should insert that number of shares. However, if you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members.
- 2 A member 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 67 Ubi Avenue 1, #05-01 StarHub Green, Singapore 408942 (Attn: Company Secretary), not less than 48 hours before the time appointed for the Annual General Meeting.
- 4 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 5 A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
- 6 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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# Corporate Information

## Board of Directors

TAN Guong Ching (Chairman)  
Neil MONTEFIORE  
KUA Hong Pak  
Peter SEAH Lim Huat  
Nihal Vijaya Devadas KAVIRATNE CBE  
LEE Theng Kiat  
Steven Terrell CLONTZ  
LIM Ming Seong  
LIM Chin Beng  
Sadao MAKI  
TEO Ek Tor  
LIU Chee Ming  
Robert J. SACHS  
Nasser MARAFIH  
SIO Tat Hiang (Alternate to Peter SEAH Lim Huat)  
Stephen Geoffrey MILLER (Alternate to LEE Theng Kiat)  
Masakazu INORI (Alternate to Sadao MAKI)  
Guy William NORMAN (Alternate to Nasser MARAFIH)

## 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  
LIM Chin Beng

## Nominating Committee

Peter SEAH Lim Huat (Chairman)  
LEE Theng Kiat  
TEO Ek Tor

## 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

67 Ubi Avenue 1  
#05-01 StarHub Green  
Singapore 408942  
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 LLP  
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  
StarHub (Mauritius) Ltd  
Foosti Pte. Ltd.  
Nucleus Connect Pte. Ltd.

## Investor Relations

For enquiries on the Group's business performance,  
contact the Investor Relations team at email: [ir@starhub.com](mailto:ir@starhub.com)

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## strategic communicator and visual creator

greymatter williams and phoa (asia)

**StarHub Ltd**

Reg. No: 199802208C

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Singapore 408942

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Fax: (65) 6721 5000

[www.starhub.com](http://www.starhub.com)