



Ahead with **Hubbing**



Hubbing *Delivers*

In two short years, after the commercial launch of StarHub in 2000, we became Singapore's first fully integrated info-communications and entertainment company. We have continuously created compelling reasons for customers to use Hubbing, a 'quadruple power play' of service offerings combining mobile, pay TV, broadband and fixed network services. In the process, we have consistently delivered value and returns to our stakeholders.

History of Winning Sustainable Results from 2005 to 2012

Revenue
FROM \$1.57b TO \$2.42b

↑ **1.5x**

Total Mobile Customers
FROM 1.39m TO 2.20m

↑ **1.6x**

Profit Attributable to Shareholders
FROM \$221m TO \$359m

↑ **1.6x**

Pay TV Households
FROM 448,000 TO 536,000

↑ **1.2x**

Free Cash Flow
FROM \$257m TO \$417m

↑ **1.6x**

Broadband Households
FROM 277,000 TO 444,000

↑ **1.6x**

Triple-Service Household Hubbing Index from 2005 to 2012



↑ **2x**

FROM 107,000 TO 214,000

A triple-service household subscribes to all three services
- Mobile, TV and Home Broadband

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www.starhub.com/ir

Visit us online to learn more about StarHub and download the annual report.



Download a QR code reader app on your smartphone and scan this code for more information.

Continue to Deliver Strong Shareholders' Value

20.0¢

DIVIDEND
INCLUDES A PROPOSED FINAL
DIVIDEND OF 5 CENTS

+122%

FROM 9 CENTS
IN FY2005

+411%

CUMULATIVE TOTAL
SHAREHOLDERS' RETURN
SINCE FY2005

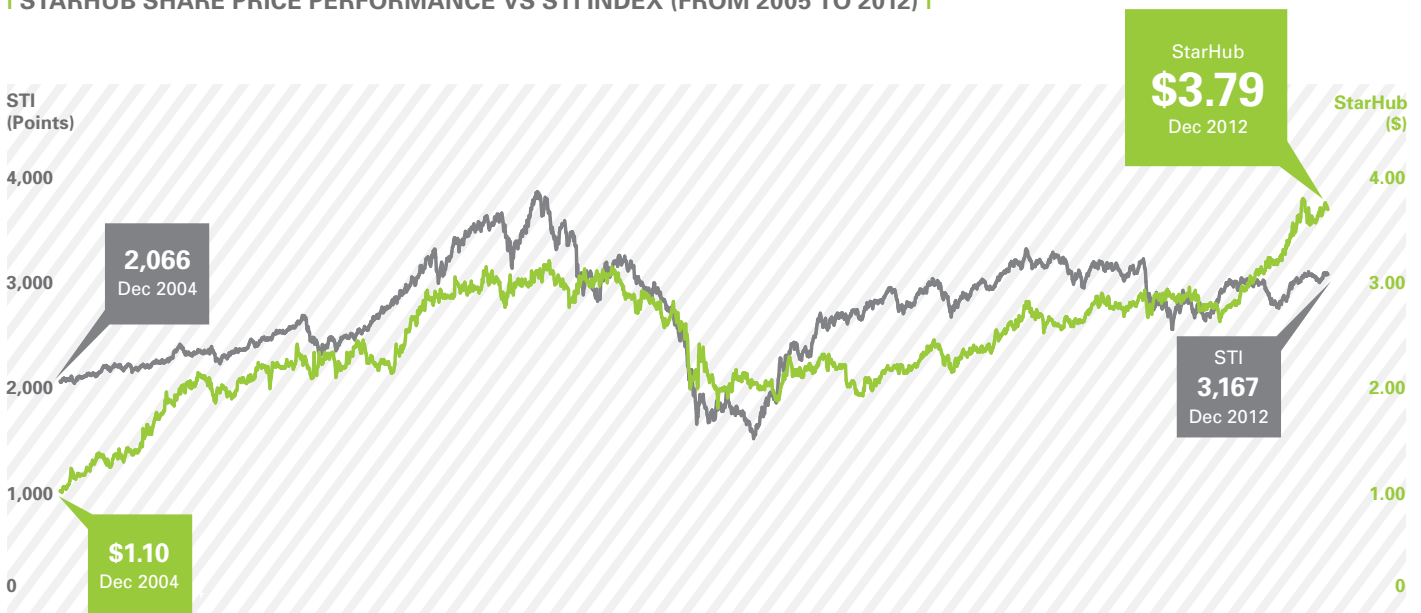
\$6.5b

MARKET
CAPITALISATION

+179%

FROM \$2.3B
IN FY2004

| STARHUB SHARE PRICE PERFORMANCE VS STI INDEX (FROM 2005 TO 2012) |

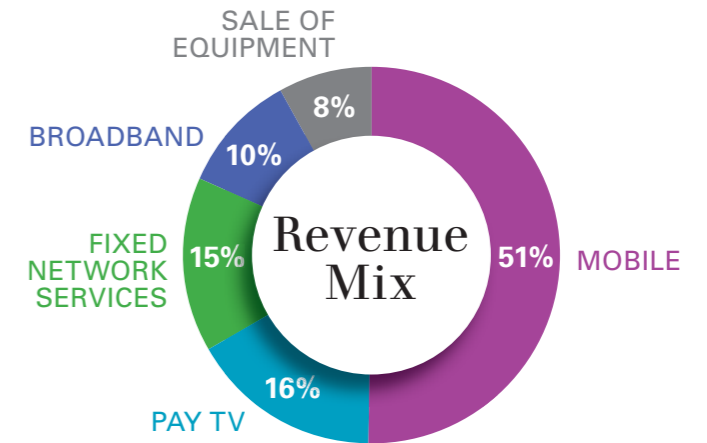


The Group Today

The Group's operating revenue increased 4.7% year-on-year (YoY) to \$2.42 billion due to higher service revenue and sales of equipment. Fixed Network Services recorded the highest revenue increase YoY at 6.2%, followed by Pay TV revenue which grew 5.4% YoY. Broadband revenue was 3.2% higher and Mobile revenue recorded a gain of 0.5%.

\$2.42b

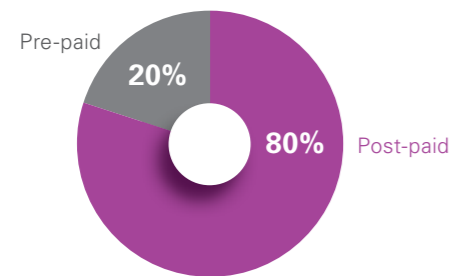
TOTAL REVENUE



Mobile

\$1.22b

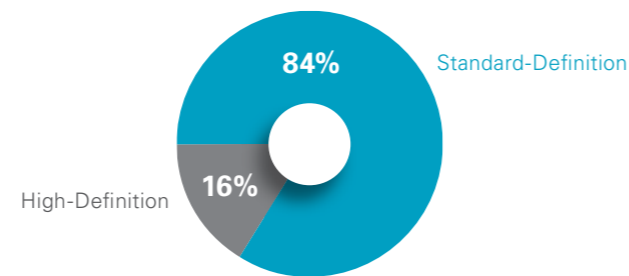
INCREASED 12%
FROM 2009's \$1.09B



Pay TV

\$396m

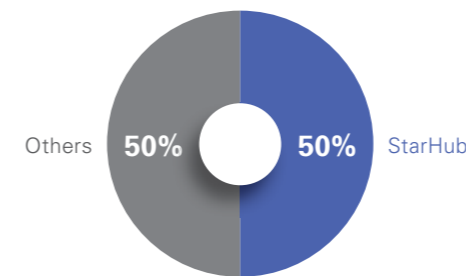
DECREASED 2%
FROM 2009's \$405M



Broadband

\$249m

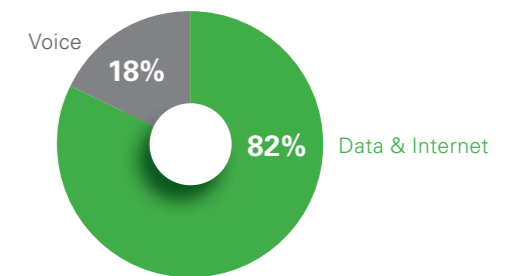
INCREASED 4%
FROM 2009's \$241M



Fixed Network

\$358m

INCREASED 13%
FROM 2009's \$318M



POST-PAID REVENUE	2009	2010	2011	2012
	\$835m	\$917m	\$968m	\$981m

3-YEAR CAGR **5.5%**

PAY TV REVENUE	2009	2010	2011	2012
	\$405m	\$395m	\$376m	\$396m

3-YEAR CAGR **(0.8%)**

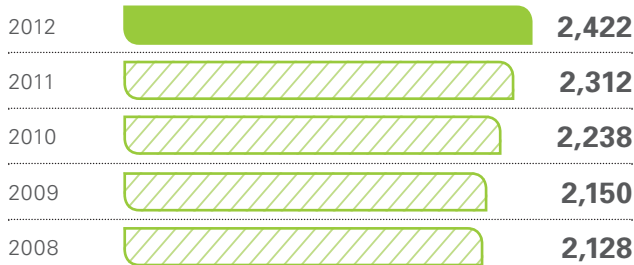
BROADBAND REVENUE	2009	2010	2011	2012
	\$241m	\$236m	\$242m	\$249m

3-YEAR CAGR **1.2%**

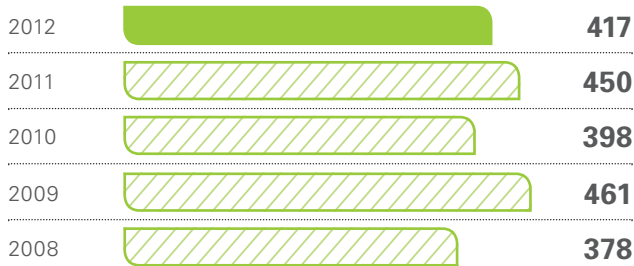
DATA & INTERNET REVENUE	2009	2010	2011	2012
	\$269m	\$278m	\$281m	\$295m

3-YEAR CAGR **3.1%**

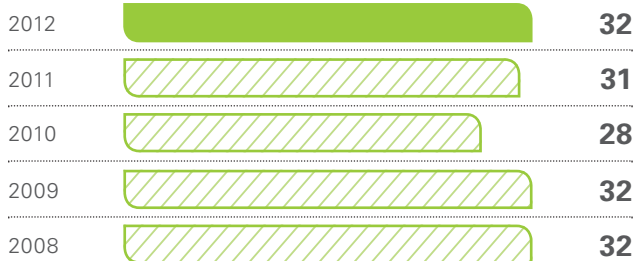
5-Year Financial Highlights



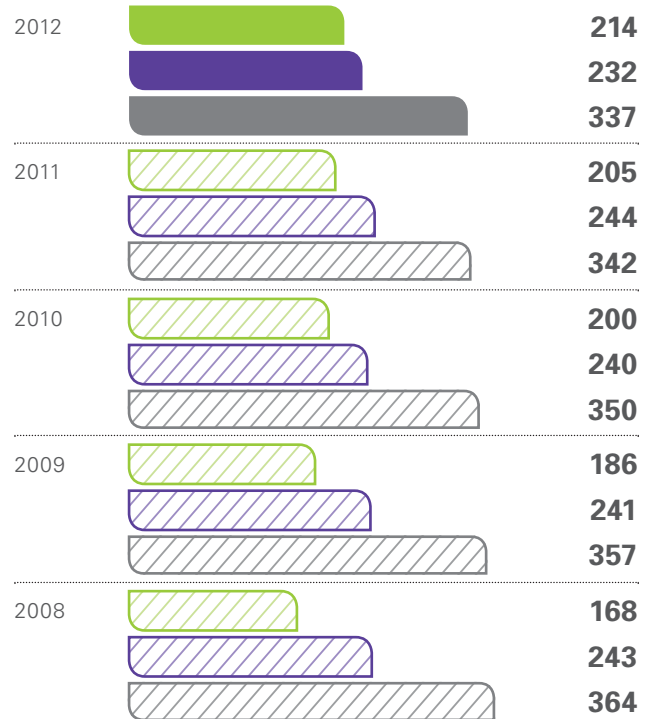
REVENUE (\$ MILLION)



FREE CASH FLOW (\$ MILLION)



EBITDA MARGIN ON SERVICE REVENUE (%)



Triple Service Households
Double Service Households
Single Service Households

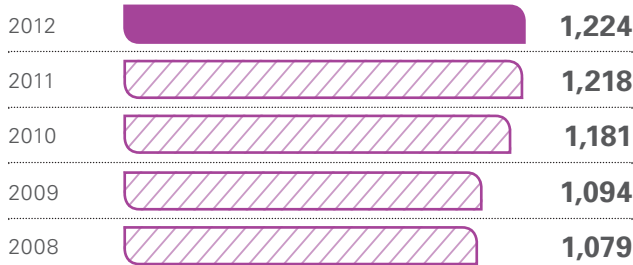
HUBBING HOUSEHOLDS ('000)



Mobile

2,200,000

CUSTOMERS



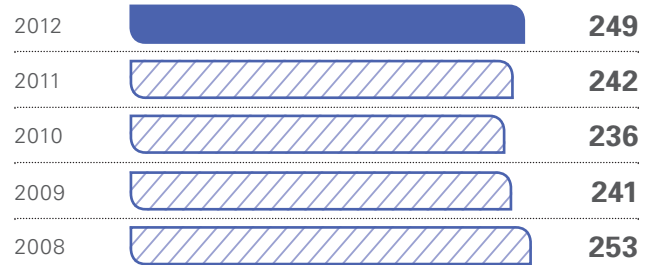
REVENUE (\$ MILLION)



Broadband

444,000

HOUSEHOLDS



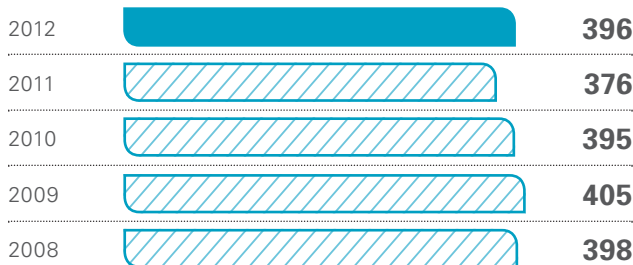
REVENUE (\$ MILLION)



Pay TV

536,000

HOUSEHOLDS

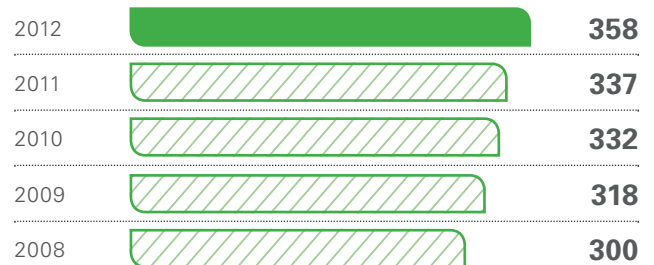


REVENUE (\$ MILLION)



Fixed Network

\$358m



REVENUE (\$ MILLION)

“Delivering a good performance does not mean that we will rest on our laurels. In fact, it is increasingly important for us to adapt and evolve our services to meet new challenges.”



\$2.4b

WE RECORDED AN EIGHTH
STRAIGHT YEAR OF
CONSISTENT GROWTH



“OUR SHARE PRICE WAS UP 30% OVER THE YEAR, PLACING IT AMONG THE 10 BEST PERFORMERS ON THE STI.”

DEAR SHAREHOLDERS

The past year has been another challenging but rewarding year for StarHub. In the face of a weak global economy, Singapore’s gross domestic product registered a 1.3% growth in 2012, down from 5.2% in 2011. Nonetheless, we have put in a strong performance across all our lines of business.

We are proud to have recorded an eighth straight year of consistent growth in 2012, with our operating revenue rising 5% to \$2.4 billion, and all our four lines of business showing improvement. EBITDA was up 7% over 2011 to \$720 million, mainly due to higher service revenue, higher sales of equipment and a tight rein on staff costs. We are also pleased that StarHub has delivered sterling shareholder returns once more. Our share price was up 30% over the year, placing it among the 10 best performers on the Straits Times Index (STI). With its dividend yield of 5%, StarHub has one of the highest dividend yields amongst the STI component stocks.

Delivering a good performance does not mean that we will rest on our laurels. In fact, it is increasingly important for us to adapt and evolve our services to meet new challenges. The market is becoming increasingly fragmented, with new technologies being introduced and alternate means of communication being adopted regularly. StarHub needs to be flexible in our service delivery and in our creativity and innovation investment, so that we can keep abreast of new developments.

Singapore’s mobile phone penetration rate continues to hover around 151% with the take-up rate for smartphones and tablets maintaining strong growth trajectories. While mobile data traffic has been steadily

climbing, traditional telecoms services such as voice calls and SMS have shown a dip in volume - a sign of how communication platforms are changing.

The Next Generation Nationwide Broadband Network (Next Gen NBN) continues to expand in Singapore, covering 95% of households and commercial buildings. As a result, the traditional telecommunications providers are now facing new broadband and multimedia competitors which will exert constant price pressures on service plans.

While traditional pay TV services have shown some growth in the local industry, the challenge from over-the-top content players continues to exist, attracting more viewers to access these alternative channels for their own entertainment needs. This will become increasingly prevalent as more devices allow for Internet access.

In light of these developments, StarHub will focus on some key strategic initiatives that will allow us to meet the challenges of the new digital economy.

CONTINUING OUR FOCUS ON CUSTOMER SERVICE

StarHub will ensure that our customer service remains one of the cornerstones of the StarHub brand. In the service industry, especially where there are multiple competitors, it is important to deliver a premium customer experience. We are pleased to note that our customer service division has the best customer satisfaction rating for broadband services in 2012, with our mobile services locking in a strong second position, according to the 2012 Customer Service Index of Singapore.

Part of this recognition is due to the efforts taken in improving our various customer service touch points.





For instance, we have developed a self-help mobile application called 'My StarHub' that houses the most frequently-asked questions. 'My Community' is a crowd-sourced web portal where customers can interact with each other on issues regarding our services. And we have further enhanced our comprehensive interactive voice response platform, along with our highly-interactive Twitter account 'StarHub Cares'. As a result, monthly service call volume in 2012 has dropped by 20%, without compromising on the quality of customer service.

INVESTING IN NEW TECHNOLOGIES AND CONTENT CREATION

Our mobile network has been enhanced to support the increasing demands for mobile broadband access. Besides upgrading our current 3G network, we have started migrating our mobile network to Long-Term Evolution (LTE) to ensure that our mobile network capacity continues to support the mobile broadband boom that will occur as more LTE handsets are introduced.

We have also started to look at alternative technologies to support greater communications throughput. One of our key investments here is in White Spaces, the unutilised TV broadcast spectrum which could be used for data communications. Spearheaded by our network team, we formalised the 'Singapore White Spaces Pilot Group' that is exploring this technology as a viable medium.

Another area of investment is Big Data Analytics through an initiative called 'SmartHub'. Insights from rich tracts of data will help us understand our customers better, build valuable products and benefits, and strengthen our brand loyalty. SmartHub will also help position Singapore as the leader in consumer and social analytics for Interactive Digital Media research and development.

To differentiate ourselves against pay TV competitors, we started to create content which is distinctively StarHub's. We launched *Sunsilk Academy Fantasia*, our own reality-singing competition where 14 singers competed for a two-year singing contract and recording album with a local record label. At the same time, we strengthened our content leadership in pay TV with a multitude of new channels and the return of favourites such as ESPN Star Sports (now known as FOX SPORTS).

STRENGTHENING PARTNERSHIPS

In 2012, we continued to strengthen our partnership with many leading companies from around the world. Our partnership with NTT Communications, PLDT Philippines and Telekom Malaysia for the new Asia Submarine-Cable Express started operations in the second half of 2012. Our



We continued to strengthen our partnership with many leading companies from around the world."

Vodafone partnership bore fruit as the StarHub-Vodafone marketing drive spread across the world. Our NFC initiative with DBS, MasterCard and EZ-Link saw the launch of our *SmartWallet* service, and our close partnership with Microsoft allowed us to become their launch partner for Windows 8. Moving forward, we expect to leverage further our relationship with our regional telecom friends, and even many non-traditional service providers.

BUILDING A BETTER BRAND

Supported by our long-time creative agency DDB Group Singapore, StarHub won the 'Brand of the Year' Award at the Singapore Advertising Hall Of Fame Awards, an industry-led event that recognises and celebrates excellence, outstanding achievements and breakthrough ideas in creative communications.

This award reflects our efforts to build and expand the StarHub brand. 2012 saw a number of initiatives based on our strategy of humanising technology: from our 'Home is Where the Heart Is' campaign and 'Golden Gurus' initiative targeted at senior citizens, or the launch of innovative services such as the LionsXII LIVE Mobile App and *TV Anywhere* service.

We believe these efforts have resonated positively with Singaporeans, and we hope to capitalise on our brand momentum to reach more demographics in the future.

CHAMPIONING SUSTAINABILITY

Our sustainability strategy aims to maximise value for both shareholders and stakeholders. We believe that a fair and vibrant workplace, lower environmental footprint, excellent customer experience, ethical market practices, driving the national economy's competitiveness and empowering the community, creates

Social responsibility goes a long way in brand-building. Last year has been one of StarHub's most active years in community engagement.

long term value for our business and enhances StarHub's brand equity.

Our sustainability report this year presents a substantially greater number of GRI performance indicators for a wider view of our sustainability performance.

Our workplace excellence strategies promote fair employment practices which help us attract and retain the best talent. People-centric human resources policies are ever more important as Singapore tightens immigration rules for foreign workers.

Our environmental responsibility focus is on reducing energy consumption and lowering costs, by adopting the most feasible energy efficient technologies to reduce our energy and carbon intensities.

CHANGES TO STARHUB'S BOARD OF DIRECTORS & CEO

In 2012, we announced the retirement of Mr Lee Theng Kiat as a non-executive director on StarHub's Board of Directors due to work commitments arising from his new appointment as President and General Counsel of Temasek Holdings (Private) Limited. We also announced the retirement of Mr Sadao Maki as non-executive director of the Board of Directors.

We would like to thank Theng Kiat and Maki-san for their dedicated service to the company, in providing invaluable counsel and strategic direction that helped StarHub evolve into a full-fledged quadruple-play info-communications provider. We wish them success in their future endeavours. We would also like to welcome Mr Takeshi Kazami and Mr Sio Tat Hiang as non-executive directors of StarHub.

In February 2013, we announced the retirement of Mr Neil Montefiore as CEO. We thank Neil for his contribution in both the strategic and business sustainability aspects of the Group over the past three years. We wish him all the best in his retirement. Mr Tan Tong Hai will become the CEO and Executive Director of StarHub in March 2013, subject to regulatory approval. We are confident that he will further augment StarHub's position as a leading info-communications and entertainment company in Singapore.

MOVING FORWARD

We expect our investments in new technology, our brand, content, partnerships, customer service and the community to cement our status as a powerful technological player in the region with an eye for community development and environmental awareness.

I would like to thank all our shareholders for your constant support and confidence in StarHub. I am immensely proud of the efforts of our staff, and delighted with the continued commitment and support from our customers, business partners and associates this year. StarHub's Board and Management remains dedicated to building both tangible and intangible value in the Company for you.

I look forward to meeting you at our upcoming Annual General Meeting. ■



Tan Guong Ching
Chairman

Ahead with
Hubbing



Having the passion and tenacity to tackle any problem and score the goals that have been set, all while having fun

57%

HOUSEHOLDS
TAKING UP TWO OR
MORE SERVICES

\$74

CONSISTENTLY
HIGH POST-PAID
MOBILE ARPU

>200

PAY TV
CHANNELS

+4,000

BRINGING US
444,000 BROADBAND
HOUSEHOLDS

Hubbing Enhances Success

From its inception, Hubbing has always been pushing the envelope, delivering results through strong competitive advantage and solid differentiation.

Ahead *with*
Hubbing



Going the distance in the pursuit of excellence, so that companies can provide matchless service to their customers, wherever they are

10

COUNTRIES TIE-UP
VIA CONEXUS
MOBILE ALLIANCE

11

UNDERSEA CABLE
SYSTEMS TO
SERVE ENTERPRISE
CUSTOMERS

40

LINKS WITH
VODAFONE'S
PARTNER NETWORKS
GLOBALLY

20,000

COMMERCIAL
LOCATIONS
ACCESSIBLE VIA
NEXT GEN NBN

Hubbing Powers Business

Hubbing enables businesses to go further than ever before, with unprecedented channels of collaboration and co-operation in a globalised economy.

Ahead with
Hubbing



It is about having nimbleness to make the leaps to seize opportunities, and executing brilliantly at every stage



5%
DIVIDEND
YIELD

20¢
DIVIDEND
PER SHARE

30%
CAPITAL GAIN IN
SHARE PRICE
YoY

37%
TOTAL
SHAREHOLDER'S
RETURN (INCLUDING
DIVIDENDS)

Hubbing Raises Performance

Hubbing is constantly ahead of the curve, driven by a relentless desire to outperform our peers by building a solid financial profile and rewarding shareholders.

Ahead with
Hubbing



It requires dedication, perseverance, and commitment - the qualities involved in a single minded devotion to scale ever higher peaks



11

GOLD CUSTOMER
SERVICE WINS

41

CUSTOMER SERVICE
AWARDS

-20%

DECREASE IN
MONTHLY CALL
VOLUME

214,000

NUMBER OF TRIPLE
SERVICE HOUSEHOLDS

Hubbing Heightens Recognition

To stay ahead, Hubbing is committed to putting customers first, with better and faster service, and a bigger range of service offerings to meet their needs.

Activities of The Board

The key roles of the Board include overseeing the management of the Company's business and affairs, and monitoring and reviewing the financial and operating performance of the Group.

The Board meets regularly, with a minimum of five 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 Board complies with internal controls that set out 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 are also provided at various Management levels to optimise operational efficiency.

To ensure an equitable distribution of responsibilities among Board members and to optimise the effectiveness of the Board, the Board is supported in its tasks by four Board committees which are delegated specific responsibilities.

These are the Audit Committee, Nominating Committee, Executive Resource and Compensation Committee and Strategy Committee. 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.



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 12 April 2012. He is also the Chairman of Singapore Technologies Telemedia Pte Ltd (ST Telemedia), STT Communications Ltd, Asia Mobile Holdings Pte. Ltd., Singapore Technologies Aerospace Ltd. 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 served in the Administrative Service for 35 years. In recognition of Mr Tan's contributions to the Civil Service, he was awarded a Public Administration Medal (Gold) in 1991, a Long Service Medal in 1997 and an NTUC Commendation Medal in 1999. Mr Tan holds a Bachelor and a Master of Engineering (Chemical) from McMaster University, Canada.



Neil Montefiore
*Executive Director
Chief Executive Officer*

Mr Neil Montefiore joined StarHub on 1 January 2010 as its CEO and Executive Director. He was last re-elected as an Executive Director on 16 April 2010. Mr Montefiore has over 35 years of global experience in the telecommunications industry. Prior to joining StarHub, he was the CEO and a Director of M1 Limited (M1) in Singapore. From 1991 to 1996, Mr Montefiore was the Managing Director of Chevalier (Telepoint) Ltd and Director, Mobile Services of Hong Kong Telecom CSL Limited. Prior to that, he held the senior position of Managing Director of PakNet Ltd in the United Kingdom. Mr Montefiore joined The Cable and Wireless group in 1976 and held various marketing and engineering management positions in Hong Kong, Bahrain, Saudi Arabia and the United Kingdom before being appointed CEO of Cable and Wireless Systems Ltd in Hong Kong. In September 2010, Mr Montefiore was named one of the 100 most powerful people in the telecoms industry worldwide. He was also named the Commsday Asia "Best Telecom Industry Executive" for 2010, and one of the Top 100 executives of the Global Telecoms Business Power 100 of 2012. Mr Montefiore holds a Bachelor of Science in Electrical and Electronic Engineering (Upper Second Class Honours) from the University of Portsmouth. Mr Montefiore is a Chartered Engineer, a Fellow of the Institution of Engineering and Technology and a Fellow of the Chartered Institute of Marketing.



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 12 April 2012. He is the Managing Director and Group CEO of ComfortDelGro Corporation Limited. Mr Kua brings wide-ranging experience of financial accounting, management and investment to the Board. Mr Kua is also the Deputy Chairman of SBS Transit Ltd and VICOM Ltd. Prior to joining ComfortDelGro Corporation Limited, Mr Kua served as the President and CEO of Times Publishing Limited and Executive Director of SBS Transit Ltd. Mr Kua serves on various community and voluntary organisations and was awarded a Public Service Medal in 1991 and the Public Service Star in 1996 for his contributions to the community. He holds a Bachelor of Accountancy from the former University of Singapore. Mr Kua participated in the Advanced Management Program conducted by the Harvard Business School, USA.



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 15 April 2011. He is a member of the Temasek Advisory Panel and has extensive experience in the financial industry. He is also the Chairman of DBS Bank Ltd, DBS Group Holdings Ltd, Singapore Technologies Engineering Ltd and Lasalle College of the Arts Limited. Mr Seah also serves on the boards of CapitaLand Limited and STATS ChipPAC Ltd. Mr Seah served as the President and CEO and a Director of Singapore Technologies Pte Ltd from December 2001 to December 2004. Prior to that, he held several senior level positions in the former Overseas Union Bank Limited before retiring as Vice Chairman and CEO in September 2001. 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 15 April 2011. He serves on the boards of DBS Bank Ltd and DBS Group Holdings Ltd in Singapore and GlaxoSmithKline Pharmaceuticals Limited in India. Mr Kaviratne has a stellar track record of success gained during a wide-ranging career at Unilever spanning over 40 years. He held various senior level management positions in the Unilever group across Asia, Europe and Latin America. He retired from the Unilever group in March 2005. Mr Kaviratne was cited in the Queen's 2004 New Year Honours List in the UK and was awarded the CBE (Commander of the Order of British Empire) for services to UK business interests in Indonesia. He was chosen by Business Week in 2002 for the Stars of Asia Award as one of the "25 leaders at the forefront of change". His management and leadership skills in multinational business strengthen the Board. Mr Kaviratne holds a Bachelor of Arts (Honours) with a major in Economics from Bombay University, India and has attended various management development programmes in India, Australia, the UK and the USA, including the Advanced Executive Programme conducted by Kellogg School of Management, Northwestern University and the Advanced Management Program at the Harvard Business School, USA.



Steven Terrell Clontz
Non-Executive Director

Mr Steven Terrell Clontz was appointed to the Board on 8 December 1999 and was last re-elected as a Director on 12 April 2012. Since January 2010, Mr Clontz has been Senior Executive Vice-President of North America and Europe Operations at ST Telemedia. In December 2012, he was appointed as a Director of Jasper Wireless, Inc. He is the Chairman of InterDigital, Inc. Prior to this, he served as the CEO of StarHub for 11 years before retiring on 31 December 2009. Mr Clontz is a well-regarded veteran in the telecommunications and media industry with more than 30 years of extensive experience. He brings with him invaluable knowledge of the telecoms and media industry and extensive management expertise. He began his career in the USA. From 1995 to 1998, he served as the 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, Inc. He was the President of BellSouth International (Asia-Pacific), Inc. 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 15 April 2011. He is the Chairman of CSE Global Limited and First Resources Ltd and serves on the boards of U Mobile Sdn Bhd and ST Kinetics Ltd. Mr Lim was with the Singapore Technologies (ST) group from 1986 to 2002, where he left as Group Director. Prior to joining the ST group, Mr Lim served as the Deputy Secretary with the Ministry of Defence of Singapore. Mr Lim brings with him extensive accounting, management and technical expertise. He holds a Bachelor of Applied Science (Honours) with a major in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore. Mr Lim also participated in the Advanced Management Programs conducted by INSEAD and the Harvard Business School, USA.



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 16 April 2010. He is the Chairman of PrimePartners Group Pte Ltd and the Managing Partner of PrimePartners Asset Management Pte Ltd, which manages private equity funds. Mr Teo is an independent director and a member of the Audit Committee and the Nominating Committee. Mr Teo has vast experience in investment banking, asset management and financial services in Asia, and brings with him in-depth financial and analytical expertise. He had contributed to, and been instrumental in the development of two major regional investment banking groups – Morgan Grenfell Asia (1980-1993) and BNP Prime Peregrine (1997-1999). Mr Teo 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 16 April 2010. 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 private investment services sector and has an invaluable network of contacts in the media industry. Mr Liu's financial and strategic expertise and experience in dealing with major corporations and businesses in many parts of the world is an asset to the Board. He worked for various Jardine Fleming entities for over 17 years in senior level positions. Between 1988 and 1995, he served as a Member of the Executive Committee and the Head of Investment Banking for Jardine Fleming Holdings Limited. Mr Liu was a Director of Media Asia Entertainment Group Limited of Hong Kong from 2005 to 2007. He is a member of the Takeovers Appeal Committee and Takeovers and Mergers Panel of the Securities and Futures Commission in Hong Kong. Mr Liu holds a Bachelor of Business Administration from the former University of Singapore.



Robert J. Sachs
Independent Director

Dr Robert J. Sachs was appointed to the Board on 29 April 2005 and was last re-elected as a Director on 12 April 2012. A lawyer by training, he is a Principal of Continental Consulting Group, LLC. Dr Sachs has almost 35 years extensive experience in the cable television and media industry. He was the President and CEO of the National Cable & Telecommunications Association from August 1999 to March 2005. From 1979 to 1998, he held various senior level positions in Continental Cablevision, Inc. and its successor, MediaOne Group, Inc., 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 in the United States. Dr Sachs holds a Bachelor of Political Science from the University of Rochester, a Master of Journalism from the Columbia University Graduate School of Journalism, and a Doctorate of Law from the Georgetown University, USA. He has also completed the Program for Management Development at Harvard Business School and is a member of the bar in the District of Columbia and the Commonwealth of Massachusetts.



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 15 April 2011. He is currently the CEO of Qtel Group LLC (QG), a limited company registered under the Qatar Financial Center and subsidiary of Qatar Telecom QSC (Qtel). 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 the George Washington University, USA.



Sio Tat Hiang
Non-Executive Director

Mr Sio Tat Hiang was appointed to the Board on 2 July 2012. He is the Executive Director of ST Telemedia. Mr Sio has more than 20 years of financial and management experience. He was a core member involved in the formation of STT as a new business area for the former ST group, and served as Senior Executive Vice-President of ST Telemedia from September 2010 to March 2012. Prior to that, Mr Sio was Vice-President of Corporate Finance and Director of Strategic Investment and Group Treasurer, for the ST group, overseeing the treasury and investment management functions of the ST group. Before joining the ST group, Mr Sio worked in the banking and financial services industries. He holds a Bachelor of Business Administration (Honours) from the former University of Singapore and attended the Senior Management Programme at the London Business School, UK.



Takeshi Kazami
Non-Executive Director

Mr Takeshi Kazami was appointed to the Board on 13 April 2012. He is the President and CEO of NTT Singapore Pte. Ltd., the regional headquarters of NTT Communications Ltd for the Asia Pacific region. He also serves as a director of Emerio GlobeSoft Pte Ltd. He started his career with NTT in 1986 and held various positions, including Area Manager - NTT America. He was seconded to StarHub, as Head of its Japanese Sales Sector in 2000. He went on to become the Head of Arcstar, the flagship brand of NTT Communications Ltd's range of global communication services. Upon his return to NTT Communications Ltd in 2005 and after serving as Director, Corporate Sales, he was appointed to his current position in July 2010. He holds a Bachelor of Arts, International Relation Course (Chinese and Sociology), from the Tokyo University of Foreign Studies, Japan. He was a visiting scholar at the Asia Pacific Research Center of Stanford University, USA.



Neil Montefiore
CEO



Tan Tong Hai
COO



Kwek Buck Chye
CFO

“Driving business excellence and *operational efficiencies across the Company*”

We have an experienced, performance-oriented management team with solid industry expertise and technical depth that is constantly reviewing and improving our processes.



Chan Kin Hung
Head, Marketing
and Products

Diana Lee
Head, Customer Service

Mock Pak Lum
Chief Technology Officer

Kevin Lim
Head, Enterprise
Business Group

Q: Can you give us an overview of StarHub's performance in 2012?

Neil: I am pleased to share that StarHub has shown immense resilience in 2012 despite the overall slow growth of the local and global economies. Our full year revenue increased 5% to \$2.42 billion, with a 7% higher EBITDA at \$720 million. Our EBITDA margin reached 32.3% and we increased NPAT by 14% to \$359 million. All in all, we are proud of our 2012 performance, which has taken us to eight straight years of steady growth.

With our eye on the rapidly changing info-communications industry, we maintained our philosophy of constant evolution and innovation in 2012. Our investments in an enhanced infrastructure and new services will enable us to adapt and compete more decisively in the new digital environment, against new, smaller but equally aggressive competitors as well as an established player with a broad regional reach.

The smart device has become more ubiquitous in 2012 with the introduction of new mobile devices and the constantly expanding plethora of mobile/tablet applications. Apple refreshed its line-up four times in 2012—with the iPhone 5, the new and fourth generation iPads and the iPad mini—while over 50 Android smart devices hit the market. Even Microsoft introduced a new Windows 8 platform that pushed manufacturers to innovate by introducing new touch-based devices in radically different form factors. We can expect a similar volume of smart devices to emerge in 2013 on the iOS, Android, Windows 8 and BlackBerry 10 platforms.

Our total mobile data traffic in 2012 leapt 26% to over 19 million GB, with more of our customers accessing a wide

variety of multimedia streaming services. In contrast, our average monthly SMS traffic per user dropped 19%, further cementing the changing face of the telecommunications industry.

Recognising the proliferation of smart devices would translate into a growing demand for mobile data, we upgraded our HSPA+ network to Dual Cell High-Speed Packet Access Plus (DC-HSPA+) and rolled out our Long-Term Evolution (LTE) or 4G network. Our mobile customers will be able to enjoy higher downlink speeds as well as more consistent multimedia streaming.

Our Mobile service revenue grew 1% YoY to \$1.22 billion, contributing to 51% of total operating revenue and making Mobile our largest revenue contributor yet again. This was due mainly to a higher post-paid mobile services revenue, which inched up 1% to \$981 million YoY—on the back of a 1.10 million strong post-paid customer base which grew by 4% or 38,000 from the previous year's. Post-paid ARPU for the full year was \$74, contributed partly by a higher take-up of *SmartSurf* (smartphone) plans.

While Pre-paid mobile service revenue decreased 2% to \$243 million as a result of lower voice and SMS usage, Pre-paid ARPU for 2012 was similar to 2011 at \$19. Our Pre-paid mobile customer base stood at 1.10 million.

We are pleased to have continued to lead the Pay TV industry with the most number of channels in 2012. We secured the broadcast rights for a number of major local and international sporting events, including LionsXII, Great Eastern-YEO's S.League 2012 Season, UEFA EURO 2012™ and many more. We also acquired the mobile and





Tim Goodchild
Head, Government and Strategic Affairs



Jeannie Ong
Head, Corporate Communications & Investor Relations



Veronica Lai
Head, Legal & Secretariat / Company Secretary



Chan Hoi San
Head, Human Resource



online rights for selected premium content, so that our customers can enjoy their favourite content across multiple platforms.

Pay TV revenue for 2012 did well, growing by \$20 million or 5% to \$396 million and becoming our second largest revenue contributor at 16%. ARPU grew \$2 to \$52, due largely to the \$2 monthly subscription price increase implemented in August 2011, the increased HD set-top boxes' rental revenue and higher advertising revenue. At the end of 2012, we had 536,000 Pay TV households.

Our Broadband service revenue recorded an \$8 million or 3% hike up to \$249 million in 2012 as a result of a higher ARPU and higher customer base. ARPU inched up from \$45 in 2011 to \$46 mirroring a net addition of 4,000 in the broadband customer base to 444,000. A higher churn in 2012 was due to more competitive offers by new market players and some broadband customers not renewing lower speed plans when their promotional term contracts expired.

The Next Gen NBN continues to expand and now covers 95% of Singapore. There were some delays at the Network Company (NetCo) level that frustrated many retail service providers and numerous residential and commercial customers island-wide. However, we have been working with the NetCo—via Nucleus Connect—to address any operational obstacles.

I would like to highlight Fixed Network Services revenue's respectable 6% growth in 2012 to \$358 million against \$337 million a year ago. At 15% of total operating revenue, Fixed Network Services is our third-largest revenue contributor. Data & Internet services revenue,

which comprised 82% of Fixed Network revenue, grew 5% to \$295 million; as a result of higher take-up of our domestic data and Internet services, as well as more robust business solutions sales, the latter thanks largely to the endeavours of our Enterprise Business Group.

Our Hubbing strategy continued to prove resilient given the current market conditions, with Triple-service households rising slightly to 214,000 households; the percentage of Hubbing households subscribing to two or more StarHub services remained dominant at 57%. The continued popularity of our multi-services bundling plans, coupled with new and innovative offers and promotions in 2013, should attract new customers to our base.

Q: *Why have you decided to retire at this time?*

Neil: I just turned 60 last December and think that it is the right time to retire from an executive role. I am leaving StarHub in the good hands of Tong Hai. We have worked together for many years and I am confident that I am handing over the helm to yet another seasoned industry executive who can continue steering the Group successfully. I am not planning to head up another company. I plan to travel the world with my wife, spend more time with my grand-children and perhaps try out some non-executive roles or in an advisory capacity.

I should mention at this time that Alex Siow, our former Head of Enterprise Risk Management and Business Excellence, has also retired. I would like to thank him and our former Head of Sales and Marketing, Ng Long Shyang, who left to seek other business opportunities, for their valuable contributions to the Company. I wish them well in their future endeavours.



At the Company level, our total shareholders' reserves stand at \$964.2 million and are adequate to cover any dividends declared in excess of the earnings for that year."

Q: *What are your plans for StarHub once you become the CEO in March 2013?*

Tong Hai: I see great opportunities to leverage on what Neil and Terry have built for StarHub – strong brand, loyal customer base and convergent Hubbing.

Given the difficult local and global economic climates, customers will be tightening their belts, so StarHub will have to improve our value proposition through better service and better value-for-money offerings. Our main challenge will be to keep our loyal customers happy, attract new ones, and at the same time come out with innovative offerings to set ourselves apart from the rest. Although telecommunications is an essential service, we are not taking anything for granted and will continue to operate our business efficiently.

We also aim to continue building upon our Hubbing platform with content expansion on our Pay TV and through convergent and innovative services like TV Anywhere. This will provide our customers even more opportunities to access our rich TV content anytime, anywhere. The Next Gen NBN will also allow us to target residential and commercial customers with new solutions and services that address their needs and appeal to their desires.

Smart device penetration should continue in 2013 and with it a rise in the demand for mobile data. Our LTE network should cover all of Singapore by the end of 2013 and be ready for the anticipated boom of new LTE devices. We also expect the take-up of our new SmartSurf plans to be brisk as mobile consumers rely more on mobile data services.

In order to better understand the challenges ahead, we have invested in 'SmartHub', our consumer and

social analytics platform, to strengthen our capabilities in R&D. This investment stemmed from our recognising the need to understand the evolution of our consumers in this rapidly changing info-communications world. Insights from SmartHub will enable us to re-align our operations to respond quickly to developments in the industry, and implement the organisational structure to develop and launch innovative solutions.

Finally, I strongly believe in shareholder rights and corporate transparency. I hope to continue StarHub's successful development and delivery of shareholder value in this rapidly changing technical and regulatory environment. I will also continue to actively promote our corporate social responsibility programmes, engage the community and contribute to society.

Q: *What have been the highs and lows for StarHub's businesses in 2012?*

Tong Hai: Winning the 'Brand of the Year Award' at the annual Singapore Advertising Hall of Fame Award capped the year on an absolute high for us. It reinforced the fact that we have done well in offering more value to fulfil our customers' lifestyle needs and provide a 360 degree customer engagement; leading to the endorsement of our brand.

We introduced an explosion of new content for StarHub TV customers. With about 30 new channels offered on an already-rich content line-up, we brought the total number of channels to more than 200 on our pay TV platform. In most cases, the content is offered on multi platforms.





As the official broadcaster and principal sponsor of LionsXII, we carried all of their content on our TV, online and mobile platforms. We even created a LionsXII Live Mobile App which allowed customers to cheer the team and get the latest news updates, match fixtures, scores and 'live' football action, all from their smartphones. Similarly, when we secured the rights to air the 2012 Great Eastern-YEO's S.League, we showed the matches on SuperSports Arena, StarHub TV Online and StarHub TV on Mobile.

On the international front, we became the official broadcaster of the UEFA EURO 2012™. Our customers were able to opt in for the multi-screen access of the matches on Internet and mobile at no additional cost. We also sealed the broadcast rights to the Bundesliga football league on multi platforms and acquired the broadcast rights to FOX SPORTS portfolio of multimedia assets including TV, broadband and mobile services. StarHub TV sports fans can now catch a stellar line-up of sports content that includes exciting football properties, motor-racing, Grand Slam tennis, the Golf Majors, popular American sports, premier Asian sports and top cricket properties.

With the increasing ownership of multiple personal smart devices and the demand for entertainment content on the go, we offered our customers the ability to access TV content anytime, anywhere via *TV Anywhere*. 36 channels may be accessed by StarHub TV customers across Internet-enabled PCs, Macs, iPads and tablets. The channels span a diverse group of genres that is designed to appeal to a broad range of customer tastes, including kids, comedy, drama, news and sports.

We made our first major foray into content production when we produced our own reality singing competition called *Sunsilk Academy Fantasia*. Based on a popular and internationally-successful singing competition, this singing competition brought reality TV to a whole new level where viewers could get to see the makings of a star from start to finish. As part of our multi-platform strategy, viewers could view and identify with the contestants on TV, mobile and online. We also developed the *Sunsilk Academy Fantasia* App which came fully loaded with biographies of the finalists, allowed users to vote for their favourite contestant and enabled them to sing along to lyrics on a minus-one track. The programme has been very well-received. Its success has set the tone for more unique local programmes to be developed in-house by us in the near future.

We also engaged our customers via a number of significant marketing programmes. The main brand

message we espouse is 'Home Is Where The Heart Is'. This brand campaign – launched over TV, print and online media – reminds our customers that while technology is constantly enhancing our lifestyles with improved connectivity and convenience, we should not neglect the most important people in our lives – the family.

To encourage our customers to spend quality time with their families, we set up a microsite, (www.starhub.com/familytime) where our customers can describe their wish to spend quality time with their family members, and each month, we will endeavour to make one family's wish come true.

Another major initiative was called 'Golden Gurus'. This campaign is an IT empowerment and education programme by seniors for seniors, to help the elderly bridge the digital gap with their loved ones and the community. In line with the Government's promotion of Active Aging, StarHub's Golden Gurus programme, supported by Council for Third Age and RSVP ProGuide will see tech-savvy senior citizens giving back to society by teaching IT to other seniors.

On a low note, we would have been in discussion with the Premier League on the Barclays Premier League (BPL) content rights in 4Q2012, but there are delayed contractual rights with the other operator that has our negotiations. We hope to be able to speak with Premier League soon. We have often said, we will only acquire the broadcast rights for BPL at a sensible price to ensure that there is continued value for our customers and shareholders.

Q: *Given the current market situation, how sustainable is your 20 cents dividend?*

Buck Chye: StarHub is generating a healthy and sustainable free cash flow. In setting our dividend policy, the Board took a projected three-year view of the Company's earnings performance, the Company's reserves and cash flows, to ensure that there is adequate

\$964m
+2%

COMPANY SHAREHOLDERS'
RESERVES

funding to meet our dividend payments requirements. Also the dividend from the listed company is declared out of distributable reserves of the Company. At the Company level, our total shareholders' reserves stand at \$964.2 million and are adequate to cover any dividends declared in excess of the earnings for that year. In addition, our net debt to 2011 EBITDA ratio is only 0.56 times, and hence, we have sufficient capacity to leverage for strategic business investments or for possible future capital management exercises if need be.

Q: *By the way, are there plans for a capital reduction exercise in 2013?*

Buck Chye: There are no current plans for a capital reduction exercise in 2013. Our long term target for net debt to EBITDA has always been 1.5 – 2 times. We are currently at 0.56 times, so there is sufficient financial gearing ability. There continue to be industry and economic market uncertainties and we will review our cash flow requirements accordingly.

Q: *Your unsecured borrowings have gone up and you have also secured a new \$220m loan. Can you elaborate a bit more?*

Buck Chye: In September, the Group issued a \$220.0 million, 3.08% fixed rate, 10-year medium term notes due in 2022 under its \$1 billion Multicurrency Medium Term Note (MTN) Programme. The proceeds were used to finance scheduled bank loan repayments in the last quarter of the year as well as to finance the general corporate funding and CAPEX requirements in the year. The MTN Programme provides StarHub with greater funding diversity through additional funding options and ability to term out our debt maturity profile. It also allows us to tap the bond market and issue bonds in currencies other than SGD, whenever appropriate.

Q: *What was your CAPEX for LTE and what operational savings were there from these new infrastructure investments?*

Buck Chye: The CAPEX to revenue ratio for 2012 was 11% of sales. This includes the CAPEX for the initial phase of our LTE network roll out. We are continuing to expand our LTE in 2013 to achieve nationwide coverage. When our LTE is fully operational, we expect the new technology to deliver higher data throughput at a lower operating cost. For example, there is less electricity consumed, less space needed for the base stations leading to lower rental costs and increased bandwidth management capability. All these should translate to a lower cost of operating the network in the future.

Q: *IDA is looking to conduct a 4G spectrum auction in 2013, can you tell us more?*

Tim: IDA has stated that it will conduct a 4G spectrum auction in the 1800 MHz band as well as the 2.5 GHz band, with the spectrum rights running until 2030. The acquisition of 4G spectrum would help StarHub offer increased data capacity, improved speeds and reduced latency of our mobile network. We are currently studying the allocation framework and will put in a bid that makes good business sense for us.

Q: *In 2012, you made some mobile network enhancements, can you elaborate on them?*

Kin: In September, we announced the enhancement of our high-speed mobile broadband network with LTE and DC-HSPA+, which offer customers improved peak downlink speeds of up to 75 Mbps and 42 Mbps respectively. Since end 2012, our LTE network reached more than half of the island, covering key high traffic areas and suburbs. Nationwide LTE network coverage is scheduled to be completed by 2013. To complement our LTE network, our customers can use our advanced DC-HSPA+ mobile network to enjoy fast, consistent data connectivity in indoor areas, including popular lifestyle and shopping destinations, and most of Singapore's underground network of MRT stations and tunnels.

We continue to invest substantially in our 3G mobile voice and data network so as to serve our customers better. We are enhancing our 3G mobile base stations, using the 900MHz band, to boost coverage as we continue to work closely with the relevant authorities as well as residential and commercial building owners to improve in-building mobile reception. We are looking to complete the upgrade of our 3G mobile network with HD Voice, offering customers significantly better sound quality for local voice calls.

Q: *Any new developments in your partnership with Vodafone?*

Kin: In 2011, we became Vodafone's exclusive partner in Singapore, the key driver for this move was to serve the mobile communications needs of enterprises in Singapore as well as to meet the growing demand of roaming customers. Vodafone has network operations in more than 30 countries and partner networks in over 40 additional countries. We deepened our partnership in 2012 by not only offering more quality roaming coverage through Vodafone, but also offering over 90% savings on data roaming rates to our customers. We were also able to offer better lifestyle privileges to them, such as the opportunity to get up close to Lewis Hamilton during the Singapore Grand Prix.





Q: **Why have you revised your SmartSurf plans?**

Kin: During the launch of our LTE service, we took the opportunity to revise our *SmartSurf* plans to be in line with current market trends. In 2009, low smartphone ownership and mobile data usage incentivised us to offer larger data bundles on a promotional basis to encourage greater take-up of mobile data. With increased ownership of smartphones and tablets, and exponential growth in mobile data usage, we had to adopt a data pricing model that would be sustainable in the long run in order for us to keep pace with our network and technological upgrades. These efforts will ultimately ensure our customers can enjoy a consistent mobile Internet experience over the years.

Q: **How do sales of devices on the iOS platform compare to those on the Android platform? Do you need to provide more handset subsidy costs?**

Kin: Both platforms are currently running about even, growth-wise. 2013 will be an interesting year for the mobile industry, with aggressive competition coming from BlackBerry 10 and Windows 8 Mobile. We are also expecting the costs of smartphones to remain competitive but with more choices made available in the mid to lower-end range. Generally, top-end smartphones take about six to seven months of our post-paid ARPU to recover.

Q: **Why has the subscription of StarHub's Sports Channel increased in 2012?**

Tong Hai: StarHub continued to add value to Sports Group subscribers in 2012. Some of the new sports content added to our portfolio include FOX SPORTS NEWS, FOX SPORTS, STAR Sports, FOX SPORTS PLUS (HD), STAR Cricket and STAR Cricket HD. Our customers can also catch their favourite sports action 'live' as part of our *TV Anywhere* service.

We should note that programming costs have also increased for many of the traditional sports content mainstays over the years. As a result, we had to adjust the monthly subscription fee to reflect the value of the premium content. The monthly Sports Group package has now been revised to \$19.26. Nevertheless, we would like to assure our customers that we will always seek to price our content reasonably in order to provide value to our customers. An example would be our more than 50% reduction of the Sports Group package in 2010 that reflected the removal of both FOX SPORTS and BPL from the line-up.

Q: **For the Enterprise Business Group, what has been your main focus in 2012?**

Kevin: We have been most excited by

developments in the market in areas such as cloud, Next Gen NBN and enterprise mobility because it opens up opportunities for us to service the corporate customers. Next Gen NBN for example, allows us the reach to serve the SME market delivering creative solutions to meet their info-communications needs. SMEs face different challenges from MNCs, especially in accessing resources such as relevant skills and tools. In this area, we have partnered with leading solution providers to develop a range of products and services to bridge the gap, for example with our cloud computing service called 'Argonar' and our service-based storage and Microsoft Office 365 solution, SMEs can tap on the benefits of our technology without having to invest upfront in on-premise solutions. They need only focus on usage on a pay-as-you-use basis. Ultimately, we aim to provide end-to-end solutions that will help SMEs stay competitive. In 2013, we expect to enhance our service offerings by adding more services to our portfolio for this segment.

Q: **You started offering cloud services to your corporate customers in 2012. Can you tell us more about this?**

Kevin: We launched our Infrastructure-as-a-Service (IaaS) cloud platform and provided our customers with choices depending on their operational needs. Simply put, IaaS is a platform where we offer computing power to businesses, as well as meet the needs of those that are looking to outsource cost effectively their support operations (such as storage) on the cloud instead of building the platform internally. How we differentiate our service from other more established players is our ability to include competitively-priced access services and other value-added applications such as StarHub's Clean Pipe Anti-DDoS (Distributed Denial of Service). Our customers get the benefit of an end-to-end solution from a single source, meeting all their cloud computing needs.

Q: **Any significant successes in the enterprise space?**

Kevin: Our focus has been on the establishment of a stable, a physically and resilient network that boosts our capability to meet the region's growing needs for high-speed bandwidth. Significantly, in August, we became the first telco in Singapore to offer the shortest and fastest hi-speed link between Singapore and Japan, connecting Hong Kong and the Philippines. The Asia Submarine-Cable Express enables us to gain a strong foothold in the MNC market, particularly with financial institutions and enterprises that require time-sensitive, instantaneous transmission of large amounts of information. Similar to our focus in the SME market, we partner to bring the best of breed solutions together for our enterprise customers. An excellent example is the

‘second screen’ solution which we delivered for Mandarin Orchard, where guests can access their TV programs, check messages and view flight information anywhere in the hotel premises with hotel-issued iPads. With our fixed and mobility services, we are honoured to have added quite a number of local and global enterprises to the list of customers we have the pleasure to serve.

Q: What are White Spaces?

Mock: TV White Spaces are unused TV broadcast frequency bands that can be turned into premium wireless broadband delivery channels. These channels have a set of highly-desirable attributes such as the ability to travel over longer distances and penetrate more obstacles than technologies using higher frequencies, such as Wi-Fi. Sometimes referred to as ‘Super Wi-Fi’, this can translate to better coverage, lower power consumption and reduced network costs.

We signed a Memorandum of Understanding in April with the Institute for Infocomm Research and Microsoft Singapore to formalise the establishment of the Singapore White Spaces Pilot Group, making Singapore a leading test-bed and innovation zone for conducting commercial pilot projects using White Spaces technologies.

Q: What about Consumer Analytics?

Mock: In November, we announced the launch of ‘SmartHub’ - an innovation platform in consumer and social analytics designed to strengthen Singapore’s capabilities in Interactive Digital Media (IDM) Research & Development (R&D). The National Research Foundation-supported innovation platform will provide city-scale test-beds where home-grown and global players can jointly develop, test and launch their IDM-based products and services, not just for Singapore, but for the region.

The platform is expected to help speed up the commercialisation process of R&D, increase the quality and quantity of IDM innovations, help businesses gain useful insights into consumer behaviour as well as encourage more collaborations between the academia, industry and public-sector organisations in developing IDM innovation. For a start, SmartHub will partner Orchard Road Business Association, IBM Singapore, Nanyang Polytechnic, National University of Singapore and Quantum Inventions to explore data analytic projects across various industries such as tourism, transportation and retail.

With this initiative, we aim to help sharpen Singapore’s competitive edge and position the country to become the regional hub for consumer and social analytics.

Q: What improvements in customer service has StarHub developed in 2012?

Diana: Our customer service division has once again maintained its high standards. According to the 2012 Customer Service Index of Singapore, which is managed by the Institute of Excellence at SMU and the Singapore Workforce Development Agency, StarHub has attained the highest customer satisfaction rating for broadband services and the second-highest satisfaction rating for mobile services. In addition, StarHub garnered 41 accolades (9 Star, 11 Gold and 21 Silver Awards) at the Excellent Service Award 2012. This national award recognises individuals who have delivered quality service in 2012. It has the support of SPRING Singapore.

Given the rapid adoption of smartphones in Singapore, StarHub launched ‘My StarHub’, an in-house developed smart phone application that offers a convenient platform for customer self-help. The application allows you to view your bills, have access to frequently-asked service questions and provides locations for all StarHub outlets.

StarHub also launched ‘My Community’, an online StarHub community platform where customers can engage with each other on StarHub services and content or approach our customer service representatives who will be on hand to answer questions.

In addition, we introduced a new simplified bill format to help customers read and understand their monthly charges clearly yet comprehensively. ■

Neil Montefiore

CEO

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

Tan Tong Hai

COO

Tong Hai oversees the day-to day operations and has direct responsibility of StarHub's Consumer Business Group, Enterprise Business Group, Customer Service, Network Engineering & Information Services, Wholesale & International Services and Government & Strategic Affairs divisions.

Tong Hai has over 20 years of experience in the regional IT, Internet and e-commerce industries. He was previously the President & CEO of Singapore Computer Systems Ltd, and the President & CEO of Pacific Internet Ltd. He was instrumental in turning both companies around when he was at their helms.

Tong Hai holds a Bachelor of Electrical Engineering (Honours) from the National University of Singapore.

Kwek Buck Chye

CFO

Buck Chye has been the Chief Financial Officer of StarHub since September 2002. In addition to his financial portfolio, he also oversees the Risk Management, Corporate Administration, Business Performance and Purchasing & Logistics divisions. He received the prestigious Singapore Corporate Award for Best CFO in 2008.

Prior to joining StarHub, Buck Chye was CFO of ST Telemedia. He joined the ST group in 1992 and held the CFO position in various subsidiaries, including Chartered Semiconductor Manufacturing Ltd and ST Assembly. He was also COO of Vickers Ballas & Co. Before joining the ST group, Buck Chye spent 10 years at United Technologies group – Carrier (Asia Pacific Operations) where he had regional responsibilities.

Buck Chye holds a Bachelor of Accountancy from the former University of Singapore. He also attended the Advanced Management Program at Harvard Business School in 1997.

Chan Kin Hung

Head, Marketing & Products

Kin Hung is responsible for the strategic analysis, planning, development and management of all consumer products, services and content that are provided on StarHub's multiple platforms. These offerings include mobile, pay TV and broadband services. He also oversees the marketing function, which includes consumer marketing, branding, marketing communications and customer value management.

Kin Hung joined StarHub as Head of Mobile Services in 2001, bringing with him more than 15 years of product development, marketing, sales and general management experience.

Kin Hung started his career in Digital Equipment Corporation and Apple Computer International Limited. He also spent several years in Singapore holding various senior positions in the telecommunications industry. Prior to joining StarHub, Kin Hung was the Managing Director of UUNET Singapore Pte Ltd.

Kin Hung holds a Masters in Electrical Engineering from the University of Michigan, Ann Arbor, as well as a Masters in Business Administration from the Chinese University of Hong Kong.

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.

Prior to her role in heading the Customer Service team, Diana was the Senior Manager of Human Resource in SCV.

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.

Mock Pak Lum

Chief Technology Officer

Pak Lum oversees the Network Engineering and Information Services division. He is responsible for establishing StarHub's technical vision and leading all aspects of technology development. He also looks into the strategy for technology platforms and external partnerships.

Prior to joining StarHub, Pak Lum spent eight years in Pico Art International Pte Ltd and GT Communications Pte Ltd. He then moved to head 1-Net Singapore Pte Ltd. He was also appointed the CEO of the technology arm of MediaCorp where he oversaw the IT, engineering and transmission support functions.

Pak Lum holds a Bachelor of Electrical / Electronic Engineering from the National University of Singapore and a Masters in Business Administration from the University of California, Los Angeles.

Kevin Lim

Head, Enterprise Business Group

Together with his team, Kevin is responsible for accelerating StarHub's Enterprise Business serving the business market, from SMEs to MNCs. He is also in charge of the International group, which is responsible for international product development, carrier services and commercial agreements, business

planning and development, international network planning, as well as the development of the wholesale business.

Kevin's experience spans over more than 27 years in various industries and across the globe. He was most recently from Intel where he worked with telecom operators, vendors and regulators on the ecosystem for the proliferation of broadband through wireless broadband access technology. At a global level, he was worldwide division general manager of Lernout & Hauspie who was the leader in speech and language technology.

Kevin received a Bachelor of Science Degree in Business Administration from Pepperdine University in California and a Masters Degree in International Management from the American Graduate School of International Management.

Jeannie Ong

Head, Corporate Communications and Investor Relations

Jeannie is responsible for building StarHub's profile and its corporate reputation. She is instrumental in providing strategic counsel in the areas of corporate communications, investor relations (IR) and community relations.

Jeannie received the Best IR Officer in Singapore award by IR Magazine Awards – South East Asia 2012 and the Best IR Professional in Singapore award by the Corporate Governance Asia 2nd Asian Excellence Recognition Awards 2012. She and her team clinched the Best IR Company in Singapore at the same award. She also received the Best IR Officer in Singapore award by Asiamoney magazine twice in its annual Asiamoney Corporate Governance Poll in 2007 and 2010. She and her team clinched the Best IR award (Gold) at the Singapore Corporate Awards 2010, as well as the Best IR award (Silver) and the Best IR award (Bronze) at the same awards in 2008 and 2009 respectively.

They also won the Gold award for IR in Telecom in Singapore at the Triple A Asset Asian Awards 2009.

Jeannie joined StarHub in April 2001 and was involved in bringing the company public in October 2004. She has more than 20 years of experience in corporate, financial, marketing and community communications across different industries. Jeannie holds an honours degree from the University of London, where she majored in Economics and Financial Management.

Veronica Lai

General Counsel & Company Secretary

Veronica embarked on her career with StarHub in 1999, as part of the team establishing the legal structure to support StarHub in its official launch in April 2000 and thereafter in the merger of StarHub and SCV in 2002, and StarHub's IPO in 2004. Her responsibilities include the oversight and management of all Legal matters of the StarHub Group. In addition, she serves as Company Secretary for the StarHub Group of companies.

Under her leadership, the StarHub Legal team was recognised with various awards, including the Best Domestic Equity Deal in Singapore and Best Deal for Singapore in 2005 for their role in the StarHub IPO by Asia Legal Business, and the IT/Telco In-house Team of the Year Award in 2007 at the ALB Southeast Asia Law Awards. Veronica received the 2007 AsiaLaw Singapore In-house Counsel Award by Asia Law and Practice, and was named by Asia Legal Business as one of the Top 25 in-house counsels in Asia in 2010. Most recently, the StarHub Legal Team received the International Law Office Asia- Pacific Counsel Award for Regulatory support.

Veronica graduated with an honours degree from the National University of Singapore. Prior to joining StarHub, she spent six years in practice with Rajah and Tann LLP.

Chan Hoi San

Head, Human Resource

Hoi San is responsible for the overall direction of all human resource (HR) services in the company. She is also responsible for formulating, developing and ensuring consistent implementation of the company's strategic HR policies and procedures. Hoi San has been credited for building a strong groundwork in StarHub's HR division prior to the company's official launch in April 2000. She also played an integral part in the merger of StarHub and SCV by aligning and integrating the various business functions and resources, HR policies and procedures.

Hoi San holds a Masters of Human Resource Management from Rutgers University, USA and a Bachelor of Arts degree from Scripps College, The Claremont Group for Colleges in the US. She has a graduate diploma in Personnel Management and is also an Accredited Myers-Briggs Type Indicator Assessor as well as a Certified Evaluator of the Thomas (DISC) Personal Profile System.

Tim Goodchild

Head, Government and Strategic Affairs

Tim and his team are responsible for managing StarHub's relationships with its regulators, and for providing regulatory support to StarHub's lines of business.

Tim joined StarHub in 2004, and has over 20 years experience in telecommunications regulatory issues. His working career has included time with Telecom New Zealand, the Telecommunications Authority of Singapore (now the Info-communications Development Authority of Singapore); Millicom International Cellular; and Equant Singapore. His career has given him exposure to regulatory regimes throughout the Asia-Pacific region.

Tim holds an honours degree in Economics from Victoria University. ■

Fibre Broadband Gaining Traction

David Storrie, CEO of NC, was appointed by StarHub to take the reins of the company since inception. He offers his viewpoint on Next Gen NBN developments in 2012 and onwards.

Nucleus Connect (NC), StarHub's wholly-owned subsidiary was appointed by IDA to design, build and operate the active infrastructure of the Next Gen NBN in 2009. Since then, NC has launched two central offices which house equipment to run the Next Gen NBN based on Gigabit Passive Optical Network and Optical Ethernet access technologies. NC has also released their IDA-approved competitive wholesale interconnection offer (ICO) pricing for Retail Service Providers (RSPs). Finally, NC established a 24x7 Network Operations Centre to monitor their entire network operations from one central surveillance point.

Is fibre broadband gaining traction in Singapore? What are the obstacles and challenges faced?

According to the IDA's statistics, fibre broadband subscriptions have grown more than two and a half times from 98,600 as at end 2011 to 279,100 as at end 2012. There has certainly been no lack of end-user interest since launch but the take up of services have been beset by provisioning issues. Singapore's Next Gen NBN is a multi-layer industry structure network with

various operational interactions between different entities, thus increasing the complexity in the overall service delivery process. In addition, there have been significant service delivery delays at the Network Company (NetCo) level and this has generated frustration from both RSPs and end-users. Delays in securing access to commercial buildings for passive infrastructure deployment have also affected the corporate subscription rates. All these delays have been widely reported in the local media.

In view of this, we continue to work closely with the NetCo to identify and resolve the impediments, as well as with RSPs and end-users for rescheduling of field services to ease the installation process. The NetCo on their part has increased installation quotas during spikes, especially during IT tradeshows. IDA has brought forward the review of the NetCo's ICO earlier than originally planned and the weekly installation capacity has been increased from 2,050 to 3,750 weekly.

How many RSPs are currently signed up? What is your strategy in attracting new customers?

About three years ago, we created a future-proof active infrastructure in this city-state. We are pleased to say at that time we managed to secure all the key RSPs in Singapore and have since grown our customer base to 22 RSPs; the latest joining us in December 2012. Our offerings of wholesale bandwidth services on a fair and non-discriminatory basis have sparked great interest from both the local and global telecoms players. Our comprehensive build-and-scale model provides freedom of bandwidth choices to suit different RSPs with varied needs, enabling them to select and deliver connectivity services to their target markets – such as government bodies, corporate and consumer end-users – seamlessly. We have seen the

22

RSPs
SIGNED
UP BY
DECEMBER
2012

99.95%

NETWORK PERFORMANCE HAS CONSISTENTLY EXCEEDED OUR ICO COMMITMENT, ACHIEVING BETTER THAN 99.95% OF NETWORK AVAILABILITY.



As Singapore's Official OpCo, we take our role seriously when it comes to providing an efficient, scalable and secured active network infrastructure.

entrance of new RSPs providing pure fibre packages with our services.

Any product upgrades in the pipeline?

Product enhancement is an important area to us. We continually look for and select the best-of-breed applications for high-level performance, reliability, and uninterrupted operability. Plans are underway for the launch of a new product. Soon, we will be ready to support mobile operators with their backhaul needs. We are in the midst of a trial and we are confident of commencing implementations in 2013. We are also working on a large-scale IPv6 adoption and optical network terminal enhancements, while performing regular updates and network expansions corresponding to customers' take-up.

In a highly internet- and IT-savvy society like Singapore, we always have to be at the forefront of technology to be ready to support RSPs and meet the end-users' exponential bandwidth needs. It will be quite an amazing journey ahead for us in these transitory times in the telecommunications industry.



Our connection fault rate is well below 1% of our installed base.”

How does NC fare in the area of network performance?

Since commencement of commercial operations back in September 2010, our network performance has consistently exceeded our ICO commitment, achieving better than 99.95% of network availability and less than the stipulated hours for Mean Time to Repair (MTTR). The Quality of Service as well as performance levels for latency, jitter and packet loss are also above our ICO commitments. Faring better than the industry average is our connection fault rate, which stayed well below 1% of our installed base.

As Singapore's Official Operating Company (OpCo), we take our role seriously when it comes to providing an efficient, scalable and secured active network infrastructure to support RSPs in delivering Next Gen NBN services.

What are your goals in 2013?

2013 marks the third year since the rollout of the high-speed fibre network and we believe this is the year that the take-up of Next Gen NBN services will pick up. Amidst increasing sign-ups, we will be working closely with RSPs on customising their service offerings, maintaining high Service Level Agreement and Service Activation Period standards, as well as playing a greater role, value-adding in areas of order management, engagement with end-users and building management to meet RSPs' expectations for service delivery. ■

Personal Solutions: Phone



Our new SmartSurf plans come with per-second billing, unlimited free incoming calls, free conversion of SMS to MMS, and a price cap for local data use.

ENGINEERING THE NEXT GENERATION MOBILE NETWORK

Singapore's mobile penetration rate continues to be one of the highest in the world, at about 151% by the end of 2012. While the dominance of both Apple and Samsung in the smartphone and tablet revolution is clear, there are other handset manufacturers introducing new form factors and innovation in their product offerings. The result is that Singapore mobile users now hold more than one mobile device at any one time.

The popularity of smartphones and tablets also drives mobile data usage, which more than doubled between 2009 and 2012. Singapore operators accelerated their rollout of higher capacity mobile networks to meet these escalating demands.

In April, we selected Nokia Siemens Networks to build its LTE network. In addition, as part of the agreement, they are also modernising our 2G network, helping us to reduce power consumption generated by our network equipment by up to 50%, while providing improved downlink speeds.

To this end, they provided us with their Single RAN (radio access network) platform, built around the compact, energy efficient Flexi Multiradio Base Station, which enables us to run 2G and LTE concurrently on the 1800 MHz band. The company also provided their Evolved Packet Core platform as well as software for personalised customer experience management.

In September, we announced the LTE and DC-HSPA+ upgrade, which offered StarHub Mobile customers improved peak downlink speeds of up to 75 Mbps and 42 Mbps respectively. The enhanced mobile network offered not only increased mobile data capacity, but also improved speeds and reduced latency so that our customers can seamlessly enjoy bandwidth intensive content,



STARHUB 4G 4:56 PM 100%

Mobile

2,200,000
+8,000
MOBILE CUSTOMERS YOY

\$1,224m
+0.5%
MOBILE REVENUE YOY

WITH MANY USERS
CARRYING MORE THAN
ONE MOBILE DEVICE,
THE MOBILE PENETRATION
RATE HOVERS ABOVE 151%



including mobile TV, video and music streaming, cloud services and social networking.

For a start, StarHub Mobile customers could enjoy our LTE service in the Central Business District, as well as at Singapore Changi Airport and Singapore Expo Convention and Exhibition Centre. By the end of 2012, customers could already connect to our LTE network across half of Singapore, covering key high human traffic areas and suburbs. Our users can expect nationwide LTE network coverage by end 2015.

To complement the LTE network, we also switched on advanced DC-HSPA+ mobile network, doubling the current 3G downlink speed to up to 42 Mbps. This enhancement was aimed at providing our mobile customers with fast, consistent data connectivity at indoor areas, including popular retail malls and most of Singapore's underground network of MRT stations and tunnels.

Also in September, we introduced four new smartphone price plans - *SmartSurf Lite*, *SmartSurf Value*, *SmartSurf Premium* and *SmartSurf Elite*. The new SmartSurf plans come with our iconic mobile features, including per-second billing, unlimited free incoming calls, free conversion of SMS to MMS, and a price cap for local data use.

The new plans also offered subscribers data bundles of 2GB to 12GB, with an option for them to upsize their respective data bundle by 1GB at a promotional rate of \$2.14 monthly. Should customers use more than the local data bundle of their mobile plan, excess local data usage is charged at a promotional rate of \$6.42 per GB. This is a significant reduction from the former rate of \$3.48 per MB. Android or iOS smartphone users can monitor their data usage via the 'My StarHub' in-house developed app, which is available for download on Google Play and the App Store.

SUPPORTING NEW PLATFORMS

In 2012, we launched more than 60 new smartphone and tablet models. These include the popular Apple iPhone 5, HTC One X+, LG Optimus L9, Nokia Lumia 920, Samsung GALAXY Note II LTE, Samsung GALAXY S III LTE and BlackBerry Bold 9900. Besides that, we were at the forefront of offering innovative and exclusive new smart devices like the Sony Xperia sola and the ASUS PadFone 1 and 2.

The latter two devices were expertly designed to offer a completely new mobile experience. For example, the PadFone 2 is a fully featured Android smartphone with a 4.7-inch screen, and when connected to the PadFone Station, it transforms into a 10.1-inch tablet. This unique form factor offers mobile users the best of both worlds in productivity



Smartphone users may monitor their data usage via the 'My StarHub' in-house developed app."

and entertainment on a single mobile device with a single mobile service subscription. Paired with our enhanced mobile broadband network and no-bill-shock mobile data plans, the PadFone 1 and 2 are perfect devices for road warriors.

We were also privileged to participate in the launch of the new Windows 8 platform, the latest iteration of the world's leading operating system that incorporates an all-new tiled-based touch interface to reflect the growing popularity of tablets and smartphones. At launch, we were the only operator in Singapore that offered StarHub apps in the Windows Store that allowed customers to check their latest bills and data usage, and watch premium channels via our *TV Anywhere* service, among others.

ENABLING APPS

In August, in collaboration with DBS, EZ-Link and MasterCard, we introduced the NFC app *SmartWallet*, a seamless and secure digital wallet service. StarHub, DBS and EZ-Link are part of the consortium which received IDA's NFC Call for Collaboration award in October 2011, to develop an interoperable mobile NFC infrastructure and mobile payment services in Singapore.

Our *SmartWallet* allows mobile customers to enjoy the convenience of using three contactless payment cards on an NFC enabled smartphone – DBS One.Tap, NFC ez-link purse and NFC FEVO Pre-paid MasterCard.

SmartWallet offers users a virtual DBS MasterCard PayPass card called One.Tap. With just one tap of the smartphone, customers can pay for goods or services quickly and securely at more than 20,000 DBS and MasterCard PayPass merchant partners in Singapore. They can also tap their smartphones to make retail payment with NFC ez-link purse, as



We are committed to setting fair prices and communicating them as clearly as possible.

well as to make payment at MasterCard merchants with NFC FEVO Pre-paid MasterCard issued by EZ-Link.

Future payment functionalities will be offered by various payment service providers, including DBS, EZ-Link, MasterCard and Visa. Also in the near future, we will launch a whole host of new lifestyle NFC services, such as the ability to buy and download electronic tickets to movies and events, earn and redeem loyalty points, top up StarHub Mobile pre-paid cards, and pay for bus and train trips, among others.

Another app that was developed in-house is the Android-based APPvisor service. Currently, there are well over 700,000 apps on Google Play. As a result, many customers find it difficult to identify applications that are suitable for, or are deemed relevant to

them. We are naturally well-positioned to provide trusted recommendations to our customers, and APPvisor is designed to do just that.

APPvisor showcases trusted weekly recommendations from local celebrity contributors Techgoondu and Mr Brown, as well as from the StarHub Editor. In addition, APPvisor makes it easy to discover suitable applications by partnering with Quixey, a contextual app search engine provider, leveraging Quixey's world-class app search technology to deliver Singapore's best app discovery experience. Users in Singapore can finally find the right apps to meet their needs from among the hundreds of thousands of Android apps.

In the future, we plan to introduce an iPhone version of APPvisor, more

Significant Achievements

Apr

Selected Nokia Siemens Networks for 4G, 2G modernisation

Aug

Unveiled SmartWallet, an NFC smartphone app for secure payment and lifestyle services

Sept

Enhanced high-speed mobile broadband network with LTE and DC-HSPA+

personalisation and social features, all built upon a secure application platform, to create a trusted, valued relationship with our customers.

ENRICHING PARTNERSHIPS

In 2011, we became Vodafone's exclusive partner in Singapore, the key driver for this move was to serve the mobile communications needs of enterprises in Singapore as well as to meet the growing demands of roaming customers.

We deepened our partnership by not only offering more quality roaming coverage, but also offering over 90% savings on data roaming rates to our customers. We were also able to offer better lifestyle privileges to them such as the opportunity to get up close to Lewis Hamilton during the Singapore Grand Prix. ■

Home Solutions: TV & Internet



StarHub TV started as SCV back in 1992, offering only three channels. We now offer more than 200 channels.

LEADING THE WAY

2012 marked the 20th year that StarHub has successfully operated our pay TV business. StarHub TV started in 1992 as Singapore Cable Vision (SCV) – Singapore’s first cable TV service boasting a humble line-up of three channels. By 1995, SCV was licensed to operate cable TV services delivering up to 50 channels and in a short span of time, had signed up 15,000 households. Fast forward to 2012 and StarHub TV now carries over 200 channels and has some 536,000 households subscribing to us.

Despite competition from other operators and consumer access to a myriad of alternative media platforms, we have been able to maintain our pay TV leadership by providing the most comprehensive range of TV content for the mass and speciality audience. This year, we also reinforced our commitment to expand our pay TV offerings to stay ahead of the competition. In addition, we continue to spearhead a multi-platform strategy for TV content and introduced new innovative services such as *TV Anywhere* and *Smart TV*, and new content creation such as *Sunsilk Academy Fantasia*.

MORE CHANNELS, MORE COMPELLING CONTENT

We maintained our content leadership by offering almost 30 new channels into an already rich content line-up.

In the news category, we launched Singapore’s first HD news channel, Sky News HD and the all-business news channel focusing on China – China Business Network. Singapore’s widest collection of HD channels also got bigger and better with the addition of Ginx HD, Singapore’s first video gaming channel, and Travel Channel HD.



Pay TV

536,000

-9,000

PAY TV HOUSEHOLDS YOY

\$396m

+5.4%

PAY TV REVENUE YOY

Broadband

444,000

+4,000

BROADBAND HOUSEHOLDS YOY

\$249m

+3.2%

BROADBAND REVENUE YOY

PAY TV AND BROADBAND
REVENUES GREW 5.4%
AND 3.2% YOY.



To cater to customers' increasing appetite for current and on-demand content, we scored a coup in securing the same-date availability of TVB series for our VOD offering, as well as adding a compelling catalogue of current Malaysian movies through our partnership with MIG Pictures.

We also expanded a stellar line-up of Hindi content to include Channel [V] India, EROS Bollywood On Demand and SONY MAX. Tamil viewers can also enjoy Sun Music. For Filipino TV viewers, we have two new ABS-CBN channels - ANC and Cinema One Global, along with The Filipino Channel, to deliver up-to-date news on current affairs back home.

StarHub also launched new channels for movie fans (under the CinemaWorld Pack), kids (Discovery Kids), comedy



About 30 new channels added to an already rich content line-up, making it over 200 pay TV channels.”

fans (Comedy Central Asia), Korean entertainment fans (KBS World HD) and Chinese viewers (Jiangsu Satellite Channel).

Five new On-Demand channels were also introduced – FOXCRIME Play, FOX Play, FX Play, National Geographic Play and STAR World Play.

EXPANDING SPORTS CONTENT

The key highlight, in terms of content acquisition, was our impressive line-up of sports content, making us the Home for Sports content.

In January, StarHub was appointed the official broadcaster and principal sponsor of LionsXII by the Football Association of Singapore. As part of the agreement, we carried all of the LionsXII content on our pay TV, online and mobile platforms. We also developed an award-winning mobile application that integrates the channel and on-ground stadium action to provide a 360 degree experience for LionsXII fans.

A month later, we secured the rights to air the 2012 Great Eastern-YEO's S.League. In addition, we took on



the title sponsorship of the 2012 League Cup and renamed it the StarHub League Cup. The matches were shown on SuperSports Arena, StarHub TV Online and StarHub TV on Mobile.

StarHub also became the official broadcaster of the UEFA EURO 2012™, offering all 51 tournament matches 'live' across multiple platforms. Customers could opt for the multi-screen access on Internet and mobile at no additional cost.

Another major football coup was the sealing of the broadcast rights to the Bundesliga football league for the next three seasons, up to and including the 2014/2015 season. The rights package included 'live' coverage of up to 170 Bundesliga games, the Supercup, weekly match-week

previews and an hour-long highlights show. The content rights for online and mobile platforms were also included.

In December, we acquired the broadcast rights to FOX SPORTS portfolio of multimedia assets including TV, broadband and mobile services. This comprises six FOX SPORTS TV channels (which bring the number of dedicated sports channels on StarHub TV to 22), the broadband video player FOX SPORTS PLAY and the 'live' streaming mobile service, FOX SPORTS MOBILE.

StarHub TV sports fans could not only watch the FOX SPORTS line-up of premium sports content, they could also catch the 2014 World Cup qualifiers, NBA basketball, major tennis tournaments, major golf tournaments, Indian Premier League cricket and local sporting events like the Standard Chartered Marathon Singapore.

INNOVATION ON MULTIPLE SCREENS AND DEVICES

With the ownership of multiple personal devices and the increasing demand for entertainment content on the go, we are in the position to offer customers access to our rich TV content anytime, anywhere. To this end, we introduced the *TV Anywhere* service in June.

A total of 36 channels, including five streamed in HD, are available to StarHub TV customers across PCs, Macs, iPads and tablets. The channels span diverse genres (kids, comedy, drama, news and sports), appealing to a broad range of customer tastes.

Besides that, StarHub TV customers subscribing to the Sports Group can gain full access to FOX SPORTS channels via FOX SPORTS PLAY on *TV Anywhere*. The FOX SPORTS PLAY showcases an entire suite of sports coverage so that sports fans can catch up on their favourite sport at their convenience.

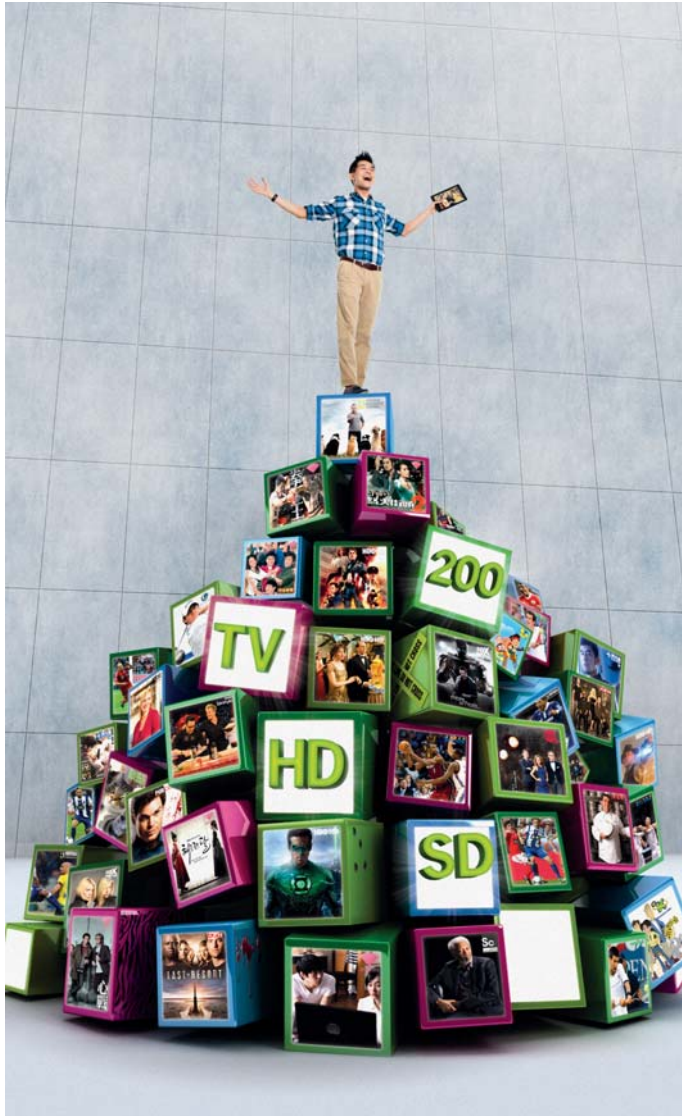
Also via *TV Anywhere*, subscribers to the FOX Movies Pack and the STAR Chinese Movies Pack can have access to the latest Hollywood and Asian blockbuster movies, concerts, acclaimed original series and award-winning Asian documentaries on FOX Movies Play and STAR Movies Play respectively.

At the same time, we enhanced the current HD interactive set-top boxes to include the ability to record programmes to a portable media drive. With the *Smart TV* value-added service, StarHub TV customers can enjoy digital video recorder capabilities.

CREATING NEW CONTENT

In July, we produced the reality singing competition -





TV Anywhere provides 36 channels on PCs & mobile devices.



Sunsilk Academy Fantasia - to Singapore. Based on a popular and internationally-successful singing competition, this multi-platform singing competition brings reality TV to a whole new level where viewers get to see the makings of a star from start to finish. The ultimate winner of *Sunsilk Academy Fantasia* bagged the coveted prize of a two-year singing contract and a recording album with a renowned local record label. The 10-week competition was StarHub's biggest ever foray into content production.

As part of our multi-platform strategy, viewers could view and identify with the contestants on TV, mobile and online. A dedicated *Academy Fantasia* Channel was made available, allowing viewers to catch 'live' non-stop excitement within the *Academy*. We also offered a simulcast of the *Academy Fantasia* Channel online and on StarHub TV on Mobile.

StarHub also developed a special mobile app, the *Sunsilk Academy Fantasia* app which was fully loaded with biographies of the finalists, photo and media galleries that allowed viewers to check out exclusive photos and videos taken during events and activities. Users could even vote for their favourite contestant via the app. The star attraction of the app was the karaoke function. It enabled users to sing along to lyrics on a minus-one track, and conveniently share their singing pieces thereafter via Facebook.

DEVELOPING OUR RESIDENTIAL BROADBAND SERVICES

In October, we offered two ultra-high speed fibre broadband plans designed to meet the needs of gamers. Called *MaxInfinity LVL99 100 Mbps* and *MaxInfinity LVL99 150 Mbps*, they feature local download speeds of up to 100 Mbps and 150 Mbps respectively, with priority given to local gaming traffic for a better gaming experience. Both plans offer an assured typical international download speed of 15 Mbps 95% of the time during peak hours, and unlimited international bandwidth during off-peak hours.

In addition, *MaxInfinity LVL99* subscribers also receive special advantages through StarHub's partnership with leading game publishers. For instance, on many *Asiasoft* games, they enjoy special in-game benefits such as more experience points, special power-ups and increased damage against opponents. With *Garena* games, customers will be able to redeem in-game items monthly.

To create greater awareness on the performance of the game servers connected to our network, we measure the latency between the game clients and associated game servers. These results are published on our dedicated

gaming portal. MaxInfinity LVL99 will continue to evolve to meet the needs and demands of all Singapore gamers.

In December, StarHub introduced a pay-as-you-watch TV plan made exclusively for our residential broadband customers who do not have a StarHub TV subscription. Called *Anytime TV*, this service allows customers to access StarHub TV's on-demand library of more than 6,500 TV shows and movies as well as 14 complimentary StarHub TV channels.

The year also saw us enhance our existing Internet content filtering service, *SafeSurf*, to stay relevant to customers' needs and empower customers to do more with our services. The new SafeSurf Service Portal now includes a module which allows parents to customise a video message that will appear when their children try to access websites blocked by them.

Titled *Birds and the Bees 2.0*, this module creates an opportunity for parents to talk to their children about subjects like sex and the appropriate use of the Internet when their children enquire about the video message. This service was chosen as 'Product Innovation of the Year Award' in the Singapore Advertising Hall of Fame Awards 2012.

We made inroads into the residential broadband market by collaborating with the developers of CityLife@Tampines executive condominium to offer a complimentary one-year subscription to our 100 Mbps fibre broadband plan to each homeowner. We will also provide CityLife@Tampines residents free Wi-Fi access at common areas. The condominium is due to be completed in 2016. ■



More than 6,500 TV shows & movies on StarHub's pay-as-you-watch service *Anytime TV*?"

Significant Achievements

Jan

Appointed Official Broadcaster and Principal Sponsor of LionsXII

Feb

Appointed Official Broadcaster of 2012 Great-Eastern-YEO's S.League Season

Mar

Secured Broadcast Rights to UEFA EURO 2012™

Jun

*Celebrated 20 Years of Pay TV
Launched TV Anywhere*

July

*Produced Sunilk
Academy Fantasia*

Oct

*Launched MaxInfinity LVL99
Fibre Broadband Gaming Plans*

Dec

*Launched Anytime TV
Announced HD Streaming on TV Anywhere*

Business Solutions: Data & Internet and Voice



The year saw us unveil 'Argonar', which offers organisations a high-performance, reliable, scalable and secure public cloud platform.

SUCCEEDING IN THE ENTERPRISE MARKET

StarHub's continued Data & Internet revenue growth of 5% YoY in Fixed Network services can be largely attributed to higher take-ups of our domestic data and Internet services, as well as an increasing demand for StarHub's customised enterprise solutions.

A case in point would be Mandarin Orchard Singapore's adoption of StarHub's customised in-room Internet Protocol Television (IPTV) system, the first hotel in Singapore to offer such an integrated solution to their guests.

The system connects guests in all of the hotel's 1,000-plus rooms to a host of service conveniences at the touch of an icon on all hotel-issued iPads. The iPad, connected to the hotel's Wi-Fi network, provides guests with the ability to navigate through StarHub's IPTV system via an on-screen remote control. The system simplifies how they view room messages, select StarHub TV channels and movies-on-demand, and check real-time flight information. Future developments include the ability to browse current promotions at the hotel and The Mandarin Gallery, control the room ambience and enjoy the facility of ordering in-room dining service.

These 'second-screen' iPads are available for loan from Meritus Club Lounge. Guests also have the option to download and access the application on their personal iPad. Plans are underway to extend the second screen solution on Android-powered tablets.

EXPANDING STARHUB'S OVERSEAS NETWORK REACH

Complementing StarHub's ownership of an already-robust set of submarine cable systems such as the Asia-America Gateway, the new US\$450 million Asia Submarine-Cable Express (ASE) went fully operational in August 2012.





Fixed Network

\$295m
+4.9%

FIXED NETWORK REVENUE YOY
(DATA & INTERNET)

\$63m
+12.9%

FIXED NETWORK REVENUE YOY
(VOICE)

FUELED BY HIGHER TAKE-UPS OF OUR DOMESTIC DATA AND INTERNET SERVICES, AND INCREASING DEMAND FOR OUR CUSTOMISED ENTERPRISE SOLUTIONS, FIXED NETWORK SERVICES REVENUE GREW 6.2% YOY.



The ASE was built to accommodate the growing demand for bandwidth in the region, especially in Singapore, where there is an increasing demand and usage of mission-critical applications to service the region.

Other leading carriers involved in the building and operations of the ASE include Japan-based NTT Communications Corporation, Malaysia-based Telekom Malaysia and Philippines-based PLDT. This 7,800km undersea cable stretches from Singapore to Japan, and boasts a total carrying capacity exceeding 15 terabits per second and has the capability to incorporate 100Gbps optical technology in the future. What is unique about the undersea cable system is the fact that its route between Singapore and Japan covers the shortest distance so as to maximize reliability and minimise latency. It has also been specially designed to avoid earthquake and typhoon damage.

The undersea cable currently has landing points in Singapore, Malaysia, the Philippines, and Japan, with Hong Kong soon to follow. ASE is also slated to provide seamless interconnections with other major cable systems connecting Europe, the Middle East, the United States and other parts of Asia.

BUILDING FOR THE PUBLIC CLOUD

2012 was also the year when StarHub unveiled 'Argonar', our scalable IaaS platform.

The Argonar IaaS platform combines StarHub's ultra-fast, highly secure Internet connectivity and flexible subscription-based usage pricing model with Huawei Technologies' state-of-the-art cloud computing infrastructure. Argonar offers organisations a high performance, reliable, scalable and secure public cloud platform that meets



The 7,800km ASE that stretches from Singapore to Japan went operational in August 2012."



their dynamic computing and storage needs, coupled with a self-service provisioning platform which makes computing in the cloud a breeze.

In collaboration with Microsoft, we enabled the SMB and Enterprise segments with a powerful, simple, and secure communications and collaboration solution based in the cloud – Microsoft Office 365. Customers raved about the ease of use and familiarity as they transitioned from legacy versions to the cloud.

Beyond this, with our Argonar IaaS and associated managed services, we were selected by the Singapore government as one of the service providers of cloud solutions that government agencies can use for their computing workloads.

To stay at the forefront of cloud security, StarHub joined the Cloud Security Alliance, the world's leading platform for promoting cloud security awareness and practices. StarHub is committed to adopting the best practices for managing and protecting the cloud, to ensure that we constantly provide a secure environment in the cloud for our customers.



In 2013, StarHub will continue to build our business solutions brand that has already garnered accolades in 2012 from Superbrands, the world's leading arbiter of branding for the consumer and business space. We were recognised by Business Superbrands to be the ninth most-trusted brand in Singapore, and the only company that is solely focused on the Singapore market. We were also listed on the MIS Asia Strategic 100 index of the most influential ICT companies in 2012.

INVESTING IN INNOVATION

In November, with support from the National Research Foundation and guidance by the Media Development Authority of Singapore, StarHub and the Singapore Management University (SMU) announced the launch of 'SmartHub' and 'LiveLabs Urban Lifestyle Innovation Platform' (LiveLabs), two complementary

innovation platforms in consumer and social analytics that are designed to strengthen Singapore's capabilities in Interactive Digital Media Research & Development.

LiveLabs and SmartHub will help to sharpen the competitive edge of Singapore companies and position Singapore strongly and favourably as a regional hub for consumer and social analytics. It is hoped that businesses, particularly those in the retail, tourism and hospitality sectors, can gather useful, context-based consumer and social insights based on the behavioural patterns of real users. This will enable participating Singapore companies to tap high-value opportunities.

Consumers could also benefit from enhanced and personalised service and product offerings, as well as from

Significant Achievements

Feb

Launched IPTV System with 'Second Screen' Solution from StarHub at Mandarin Orchard Singapore

Aug

Asia Submarine-Cable Express started operations between Singapore and Japan

Oct

Launched Government Public Cloud Service

Nov

StarHub Launched Innovation Platform in Consumer and Social Analytics

more context-relevant incentives delivered by the business operators, service providers and venue owners. Providing such enhanced capabilities in analytics will help Singapore attract more international consumer and lifestyle industry players to establish their presence here.

SmartHub is StarHub's major foray into R&D in the area of interactive digital media; and this initiative is in line with Singapore's vision to be the preferred platform for innovation and research. SmartHub is dedicated to collaborate with higher learning institutions, start-up companies as well as large and multinational organisations to co-create new classes of applications and solutions through use of evidence-based social and consumer insights derived from StarHub's data analytics. ■

Group Financial Review

1.1 OPERATING REVENUE

	Year ended 31 December					
	2012		2011		Incr/(Decr)	
	\$m	%	\$m	%	\$m	%
Mobile revenue	1,224.2	50.6	1,217.6	52.7	6.6	0.5
Pay TV revenue	396.3	16.4	376.0	16.3	20.3	5.4
Broadband revenue	249.4	10.3	241.7	10.5	7.7	3.2
Fixed Network Services revenue	357.7	14.8	336.7	14.6	21.0	6.2
Total service revenue	2,227.6	92.0	2,172.0	93.9	55.6	2.6
Sale of equipment	194.0	8.0	140.0	6.1	54.0	38.6
Total	2,421.6	100.0	2,312.0	100.0	109.6	4.7

The Group's operating revenue for the year ended 31 December 2012 ("FY12") increased \$109.6 million or 4.7% year-on-year (YoY) to \$2,421.6 million due to higher service revenue and sales of equipment.

Service revenue was up \$55.6 million or 2.6% to \$2,227.6 million with revenue increases in all services. Fixed Network Services recorded the highest revenue increase YoY at \$21.0 million or 6.2% with growth in both Data & Internet and Voice services, followed by Pay TV revenue which grew \$20.3 million or 5.4% YoY. The increase in Pay TV revenue was contributed by the full year impact of a \$2 monthly subscription price increase which was effective since August 2011, higher revenue from HD set-top box rentals, add-on channels and further boosted by the UEFA EURO 2012 event in the 1st half of FY12. Broadband revenue was \$7.7 million or 3.2% higher in FY12 with a larger subscriber base and a higher mix of customers on higher speed subscription plans. Mobile revenue recorded a gain of \$6.6 million or 0.5% with revenue from Post-paid services increasing \$12.7 million or 1.3% in FY12. Pre-paid services revenue was lower by \$6.1 million or 2.4% when compared to last year ended 31 December 2011 ("FY11").

Revenue from the sale of equipment increased \$54.0 million or 38.6% from FY11 due to higher quantities sold and higher average selling prices.

1.2 OPERATING EXPENSES

	Year ended 31 December			
	2012	2011	Incr/(Decr)	
	\$m	\$m	\$m	%
Cost of sales	1,010.9	928.5	82.4	8.9
Other operating expenses	990.1	1,006.7	(16.6)	(1.6)
Total	2,001.0	1,935.2	65.8	3.4

Total operating expenses in FY12 increased \$65.8 million or 3.4% to \$2,001.0 million, with an 8.9% increase in cost of sales mitigated by lower other operating expenses which decreased 1.6% over FY11.

As a percentage of operating revenue, total operating expenses were lower at 82.6% in FY12, compared to 83.7% in FY11.

Details of total operating expenses are as follows:

(i) COST OF SALES

	Year ended 31 December			
	2012 \$m	2011 \$m	Incr/(Decr) \$m	%
Cost of equipment sold	440.7	383.4	57.3	14.9
Cost of services	339.7	298.3	41.4	13.9
Traffic expenses	230.5	246.8	(16.3)	(6.6)
Total	1,010.9	928.5	82.4	8.9

Cost of sales in FY12 increased \$82.4 million or 8.9% to \$1,010.9 million when compared to FY11. The higher expenses were attributed to higher cost of equipment sold and cost of services, which were partially mitigated by lower traffic expenses.

As a percentage of operating revenue, cost of sales ratio was higher at 41.7% in FY12 as against 40.2% in FY11.

Cost of equipment sold

The higher cost of equipment sold in FY12 at \$440.7 million or 14.9% increase were driven by new models of Android and Window devices (such as Samsung SIII, HTC, LG, Nokia Lumia, ASUS PadFone) and Apple devices (such as iPhone 5, iPad & iPad mini) which led to higher quantities sold in FY12. Higher unit costs of these higher end smart devices also contributed to the increase in cost of equipment sold when compared to FY11. As a ratio of operating revenue, cost of equipment sold was at 18.2% in FY12 compared to 16.6% in FY11.

Cost of services

Cost of services in FY12 increased \$41.4 million or 13.9% from FY11 to \$339.7 million. The increase was driven by new TV content, higher programming and production costs for existing and renewed contracts and higher cost of services in our Fixed Network and Next Gen NBN services as take-up increased. The UEFA EURO 2012 programming costs in the 1st half of FY12 also contributed to the increase. As a percentage of operating revenue, cost of services was higher at 14.0% compared to 12.9% in FY11.

Traffic expenses

Traffic expenses in FY12 were \$16.3 million or 6.6% lower than FY11 at \$230.5 million. The lower expenses were attributable to lower inter-operator SMS traffic, reduced traffic volume and lower inter-connection rates for our international outbound traffic. As a percentage of operating revenue, traffic expenses were lower at 9.5% in FY12, down from 10.7% in FY11.

(ii) OTHER OPERATING EXPENSES

	Year ended 31 December			
	2012 \$m	2011 \$m	Incr/(Decr) \$m	%
Staff costs	265.9	266.9	(1.0)	(0.4)
Operating leases	131.3	135.5	(4.2)	(3.1)
Marketing and promotions	147.4	169.6	(22.2)	(13.1)
Allowance for doubtful receivables	14.8	14.7	0.1	0.9
Repair and maintenance	63.2	68.0	(4.8)	(7.1)
Other expenses	95.0	74.2	20.8	28.0
Subtotal	717.6	728.9	(11.3)	(1.5)
Depreciation and amortisation (net of asset grants)	272.5	277.8	(5.3)	(1.9)
Total	990.1	1,006.7	(16.6)	(1.6)

Against FY11, other operating expenses in FY12 were lower by \$16.6 million or 1.6% at \$990.1 million. All categories of expenses were lower, except for other expenses which increased \$20.8 million or 28.0% to \$95.0 million in FY12.

As a percentage of operating revenue, other operating expenses were lower at 40.9% when compared to 43.5% in FY11.

Staff costs

Staff costs were \$1.0 million or 0.4% lower at \$265.9 million. As a ratio of operating revenue, staff costs were 11.0% in FY12, down from 11.5% in FY11.



GROUP FINANCIAL REVIEW

Operating leases

Operating lease expenses decreased \$4.2 million or 3.1% YoY to \$131.3 million in FY12. The lower operating lease expenses were due to reduced international lease capacity costs which were offset by higher lease expenses for Next Gen NBN network and office rental. As a percentage of operating revenue, operating lease expenses were lower at 5.4% in FY12.

Marketing and promotions

Marketing and promotion expenses at \$147.4 million in FY12 were \$22.2 million or 13.1% lower than FY11, due mainly to lower acquisition and recontract expenses. As a percentage of operating revenue, marketing and promotion expenses were 6.1%, down from 7.3% in FY11.

Allowance for doubtful receivables

Allowance for doubtful receivables at \$14.8 million or 0.7% of service revenue was comparable to that in FY11.

Repair and maintenance

Repair and maintenance expenses decreased \$4.8 million or 7.1% to \$63.2 million, due mainly to the reversal of excess accruals during the year as lower costs or rates were finalised for the maintenance of our local and international network systems. As a percentage of operating revenue, repair and maintenance ratio was lower at 2.6% in FY12 when compared to 2.9% in FY11.

Other expenses

Other expenses were \$20.8 million or 28.0% higher than FY11 at \$95.0 million. The higher expenses were mainly attributable to higher license fees, office & network occupancy expenses, and network construction expenses after netting off a lower cost recovery and reduced exchange gain in FY12. The higher expenses were also partially mitigated by lower losses arising from fixed assets written off this year. As a percentage of operating revenue, other expenses were higher at 3.9% in FY12 when compared to 3.2% in FY11.

Depreciation and amortisation (net of asset grants)

Depreciation and amortisation expenses were 1.9% lower YoY at \$272.5 million in FY12. The lower expenses were mainly due to fully depreciated property, plant and equipment and intangible assets, offset by higher depreciation from additions of fixed assets. As a percentage of operating revenue, depreciation and amortisation expenses were 11.3%, down from 12.0% in FY11.

1.3 PROFITABILITY

	Year ended 31 December			
	2012 \$m	2011 \$m	Incr/(Decr) \$m	%
Operating revenue	2,421.6	2,312.0	109.6	4.7
Operating expenses	(2,001.0)	(1,935.2)	65.9	3.4
Other income	26.7	21.4	5.3	25.1
Profit from operations	447.3	398.2	49.1	12.3
Finance income	4.1	2.1	2.0	93.6
Finance expenses	(20.0)	(20.5)	(0.5)	(2.4)
Profit before taxation	431.4	379.8	51.6	13.6
Taxation	(72.1)	(64.3)	7.7	12.0
Profit for the year	359.3	315.5	43.8	13.9
EBITDA	719.8	676.0	43.8	6.5
Service revenue	2,227.6	2,172.0	55.6	2.6
EBITDA as a % of service revenue	32.3%	31.1%	1.2% pts	

The Group's profit from operations increased \$49.1 million or 12.3% to \$447.3 million in FY12. This was contributed by higher operating revenue which increased \$109.6 million or 4.7% from FY11, higher other income which increased \$5.3 million or 25.1% and a lower YoY increase of \$65.9 million or 3.4% in operating expenses.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was up \$43.8 million or 6.5% to \$719.8 million from \$676.0 million in FY11. As a percentage of service revenue, EBITDA margin was 32.3% this year as compared to 31.1% in FY11.

Finance income was higher at \$4.1 million due to higher rates and deposits in FY12.

Finance expenses in FY12 were \$0.5 million or 2.4% lower from FY11 at \$20.0 million.

Profit before taxation increased \$51.6 million or 13.6% to \$431.4 million in FY12 as a result of the better performance from operations.

The Group's taxation was up 12.0% to \$72.1 million as a result of the higher taxable profits when compared to FY11. The effective tax rate for FY12 was 16.7% compared to 16.9% in FY11.

Consequently, the Group's profit for the year rose \$43.8 million or 13.9% to \$359.3 million from \$315.5 million in FY11.

1.4 LIQUIDITY AND RESOURCES

	Year ended 31 December	
	2012 \$m	2011 \$m
Profit before taxation	431.4	379.8
Non-cash items & net finance expenses adjustments	270.1	278.1
Net change in working capital	42.0	38.3
Income tax paid	(54.0)	-
Net cash from operating activities	689.5	696.2
Net cash used in investing activities	(267.7)	(244.0)
Net cash used in financing activities	(289.0)	(510.5)
Net change in cash and cash equivalents	132.8	(58.3)
Cash and cash equivalents at beginning of the year	179.2	237.5
Cash and cash equivalents at end of the year	312.0	179.2
Free Cash Flow ⁽¹⁾	416.8	449.7

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

Net cash from operating activities was \$689.5 million in FY12 as compared to \$696.2 million in FY11. The decrease of \$6.7 million was due to income tax payment of \$54.0 million in FY12 which offset the increase in cash generated from higher profits from operations, increased positive change in working capital from higher trade and other payables, increased net balance due to related parties, and increase in other receivables and prepayments.

Total net cash outflow from investing activities at \$267.7 million was \$23.7 million higher than FY11, due to higher CAPEX payments, which were partially mitigated by higher receipts from interest and disposal of fixed assets.

Total CAPEX payments in FY12 amounted to \$272.7 million or 11.3% of operating revenue.

Free cash flow decreased \$32.9 million or 7.3% YoY to \$416.8 million, due mainly to higher CAPEX payment and tax paid which resulted in lower net cash from operating activities.

Net cash outflow from financing activities was 43.4% lower at \$289.0 million when compared to FY11. The \$220.0 million proceeds from medium term notes issued in September 2012 (none were issued in FY11) and \$80.0 million of proceeds from bank loans were used to finance the repayment of bank loans which totaled \$275.0 million in FY12. Government grant receipts were also higher at \$50.5 million in FY12 compared to \$4.9 million received in FY11.

As at 31 December 2012, the Group's cash and cash equivalents were \$312.0 million, after a positive net change in cash and cash equivalents of \$132.8 million generated in FY12.





1.5 GEARING

As at 31 December 2012, the Group's total borrowings amounted to \$687.5 million, \$25.0 million more than FY11. In September 2012, the Group issued a \$220.0 million 10-year medium term note under its Medium Term Note Program established a year ago. The Note matures in September 2022 and bears a fixed coupon rate of 3.08%p.a. The proceeds from the notes issue were used to repay the current portion of bank loans due within 12 months and to term out the maturity profile of the Group's borrowings to longer term.

Net debt as at 31 December 2012 was \$375.5 million, 22.3% lower compared to \$483.3 million in FY11. The Group's net debt to 2011 EBITDA was 0.56 times as at 31 December 2012 as against 0.71 times in FY11.

1.6 FINANCIAL POSITION

As at 31 December 2012, the Group's total non-current assets was \$1,190.6 million. This was \$2.3 million higher than a year ago due to higher net book value of property, plant and equipment offset by lower net book value of intangible assets.

The Group's total current assets as at 31 December 2012 were \$618.0 million, an increase of \$83.2 million or 15.6% from FY11. The increase was mainly due to higher cash and cash equivalents, which partially offset the lower other receivables, deposits and prepayments, trade receivables, inventories and balance due from related parties.

Total current liabilities for the Group were lower at \$879.2 million as at 31 December 2012 as compared to \$903.3 million in FY11. The reduction was from repayment of bank loans offset by higher trade and other payables, balances due to related parties and provision for taxation.

The Group's total non-current liabilities increased from \$797.2 million in FY11 to \$885.9 million in FY12, with higher long term borrowings, deferred tax liabilities, and trade and other payables, being offset by lower deferred income balance.

As at 31 December 2012, the Group's shareholders' equity was higher at \$43.5 million when compared to \$22.6 million as at 31 December 2011.

1.7 CAPITAL EXPENDITURE COMMITMENTS

The Group's total outstanding capital expenditure commitments in FY12 were \$76.7 million higher than FY11 at \$271.8 million. The current outstanding capital expenditure commitments comprised the purchase of leasehold land, development of new support system to improve fulfillment of customers' demand and experience, expansion of our international undersea cable infrastructure and domestic network infrastructure. ■■■

Corporate Governance

Transparency, accountability, integrity and sustainability are the guiding principles of corporate governance for StarHub.

CORPORATE GOVERNANCE STATEMENT

The Company is committed to upholding high standards of corporate governance to enhance shareholder value. Transparency, accountability, integrity and sustainability are the guiding principles of corporate governance for StarHub.

CORPORATE GOVERNANCE REPORT 2012

This Report sets out the Company's corporate governance framework, with reference to the principles of the revised Code of Corporate Governance (Code) issued by the Monetary Authority of Singapore on 2 May 2012. The revised Code took effect for annual reports relating to financial years commencing from 1 November 2012. For the financial year ended 31 December 2012, the Company has substantially complied with the revised key principles and supporting guidelines set out in the revised Code, except where specifically identified and disclosed in this report.

In developing our corporate governance policies and practices, the Company adopts a balanced approach by observing the spirit, and not just the letter of the revised Code. We believe that when good governance becomes second nature and is well managed, the Board can focus on the Group's strategy and deliver a performance culture that drives long-term value creation.

1. BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

The Company is led by an effective Board. The Board is collectively responsible and is accountable to shareholders for managing the Company's business and the long-term success of the Company. The Board works closely with Management to achieve this objective and Management is accountable to the Board.

The Board's Role

The Board's key responsibilities include:

- providing leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.
In each financial year, Management presents the proposed annual strategy to the Board for the following financial year. This provides an opportunity for the Board to critically review and approve the proposed strategy with Management. The annual budget discussions are essential for ensuring that the right resources are in place to deliver the agreed strategy, and include an in-depth focus on all business line budgets;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets. This is implemented through clear and robust procedures and delegated authorities;
- reviewing management performance. To enable the Board to do this, operational and financial updates are provided periodically and at every Board meeting;
- identifying the key stakeholder groups, such as customers, suppliers and business partners, and recognising that their perceptions affect the Company's reputation;





- setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
- assessing and approving key operational and business initiatives, major funding and investments proposals;
- considering sustainability issues, such as environmental and social factors, as part of the Company's strategic formulation; and
- ensuring the Group's compliance with all relevant laws and regulations.

All Directors are required to objectively discharge their duties and responsibilities at all times, as fiduciaries in the best interests of the Company and all its shareholders at all times.

The Company has established authority and approval limits for capital and operating expenditure, acquisition and disposal of investments, procurement of goods and services, bank facilities and cheque signatories at the Board level. Authority and approval sub-limits for such transactions are delegated to various Management levels to optimise operational efficiency. Such internal operating and authorisation authority limits are set out in a policy which clearly defines the matters reserved for the Board's decision.

Board Committees

To optimise effectiveness, the Board delegates the authority to make specific decisions to the Audit Committee (AC), Nominating Committee (NC), Executive Resource and Compensation Committee (ERCC) and Strategy Committee (SC). Additional committees may be formed when necessary to look into specific areas of oversight. With the increasing emphasis on risk governance and greater complexity in the business and economic environment, the Board has considered and will establish a new Risk Committee (RC) in 2013 to assist it in carrying out its responsibility of overseeing the Group's risk management framework and policies.

Each Board Committee operates and 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. The Chairmen of the various Committees will report to the Board the outcome of the Board Committees' meetings and such reports, together with the minutes of the Board Committees' meetings, are incorporated in the minutes of the Board meetings.

Further details of the Board Committees' composition and specific responsibilities are described in subsequent relevant sections of this report, except for SC, which details are set forth below:

The SC comprises the following non-executive Directors and co-opted members who are independent of Management:

- Nihal Vijaya Devadas Kaviratne CBE (Chairman)
- Tan Guong Ching
- Steven Terrell Clontz
- Lim Ming Seong
- Liu Chee Ming
- Robert J. Sachs
- Stephen Geoffrey Miller (co-opted)
- Yong Lum Sung (co-opted)

The SC supports and advises the Board and Management in the formulation and implementation of the Group's strategies with a view to grow and enhance shareholder value. The main responsibilities of the SC are:

- to identify and assess significant intermediate and long-term opportunities and threats in the Group's business areas, operations and the industry; and
- to provide constructive challenges and ensure objectivity and independence in the strategy formulation and review process.

Board Meetings

The Board meets regularly, with a minimum of five meetings each financial year, and may convene additional Board meetings as necessitated by particular circumstances, as deemed appropriate by the Board. Every year, the Board holds a full-day meeting for the purpose of reviewing the budget and business strategies of the Group for the next financial year.

The Company's Articles of Association allow Board meetings to be held via telephonic and video conference.

A total of six Board meetings were held in the financial year ended 31 December 2012. A matrix showing the Board members' participation and attendance at the Board and Board Committee meetings held in the financial year ended 31 December 2012 is set out in Table 1 below.

Table 1

Name of Director	Board	AC ⁽¹⁾	ERCC ⁽²⁾	NC ⁽³⁾	SC ⁽⁴⁾
	Meeting Attendance (in %)	Meeting Attendance (in %)	Meeting Attendance (in %)	Meeting Attendance (in %)	Meeting Attendance (in %)
Tan Guong Ching	100	–	–	–	100
Neil Montefiore	100	–	–	–	–
Kua Hong Pak	100	100	–	–	–
Peter Seah Lim Huat	100	–	100	100	–
Nihal Vijaya Devadas Kaviratne CBE	100	100	–	–	100
Lee Theng Kiat ⁽⁵⁾⁽⁶⁾	100	–	50	100	–
Steven Terrell Clontz	100	–	–	–	100
Lim Ming Seong	100	100	100	–	100
Sadao Maki ⁽⁷⁾	100	–	–	–	–
Teo Ek Tor	100	100	–	100	–
Liu Chee Ming	100	–	–	–	100
Robert J. Sachs	100	–	–	–	80
Nasser Marafih	83	–	–	–	–
Sio Tat Hiang ⁽⁸⁾	75	–	100	100	–
Takeshi Kazami ⁽⁷⁾	100	–	–	–	–

⁽¹⁾ The AC held four meetings during the financial year ended 31 December 2012.

⁽²⁾ The ERCC held four meetings during the financial year ended 31 December 2012.

⁽³⁾ The NC held two meetings during the financial year ended 31 December 2012.

⁽⁴⁾ The SC held five meetings during the financial year ended 31 December 2012.

⁽⁵⁾ Includes meetings attended by Alternate Director on Director's behalf.

⁽⁶⁾ Mr Lee Theng Kiat resigned as non-executive Director and member of the ERCC and NC with effect from 20 June 2012.

⁽⁷⁾ Mr Sadao Maki resigned as non-executive Director with effect from 12 April 2012, and was replaced by Mr Takeshi Kazami who was appointed as non-executive Director with effect from 13 April 2012.

⁽⁸⁾ Mr Sio Tat Hiang was appointed as non-executive Director and member of the ERCC and NC with effect from 2 July 2012.

All newly-appointed Directors are briefed by Management on the Group's business, strategies, financials, operations, governance practices, culture and values, and the key developments in both the Company and industry, as part of their formal induction on joining the Board. New Directors are also given manuals containing, *inter alia*, information on their duties as directors and how to discharge those duties, and the Company's insider trading policy. The objective is to ensure that the Directors have a working knowledge of the Group's business and operations and allow them to settle into their new roles smoothly. Directors have open access to all relevant information, including discussions with Management and subject matter experts, and visits to operations. Directors may meet independently with Management at any time to discuss areas of interest or concern.

The Directors have participated in training programmes from time to time, to equip themselves with the relevant skills and/or knowledge to effectively discharge their duties as Directors, as and when beneficial. The Board is updated by Management and the Company Secretaries regularly on key legal, regulatory and accounting changes, which would affect the Directors as well as the Group. Apart from internal updates, the Company also encourages the Directors to attend appropriate seminars and trainings (including those conducted by our panel law firms and the Singapore Institute of Directors in conjunction with SGX-ST) from time to time in order for the Directors to keep abreast of current developments of the industry, new statutory and regulatory requirements and changing commercial risks. Training of Directors is arranged by the Company Secretaries and funded by the Company.



BOARD COMPOSITION AND GUIDANCE

The Board has a strong independent element, and is able to exercise objective judgement on corporate affairs independently, in particular from Management and 10% shareholders (as defined in the Code). The Chairman, Mr Tan Guong Ching, is not an independent Director within the meaning of the Code.

One-third of the Board is made up of independent Directors. The independent Directors are Mr Kua Hong Pak, Mr Nihal Vijaya Devadas Kaviratne CBE, Mr Teo Ek Tor, Mr Liu Chee Ming and Dr Robert J. Sachs. Only the Group CEO, Mr Neil Montefiore, is an executive Director.

As at 31 December 2012, one of the five independent Directors of the Company, Mr Kua Hong Pak has served on the Board for more than nine years. The Board does not impose a limit on the length of service of the independent Directors, as a Director's contribution in terms of skills, experience, professionalism, integrity, objectivity and independent judgement to discharge his duties in good faith in the best interest of the Company, are more critical in ascertaining the effectiveness of his independence than the number of years served on the Board. In assessing objectivity and independent judgment, the NC and the Board consider, *inter alia*, the approach, character and attitude of each non-executive Director, including whether such Director:

- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the exercise of the Director's independent business judgement with a view to the best interests of the Group; and
- has any material contractual relationship with the Group other than as a Director.

After due and careful rigorous review, the Board is of the view that Mr Kua Hong Pak remains independent in his exercise of judgment and objectivity in Board matters.

Each Director is required to immediately disclose to the Board if they have an interest or relationship which is likely to impact on their independence or if a Director believes he may no longer be independent, in order to address potential conflicts of interest. Such Director is required to excuse himself during any Board or Board Committee decisions where that entity's commercial relationship with the Company is to be directly or indirectly discussed.

Independent professional advice is available to the Directors if necessary, at the expense of the Company.

The NC reviews the size and composition of the Board from time to time, seeking to ensure that the Board has an appropriate number of independent Directors such that no individual or small group of individuals are allowed to dominate the Board's decision.

The NC is of the view that the current size of the Board of 13 Directors and composition of the Board are conducive to facilitate effective discussion and decision making, taking into account the scope and nature of the operations of the Company, and the complexity and requirements of the business.

The Board and its Board Committees comprise Directors who, as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Company. They provide core competencies such as accounting, financial, business and management experience, industry knowledge, strategic planning experience, legal and regulatory expertise and customer-based experience and knowledge. Each Director also brings with him an immense network of contacts across the industry, which is invaluable to the Company. The Directors bring valuable insights and objective perspectives to the Board, facilitating balanced and well-considered decisions, and a robust exchange of ideas and views which allow non-executive Directors to constructively challenge and help develop proposals on strategy, review the performance of management based on agreed goals and objectives and monitor the reporting of performance. This, together with a clear division of roles between the Chairman and the CEO, provide a healthy professional relationship between the Board and Management, with robust oversight.

To facilitate a more effective check on Management, non-executive Directors meet at least once a year without the presence of Management.

The profile of each Director and other relevant information can be found in the write-up on the Board of Directors on pages 19 to 23 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 on pages 72 to 74 of this Annual Report.

CHAIRMAN AND CEO

There is a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. The Board Chairman and the CEO of the Company are two separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. No one individual holds considerable concentration of power within the Group.

The Chairman, Mr Tan Guong Ching, is non-executive and unrelated to the CEO. His responsibilities include:

- leading the Board to ensure its effectiveness on all aspects of its role;
- setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- chairing Board meetings and shareholders' meetings, and facilitating discussion within each meeting;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- encouraging effective communication with shareholders;
- encouraging constructive relations within the Board and between the Board and Management, serving as a primary link between the Board and Management and providing continuity between Board meetings;
- facilitating the effective contribution of non-executive Directors in particular;
- working with the CEO in relation to the Board's requirements for information to contribute effectively to the Board decision making process;
- overseeing the effective implementation of the Board's decisions; and
- promoting high standards of corporate governance.

The CEO has full executive responsibility for the day-to-day running of the Group's business operations and the effective implementation of the Group's strategies and policies.

The Board does not have a lead independent Director. However, the NC and the Board are of the view that the appointment of a lead independent director may not be necessary, given the strong element of independence of the Board which enables the exercising of objective and independent judgment by the Directors.

BOARD MEMBERSHIP

The Company has a formal process for the selection, appointment and re-appointment of Directors to the Board. Appointments are based on the search, nomination and recommendation of candidates made by the NC to the Board. External consultants are engaged to assist with the selection process as necessary.

The NC comprises Mr Peter Seah Lim Huat (NC Chairman), Mr Teo Ek Tor and Mr Sio Tat Hiang, all of whom are non-executive Directors independent of Management. Mr Lee Theng Kiat resigned as a NC member on 20 June 2012.

While the NC Chairman may not be considered an independent director within the meaning of the Code given his association with a 10% shareholder of the Company in the current and immediate past financial years, the Board notes that the NC Chairman is not involved in the business and daily operations of the Group and is independent of Management. He is able to exercise independent judgment and act objectively in the best interests of the Group in carrying out his duties.

The NC's main role is to make recommendations to the Board on relevant matters relating to:

- the review of Board succession plans for Directors, in particular, the Chairman and for the CEO;
- the development of a process for evaluation of the performance of the Board, the Board Committees and Directors;
- the review of training and professional development programmes for the Board; and
- the appointment and re-appointment of directors.





For the selection, appointment and re-appointment process of directors, the NC takes into consideration, *inter alia*, composition, diversity and progressive renewal of the Board, each candidate's competencies, commitment, contribution and performance (including attendance, preparedness, participation and candour), potential conflicts of interest, and the evolving needs of the Company. This is to ensure an appropriate balance of skills, experience, expertise and diversity is maintained.

Directors must ensure that they are able to give sufficient time and attention to the affairs of the Company. As part of the appointment and re-appointment process, the NC will consider whether a director with multiple board representations is able to carry out, and has been devoting sufficient time to adequately carry out his duties as a Director of the Company, with regard to the director's number of listed company board representations and other principal commitments (as defined in the Code). The Board does not prescribe a maximum limit on the number of listed company board representations a director with multiple board representations may hold, as the Board believes that the more appropriate measure is the ability of such Director to contribute effectively and demonstrate commitment to the role, including commitment of sufficient time and attention to the Company's affairs. The NC is satisfied that all Directors have discharged their duties adequately for the financial year 2012, and will continue to do so in 2013.

All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years. In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to retirement at the first Annual General Meeting (AGM) of the Company subsequent to their appointment. One third of all the other Directors shall retire by rotation at each AGM provided always that all Directors shall retire from office at least once in every three years. The Directors retiring from office shall be eligible for re-election by the shareholders.

The NC also assesses each Director's independence annually. If the NC considers a Director to be independent, notwithstanding that he has one or more of the specific relationships mentioned in the Code, it shall provide its view to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall within the circumstances set out in the Code, and shall similarly provide its views to the Board for the Board's consideration.

In line with the Code, the Board does not have any alternate Directors, subsequent to the cessation of Mr Guy William Norman, Mr Chan Chi Leung Theodoric and Mr Stephen Geoffrey Miller as alternate Directors during the financial year 2012.

All new appointments to the Board are subject to the approval of the Company's regulators, the Info-communications Development Authority of Singapore and the Media Development Authority of Singapore.

The Directors' profile and Directors' Particulars can be found on pages 19 to 23 and pages 72 to 74 of this Annual Report.

BOARD PERFORMANCE

The Company believes that Board performance is ultimately reflected in the performance of the Group. The NC is responsible for reviewing the composition of the Board to ensure that there is good governance and the Board remains relevant to the changing needs of the Company and its business.

The Board undertakes a formal annual assessment of its effectiveness, and that of the Board Committees.

Each Director is requested to individually complete a comprehensive Board Performance Evaluation Form annually, to facilitate the NC in its assessment of the Board and the Board Committees on, *inter alia*:

- the effectiveness of discussions and debate at Board and Board Committee meetings;
- the relationship between the Board and Management, including the level of engagement and flow of information;
- the level and quality of the Director's and Board Committees' contributions and standard of conduct;
- Board processes, including level and timeliness of information provided to the Board;
- the adequacy of the Board composition;
- the degree of diversity of skills, experience, knowledge of Board members; and
- the level of guidance and advisory provided to Management.

The NC will collate and review the results of the performance evaluation exercise and recommend to the Board, in consultation with the Chairman, the steps which need to be taken to strengthen the Board's leadership so as to improve

the effectiveness of the Board's oversight of the Company. Where appropriate, Management may also be involved in the review process, and assist in implementing the measures needed.

For the financial year 2013, the Board will be engaging the assistance of Aon-Hewitt Consulting (Singapore) Pte Ltd as external consultants to facilitate formal Board performance review, and to further enhance the annual review.

Throughout the year, the Board has maintained open lines of communication directly with Management on matters within their purview, over and above their attendance at the Board meetings. Non-executive Directors have also constructively challenged and assisted in developing strategic proposals and reviewed Management's performance in meeting set goals and objectives.

ACCESS TO INFORMATION

In order to fulfil their responsibilities, Management provides the Directors with complete, adequate and timely information prior to each Board and Board Committee meeting, and on an on-going basis so as to enable the Directors to make informed decisions to discharge their duties and responsibilities.

The Board has separate and independent access to Management at all times. Frequent dialogue and interaction take place between Senior Management and the Board members, as encouraged by the CEO. Directors are entitled to request from Management and are provided additional information in a timely manner as needed to make informed decisions.

Information provided by Management includes Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results is disclosed and explained at the Board meetings. 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 via email.

The Board also has separate and independent access to the Company Secretaries. The Board is supported in governance and administration by the Company Secretaries, who attend all Board meetings and whose responsibilities include ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretaries ensure good information flows within the Board and Management, and advise the Board on all governance matters. Secretariat also facilitates orientation and assists with professional development and training as required. The appointment and the removal of the Company Secretaries are subject to the Board's approval.

In addition, the Board has a process for Directors (either individually or as a group), in furtherance of their duties, to seek independent professional advice, where necessary, at the Company's expense.

2. REMUNERATION MATTERS PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Company adopts a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

The ERCC comprises Mr Peter Seah Lim Huat (ERCC Chairman), Mr Lim Ming Seong and Mr Sio Tat Hiang, all of whom are non-executive Directors independent of Management. Mr Lee Theng Kiat resigned as a ERCC member on 20 June 2012. While the ERCC Chairman may not be considered an independent director within the meaning of the Code given his association with a 10% shareholder of the Company in the current and immediate past financial years, the Board notes that the ERCC Chairman is not involved in the day-to-day running of the Group's business and operations and is independent of Management. He is able to exercise independent judgment and act objectively in the best interests of the Group in carrying out his duties.

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

- reviewing and recommending to the Board the general framework of remuneration for the Board and key management personnel (as defined in the Code), and the remuneration packages for each non-executive Director and key management personnel of the Company, with a focus on long-term sustainability and shareholders' return. Such remuneration framework and packages are linked to:





- (a) the performance of the Company, the Group and the individuals;
- (b) industry practices and compensation norms; and
- (c) the need to attract key management personnel to ensure continuing development of talent and renewal of strong leadership for the Company;
- 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;
- assessing and approving performance share awards and restricted stock awards under the Company's approved share plans;
- assessing and approving candidates for key appointments; and
- overseeing the development of Management and reviewing succession plans for key positions in the Group.

All decisions by the ERCC are made by a majority of votes of the ERCC members present and voting. The votes, approval or recommendation of any ERCC members with a conflict of interest in the subject matter under consideration are excluded.

The CEO is not present at any ERCC discussions which relate to his own terms of service and the review of his performance. However, he is present at other ERCC discussions on the compensation and incentive policies, such as share awards, bonus framework, salary and other incentive schemes, of the Company's key staff (including the key management personnel).

The ERCC may seek expert professional advice inside and/or outside the Company on remuneration of all Directors. The ERCC is satisfied that the current relationship between the Company and its appointed remuneration consultant, Carrots Consulting Pte Ltd (Carrots) will not affect the independence and objectivity of Carrots.

The ERCC reviews the Company's obligations arising in the event of termination of the executive Director and/or any key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses. The ERCC aims to be fair and avoid rewarding poor performance. Prior to any such termination, the ERCC's approval is required.

LEVEL AND MIX OF REMUNERATION

DISCLOSURE ON REMUNERATION

The level and structure of remuneration of the Board and key management personnel are aligned with the long-term interest and risk policies of the Company, and are appropriate for attracting, retaining and motivating:

- the Directors to provide good stewardship of the Company; and
- key management personnel to successfully manage the Company without being excessive, and thereby maximise shareholder value.

In performing the duties as required under its Terms of Reference, the ERCC ensures that remuneration paid to the CEO and key management personnel is strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the ERCC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short and long term quantifiable objectives.

For the financial year ended 31 December 2012, the ERCC engaged Carrots to conduct a Pay-for-Performance Alignment Study. The findings of the Study, as presented to the ERCC, showed an adequate linkage of the executive remuneration with the performance of the Company.

Non-Executive Directors' Remuneration

For the financial year ended 31 December 2012, the ERCC reviewed in consultation with our external remuneration consultant, Carrots, and recommended to the Board for approval, the non-executive Directors' compensation based on the remuneration structure set out in Table 2 below. The structure encourages non-executive Directors to hold shares in the Company so as to better align the interests of the non-executive Directors with the interests of shareholders and the long-term interests of the Company.

Under the remuneration structure, the non-executive Directors will receive 70% of their Directors' remuneration in cash and (with the exception of Mr Kua Hong Pak, Mr Takeshi Kazami and Mr Sadao Maki) 30% of their Directors' remuneration in the form of restricted share awards pursuant to the StarHub Restricted Stock Plan.

Cash Component

Each non-executive Director receives a basic fee, attendance fee and travel allowance (for overseas Directors). In addition, non-executive Directors who perform additional services in Board Committees receive an additional fee for such services. The Board Chairman and the Chairman of each Board Committee also receive a higher fee compared with the members of the Board and the respective Board Committees, in view of the greater responsibility carried by that office.

Share Component

Restricted share awards are awarded in lieu of non-executive Directors' compensation in cash, and the restricted share awards consist of the grant of fully paid shares, without any performance or vesting conditions attached. The number of shares to be awarded to a participating non-executive Director will be determined by reference to the volume weighted average price of a share on the SGX-ST over the 14 trading days commencing on the ex-dividend date that immediately follows the forthcoming AGM.

The non-executive Directors' remuneration for the financial year ended 31 December 2012 will be subject to shareholders' approval at the forthcoming AGM.

Table 2

ANNUAL FEES FOR THE BOARD

Board Chairman:	\$137,000
Non-Executive Director:	\$65,000

ADDITIONAL ANNUAL FEES FOR THE BOARD COMMITTEES

Type of Committee	Chairman	Member
Audit Committee	\$42,000	\$25,000
Executive Resources and Compensation Committee	\$28,000	\$16,000
Nominating Committee	\$24,000	\$15,000
Strategy Committee	\$28,000	\$16,000

BREAKDOWN OF NON-EXECUTIVE DIRECTORS' REMUNERATION

The following shows the composition of non-executive Directors' remuneration for the financial year ended 31 December 2012:

Name of Non-Executive Directors	Directors' Remuneration		
	Cash-based	Share-based ⁽¹⁾	Total
Tan Guong Ching	\$133,000	\$57,000	\$190,000
Kua Hong Pak	\$99,400	— ⁽²⁾	\$99,400
Peter Seah Lim Huat	\$109,200	\$46,800	\$156,000
Nihal Vijaya Devadas Kaviratne CBE	\$135,100	\$57,900	\$193,000
Lee Theng Kiat ⁽⁵⁾⁽⁴⁾	\$40,684	\$17,436	\$58,120
Steven Terrell Clontz ⁽⁵⁾	\$115,150	\$49,350	\$164,500
Lim Ming Seong	\$121,450	\$52,050	\$173,500
Sadao Maki ⁽⁵⁾⁽⁵⁾	\$19,390	— ⁽⁵⁾	\$19,390
Teo Ek Tor	\$100,800	\$43,200	\$144,000
Liu Chee Ming	\$103,600	\$44,400	\$148,000
Robert J. Sachs	\$94,150	\$40,350	\$134,500
Nasser Marafih	\$70,000	\$30,000	\$100,000
Sio Tat Hiang ⁽⁵⁾⁽⁶⁾	\$47,250	\$20,250	\$67,500
Takeshi Kazami ⁽⁵⁾⁽⁷⁾	\$48,510	— ⁽⁷⁾	\$48,510

⁽¹⁾ If approved by shareholders at the forthcoming AGM, restricted share awards will be granted pursuant to the StarHub Restricted Stock Plan to all non-executive Directors (except for Mr Kua Hong Pak, Mr Takeshi Kazami and Mr Sadao Maki) after the AGM. The number of shares to be awarded will be based on the volume weighted average price of a share listed on the SGX-ST over the 14 trading days commencing on the ex-dividend date that immediately follows the AGM. The number of shares to be awarded will be rounded down to the nearest hundred, with cash to be paid in lieu of the remaining shares arising. The restricted share awards will consist of the grant of fully paid shares, without any performance or vesting conditions attached. However, in order to encourage alignment of the interests of the Directors with the interests of shareholders, non-executive Directors who received the aforesaid restricted share award are required to hold shares in the Company worth at least the prevailing annual basic retainer fee, or the aggregate of (a) the total number of shares awarded as part of their remuneration for the financial year ended 31 December 2011 and each subsequent financial year thereafter and (b) 50% of the total number of shares awarded from the financial year ended 31 December 2007 to 31 December 2010, whichever is lower. Non-executive Directors can only dispose of all their shares one year after ceasing to be a Director.



⁽²⁾ Mr Kua Hong Pak had declined the share award and will only receive the cash component of his remuneration. Mr Kua holds no shares in the Company.

⁽³⁾ Fees are payable to Director's employer company.

⁽⁴⁾ Mr Lee Theng Kiat had resigned as non-executive Director on 20 June 2012.

⁽⁵⁾ Mr Sadao Maki had resigned as non-executive Director on 12 April 2012. He had also declined the share award and will only receive the cash component of his remuneration. Mr Maki holds no shares in the Company.

⁽⁶⁾ Mr Sio Tat Hiang was appointed as non-executive Director on 2 July 2012.

⁽⁷⁾ Mr Takeshi Kazami was appointed as non-executive Director on 13 April 2012. He had also declined the share award and will only receive the cash component of his remuneration. Mr Kazami holds no shares in the Company.

During the year, none of the Directors' or the CEO's immediate family members were employees of the Group whose remuneration exceeded \$50,000 per annum.

Details of the share awards granted by the Company to the non-executive Directors under the StarHub Restricted Stock Plan can be found in the Directors' Report.

CEO/Executive Director and Key Management Personnel Remuneration

The Company advocates a performance-based remuneration system that is flexible and responsive to the market and the performance of the Company, business units and individual employees. In designing the remuneration structure for the CEO and key management personnel, the ERCC seeks to ensure that the level and mix of remuneration is competitive and relevant. The Company adopts the StarHub Performance Share Plan as long-term incentives to motivate key management personnel to strive for superior performance and to align their interests with those of shareholders. The StarHub Performance Share Plan also aims to strengthen the Company's competitiveness in attracting and retaining talented key management personnel and employees.

The CEO is an executive Director and is remunerated as a member of the senior Management of the Company. He does not receive Directors' fees for his Board directorship with 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. If the threshold performance targets are not achieved, no shares will be granted to the CEO. On the other hand, if the prescribed performance targets are met or exceeded, up to twice the number of shares that are the subject of the award will be granted. The vesting of the conditional share awards granted to the CEO under the StarHub Restricted Stock Plan is subject to the CEO achieving prescribed performance targets over the relevant performance period. These performance targets are set against the Company's: (a) Return on Invested Capital; and (b) Free Cashflow. If the threshold performance targets are not achieved, no shares will be granted to the CEO. On the other hand, if the prescribed performance targets are met or exceeded, up to 1.5 times the number of shares that are the subject of the award will be granted. Similarly, the bonuses awarded to the CEO depend on the CEO's achievement of his prescribed performance targets.

The aggregate annual compensation paid and accruing in bands of \$250,000 (including any benefits-in-kind) to the CEO and each of the top five key management personnel (who are also not Directors of the Company) for the services rendered by them in any capacity to the Group for the financial year ended 31 December 2012, and details of the share awards granted to the CEO and key management personnel for the financial year ended 31 December 2012, are set out in Table 3 below.

Table 5

	Fixed ⁽¹⁾ (%)	Variable ⁽²⁾ (%)	Benefits- in-kind ⁽³⁾ (%)	Remu- neration bands ⁽⁴⁾	Share Awards granted in 2012 under StarHub Performance Share Plan ⁽⁵⁾	Share Awards granted in 2012 under StarHub Restricted Stock Plan ⁽⁶⁾
CEO and Executive Director						
Neil Montefiore	45	35	20	D	Refer to details in Directors' Report	Refer to details in Directors' Report
Senior Executives						
Tan Tong Hai	53	41	6	C	Up to 244,000 shares	Up to 106,500 shares
Kwek Buck Chye	50	46	4	B	Up to 244,000 shares	Up to 106,500 shares
Chan Kin Hung	71	22	7	A	Up to 104,000 shares	Up to 48,000 shares
Diana Lee	66	27	7	A	Up to 104,000 shares	Up to 48,000 shares
Mock Pak Lum	66	27	7	A	Up to 104,000 shares	Up to 48,000 shares

⁽¹⁾ Fixed refers to base salary, Annual Wage Supplement and fixed allowances earned for the year ended 31 December 2012.

⁽²⁾ Variable refers to incentives paid and accrued for the year pursuant to the Company's performance bonus scheme and Economic Value Added (EVA) scheme for the year ended 31 December 2012. The Company's performance bonus scheme is the "balanced scorecard" scheme used to determine the annual performance bonuses payable to the Company's employees. The EVA scheme rewards for sustainable shareholder value creation over the medium term, with alignment to the Company's strategic business objectives. 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.

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

⁽⁴⁾ Remuneration bands:

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

"B" refers to remuneration between \$1,050,001 and \$1,300,000 p.a.

"C" refers to remuneration between \$1,300,001 and \$1,550,000 p.a.

"D" refers to remuneration between \$2,000,001 and \$2,250,000 p.a.

For the financial year ended 31 December 2012, the aggregate amount of remuneration paid to the top five key management personnel (who are not Directors or the CEO) was \$4,184,029.

⁽⁵⁾ A share award was granted under the StarHub Performance Share Plan on 25 May 2012. 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 2012 to 31 December 2014. 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.

⁽⁶⁾ A share award was granted under the StarHub Restricted Stock Plan on 25 May 2012. 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 2012 to 31 December 2013. These performance targets are set against the Company's: (a) Return on Invested Capital; and (b) Free Cashflow. 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.

In the event that the executive Director or key management personnel of the Company engages in fraud or misconduct, which results in re-instatement of the Company's financial results or a misconduct/fraud resulting in financial loss to the Company, the Board may pursue to reclaim the unvested components of remuneration from the executive Director or key management personnel from all incentive plans for the relevant period, to the extent such incentive has been earned but not yet released or disbursed. The Board, taking into account the ERCC's recommendation, can decide whether and to what extent, such recoupment of the incentive is appropriate, based on the specific facts and circumstances of the case.

3. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

The Board reports the Group's quarterly and full-year operating performance and financial results via SGXNET.

In presenting these statements, the Board aims to present a balanced, understandable and informed assessment of the Company's performance, position and prospects.

For the quarterly financial statements, the Board provides a negative assurance confirmation to shareholders, in line with the SGX-ST Listing Manual. For the full-year financial statements, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements for the Group. The Company believes that prompt and full compliance with statutory reporting requirements is imperative in maintaining shareholder confidence and trust.





The Board is able to make informed decisions based on up-to-date and detailed information provided by Management. Monthly management and financial reports which explain the Company's performance (in comparison with its forecasted performance and budget) and financial position are provided to the Board members on a timely basis. Other related business reports are also provided to the Board regularly and upon request by the Board from time to time.

Written policies are established where appropriate to ensure compliance by the Board with applicable legislative and regulatory requirements. With respect to dealings in the securities of the Company by the Directors and employees of the Group, the Company has adopted the following insider trading policy that exceeds the requirements of the SGX-ST Listing Manual:

- All Directors and employees of the Group are prohibited from dealing in the Company's securities:
 - (a) two weeks prior to the announcement of the Group's results for each of the first three quarters of its financial year; and
 - (b) a month prior to the announcement of the Group's full year results; and
- All Directors, Management and employees directly involved in the preparation of the Group's quarterly and full year results are prohibited from dealing in the Company's securities one month prior to the announcement of each of the Group's quarterly and full year results.

All Directors, Management and employees are notified by email prior to the start of each trading blackout period and the 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 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board as a whole is responsible for the governance of risk, and:

- ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets;
- determines the nature and extent of the significant risks, and the level of risk tolerance and risk policies, which the Board is willing to take in achieving its strategic objectives;
- provides oversight in the design, implementation and monitoring of the risk management framework, and system of internal controls (including financial, operational, compliance and information technology controls), including ensuring that Management puts in place action plans to mitigate the risks identified where possible;
- reviews the adequacy and effectiveness of the risk management and internal control systems annually; and
- sets and instils the appropriate risk-aware culture throughout the Company for effective risk governance.

The Company faces a variety of risks due to the complexity of its business and the dynamic business environment in which it operates. The effective management of risks enhances the Company's ability to achieve its financial, customer-centric and workforce goals, and to meet its legal and compliance responsibilities, thereby protecting and enhancing shareholder value. The Company's commitment is to manage those risks that arise in the course of the Company's business to an acceptable level, so as to maximise opportunities and minimise negative outcomes. Recognising this, the Company has put in place an internal control system (with financial, operational, compliance and information technology controls) and enterprise risk management.

The Management Risk Committee (MRC), comprising members from the Management team, is responsible for providing executive oversight and coordination of enterprise-wide risk management efforts across the Group. During the financial year, the Company (with the assistance of the MRC) conducted a review of its risk management framework and processes to ensure their adequacy and effectiveness. The significant risks in the Group's business were monitored and reported

and mitigating measures were reviewed by the Board and Management on a regular basis, as part of the strategic planning, business planning, budgeting and performance management processes. This is to ensure that the risk management framework continues to effectively promote and enable the identification, management and monitoring of risks across the Company.

The Board will be establishing a new Board Risk Committee (RC) in 2013 to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.

The RC will review the key risk controls and framework covering operational, compliance and information technology risks. The RC will be tasked with the review of:

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

The RC will have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management. The RC will also have full discretion to invite any Director or executive officer to attend its meetings, and to require Management to provide it with such reasonable resources to enable it to discharge its functions properly.

In terms of internal controls, the external and internal auditors conduct independent audits of the effectiveness of the Group's key internal control systems. The AC has the responsibility to review the audit reports and assesses the effectiveness of the actions taken by Management on the recommendations made by the external and internal auditors for resolving any lapses or weaknesses in the controls, taking into account any views Management has.

For the financial year ended 31 December 2012, the Board has received assurance from CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and that the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective.

Based on the risk management system and internal controls established and maintained by the Group, reviews performed by Management, as supported by findings by external and internal auditors, and relevant assurance by CEO and CFO pursuant to the Code, the Board, with the concurrence of the AC, opines that the risk management system and internal controls, including financial, operational, compliance and information technology controls, are adequate and effective in meeting the needs of the Group in its current business environment and scope of operations.

AUDIT COMMITTEE

The AC comprises the following four non-executive Directors, all of whom have extensive, invaluable, recent and relevant accounting and financial management expertise and experience, and the majority of whom (including the AC Chairman) are independent Directors:

- Mr Kua Hong Pak (AC Chairman);
- Mr Nihal Vijaya Devadas Kaviratne CBE (Independent Director);
- Mr Teo Ek Tor (Independent Director); and
- Mr Lim Ming Seong.

The AC's key duties include:

- reviewing and approving quarterly and annual financial statements, before submission to the Board for approval;
- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls;





- reviewing the effectiveness of the Company's internal audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors (with regard to the nature, extent and cost of non-audit services provided by the external auditors during the financial year);
- reviewing interested person transactions to ensure compliance with the SGX-ST Listing Manual and the Shareholders' Mandate that is renewable annually;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditor;
- commissioning and reviewing findings of internal investigations into suspected fraud, irregularity or failure of internal controls or violation of any law that is likely to have a material impact on the Group's results; and
- reviewing the Company's Whistle Blowing Policy and the arrangements therein by which employees of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and where such concerns will be independently investigated and appropriate follow-up action(s) will be taken.

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

In the financial year ended 31 December 2012, the AC held four meetings and met the Company's external auditors without Management at least once, in each case, to discuss matters it believed should be raised privately.

The AC 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. The aggregate amount of external auditors' fees for financial year 2012 and the breakdown for the audit and non-audit services are set out in Note 19.3 to the Financial Statements on page 169 of the Annual Report.

Having satisfied itself that the external auditors' independence is not impaired by their provision of non-audit services to the Group and that Rules 712 and 715 of the SGX-ST Listing Manual have been complied with, 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 AC ensures that: (a) the KPMG LLP partner in charge of auditing the Group is changed every five years; and (b) a former KPMG LLP partner will not be appointed as a AC member of the Company within 12 months upon his cessation as KPMG LLP partner and for so long as he or she has any financial interest in KPMG LLP.

INTERNAL AUDIT

The Company has established and maintains an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group's internal auditor, RSM Ethos Pte. Ltd., is an independent firm to which the internal audit function is outsourced. It carries out its function according to the Standards for the Professional Practice of Internal Auditing, prescribed by the Institute of Internal Auditors. The internal auditor reports to the AC functionally, and to the CEO and CFO of the Company administratively. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The internal auditor adopts a risk-based approach in developing the annual internal audit plan, which aligns its activities to the key risks across the Group's business. The plan is submitted to the AC for its review and approval at the start 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. To ensure that the internal audits are performed effectively, the internal auditor recruits and employs suitable staff with the relevant qualifications and experience.

The AC reviews the adequacy and effectiveness of the internal audit function annually. The AC meets with the internal auditor at least once a year without the presence of Management, to ensure independence of the internal audit function.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

The Company treats all shareholders fairly and equitably. It also recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

Shareholders have the right to be sufficiently informed of changes in the Company or its business which may materially affect the price or value of the Company's shares. There are formal policies and procedures to ensure that the Company complies with its disclosure obligations under the SGX-ST Listing Manual.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. The Company has taken steps to ensure that its notice of AGM is issued to shareholders at least 21 days before the scheduled date of the AGM. Electronic annual reports (in the form of a CD-ROM) are sent to all shareholders (including foreign shareholders) at least 21 days before the AGM to ensure that all shareholders have adequate opportunity and sufficient time to review the annual reports before the AGM. The move to electronic documentation demonstrates the Company's commitment towards more environmentally-friendly and sustainable efforts. Hard copies will be provided upon request by shareholders. The Company has also committed not to introduce new resolutions within one week of each general meeting, to enhance governance and transparency.

The Company's Articles of Association allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. Shareholders who hold shares through corporations which provide nominee or custodial services (such as CPF and custodian banks), may attend AGM as observers without being constrained by the two-proxy rule, subject to availability of seats.

5. COMMUNICATION WITH SHAREHOLDERS

The Company actively engages its shareholders and puts in place an effective investor relations policy to promote regular, effective and fair communication with shareholders.

Together with the CEO and other key management personnel, the Company's Investor Relations team keeps the Company's shareholders informed of major industry and corporate developments, the Group's performance and other relevant information on a timely basis. The Company has also taken steps to solicit and understand the views of the shareholders via: (a) periodic analyst and media briefings throughout the year; as well as (b) the Management and Investor Relations team meeting with institutional investors regularly, through international road shows and conferences organised by major brokerage firms.

The Company discloses information on a timely basis through SGXNET and other information channels, including the Company's corporate website at www.starhub.com/ir, which is regularly maintained and updated. All media releases, financial results, annual reports, SGXNET announcements, presentation materials, archived webcasts and conference calls, and other corporate information relating to the Group are accessible on the Company's corporate website. Upon request, investors can also be notified via an e-mail alert service. Material price-sensitive information such as financial results are however, released through SGXNET before any media or analyst conferences are conducted. This ensures fair and non-selective disclosure of information to all investors.

The contact details of the Investor Relations team are available on the Company's website and the team is always ready to address shareholders' queries and concerns. The team is also prompt in keeping Management fully apprised of shareholder views and sentiments.

The Company has been declaring dividend on a quarterly basis since 2005. The guidance on the dividend payout is communicated to the shareholders in each of the Company's SGXNET announcement of its quarterly and the full-year financial results.

6. CONDUCT OF SHAREHOLDER MEETINGS

The Company encourages greater shareholder participation at general meetings of shareholders, and allows shareholders the opportunity to communicate their views on various matters affecting the Company through effective participation and to vote at such general meetings.





All Directors (in particular the Chairman of the Board and the respective Chairman of the AC, NC, ERCC and SC) together with Senior Management are requested to attend and be present and available at all general meetings of shareholders to address shareholders' queries at these meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Registered shareholders are invited to attend and participate actively in such general meetings, including seeking clarification and/or querying the Group's strategic direction, business, operations, performance and proposed resolutions.

Each shareholder can vote in person or by appointing up to two proxies to attend and vote on his behalf. If shareholders are unable to attend general meetings, the Company's Articles of Association do not allow shareholders to vote in absentia, except through the appointment of a proxy or proxies to cast their vote in their stead.

The Company ensures that there will be separate resolutions at general meetings on each substantially separate issue. Voting is carried out systematically and all resolutions passed are properly recorded.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and makes the minutes available to shareholders upon their request.

The Company has adopted electronic poll voting for general meetings since 2011 to ensure greater transparency and efficiency in the voting process and results. The results showing the number of votes cast for and against each resolution and the respective percentages are announced via the SGXNET on the same day of the general meeting.

7. ADDITIONAL MEASURES TO ENHANCE CORPORATE GOVERNANCE

Beyond complying with the requirements of the Code, the SGX-ST Listing Manual, the Companies Act and the Securities and Futures Act, the Company has also undertaken various additional measures to enhance corporate governance.

Strategic Business Continuity Management (BCM)

The Company has undertaken a strategic BCM programme which has been certified as meeting the Singapore Standards SS540:2008. The BCM programme ensures that the Company has in place business continuity and disaster recovery policies, plans and procedures. This provides assurance to the Group's stakeholders that the Company will be able to provide, maintain and recover its critical business functions and continue to provide info-communication products and services in the event of an emergency, disaster or crisis.

Whistle Blowing Policy

In line with the Company's zero tolerance for fraud and other ethical violations, the Group has instituted a robust procedure for providing employees with accessible channels, including a direct channel to their immediate supervisors, the relevant Heads of Department or the Head of Human Resource (as may be appropriate), as well as the AC, for reporting suspected fraud, corruption, financial impropriety, unethical conduct and other criminal or dishonest practices.

The Investigation Committee (constituting representatives from the Senior Management) will 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 also be reported to and reviewed by the AC.

In cases of suspected wrongdoing involving the CEO, COO and/or CFO, the Investigation Committee will be chaired by the AC Chairman (or his nominee). Upon completing the investigations for each case of suspected wrongdoing, the Investigation Committee may at its discretion decide whether to circulate the investigation results to employees, taking into account the interests of the Group.

The Group's whistle-blowing policy aims to encourage the reporting of such matters in good faith, with confidence that whistle-blowers will be treated fairly and accorded protection against reprisals. The Company will take disciplinary action against any party who victimises whistle-blowers. Further, the Company does not disregard anonymous complaints but will give such complaints appropriate weight. The Group's whistle-blowing policy is available on the Company's intranet and corporate website for easy access by all employees.

Employee Code of Conduct and Rules on Business Conduct

In 2012, the Company augmented the Employee Code of Conduct, the Ethics Policy and the Corporate Gift and Hospitality Policy to guide employees in carrying out their duties and responsibilities with high standards of personal and corporate integrity when dealing with the Company, its competitors, customers, suppliers and the community. The code and policies cover business conduct (including employees' compliance with anti-corruption and anti-bribery laws), conduct in the workplace, protection of the Company's assets, proprietary and confidential information and intellectual property, conflict of interest, non-solicitation of customers and employees, and workplace health and safety. In parallel, the Company has enhanced existing processes and internal controls on tenders, vendor selection and purchasing under the Supplier and Vendor Policy to ensure transparency, objectivity and compliance. The updated Employee Code of Conduct is available on the Company's intranet, while the Supplier and Vendor Policy, the Ethics Policy and the Corporate Gift and Hospitality Policy are available on both the Company's intranet and corporate website for easy access.

Compliance Leave Policy

As a further risk mitigation measure and to enhance governance, the Company has voluntarily put in place a Compliance Leave Policy which applies to all employees with sensitive job functions such as handling monies, inventories, payroll processing and approvals, risk management and purchasing of goods and services. Under the Compliance Leave Policy, such employees are required to go on mandatory block leave of at least five consecutive working days each calendar year. This arrangement allows covering officers to fully take over the duties of the employee on leave, as an additional check and balance against any breaches.

Document Classification Policy

The Company has implemented a clear document classification policy to ensure that all documents relating to the Group's business, activities and operations are classified according to whether the information contained within the document is confidential, for internal use or for public distribution. This classification helps to safeguard the information, ensures that only appropriate persons have access to that information and that access is on a need-to-know basis only.

Laptop Encryption Solution

To further enhance security of confidential and commercially-sensitive documents stored in laptops belonging to senior staff, the Company has implemented a Laptop Encryption Solution which ensures that sensitive and confidential information relating to the Company continue to be protected, in the event of any loss of the laptop. The Company would have the ability to remotely wipe out the sensitive information in such situations. ■■■

Directors' Particulars

Director	Age in Year 2013	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 2012)	Past Principal Directorships/Chairmanships & Appointments (from 1 Jan 2010 to 30 Dec 2012)
Tan Guong Ching	67	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 IP Academy Pteris Global Limited Singapore Shipping Corporation Limited Cambridge-MTN Private Limited	eircom Limited Temasek Life Sciences Laboratory Limited
Neil Montefiore	61	StarHub Cable Vision Ltd. StarHub Internet Pte Ltd StarHub Mobile Pte Ltd StarHub Online Pte Ltd SHINE Systems Assets Pte. Ltd. NEILM (S) Pte Ltd Ruswarp Consultants (as Manager) Singapore Repertory Theatre Ltd Singapore National Employers Federation (as Council Member)	Wireless Intellect Labs Pte Ltd
Kua Hong Pak	69	ComfortDelGro Corporation Limited SBS Transit Ltd VICOM Ltd PSA Corporation Limited PSA International Pte Ltd Temasek Holdings (Private) Limited ComfortDelGro Cabcharge Pty Ltd Metroline plc (UK)	CabCharge Australia Limited
Peter Seah Lim Huat	67	DBS Bank Ltd DBS Group Holdings Ltd Singapore Technologies Engineering Ltd CapitaLand Limited Government of Singapore Investment Corporation Private Limited STATS ChipPAC Ltd DBS (Hong Kong) Limited Level 3 Communications, Inc	SembCorp Industries Limited Alliance Bank Malaysia Berhad Singapore Technologies Telemedia Pte Ltd Bank of China Limited Global Crossing Limited

Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years			
Director	Age in Year 2013	Present Principal Directorships/ Chairmanships & Appointments (as at 31 Dec 2012)	Past Principal Directorships/ Chairmanships & Appointments (from 1 Jan 2010 to 30 Dec 2012)
Nihal Vijaya Devadas Kaviratne CBE	69	DBS Group Holdings Ltd DBS Bank Ltd GlaxoSmithKline Pharmaceuticals Limited TVS Motor Company (Europe) BV PT TVS Motor Company Wildlife Reserves Singapore Pte Ltd Akzo Nobel India Limited SATS Ltd.	Agro Tech Foods Limited Fullerton India Credit Company Limited Fullerton Securities and Wealth Advisors Limited Titan Industries Ltd
Steven Terrell Clontz	63	InterDigital, Inc. Nucleus Connect Pte. Ltd. Equinix, Inc. Jasper Wireless, Inc. Level 3 Communications, Inc	eircom Limited Global Crossing Limited (as Executive Committee Member)
Lim Ming Seong	66	CSE Global Limited First Resources Ltd Singapore Technologies Kinetics Pte Ltd Singapore Technologies Telemedia Pte Ltd WhiteRock Partners Ltd Amplus Communications Pte Ltd	-
Teo Ek Tor	60	PrimePartners Group Pte Ltd Prime Partners Corporate Finance Pte Ltd PrimePartners Asset Management Pte Ltd WhiteRock Medical Company Pte Ltd Delta Asia Capital Singapore Fund Pte Ltd	United Pacific Industries Limited PrimePartners Renewable Energy Inc ServTouch Holdings Pte Ltd
Liu Chee Ming	62	Platinum Broking Company Limited Platinum Holdings Company Limited Platinum Securities Company Limited Platinum Securities Company Limited (Singapore) Access Investment Management (H.K.) Limited Kader Holdings Company Limited The Singapore International School Foundation Ltd Haitong Securities Company Ltd	-
Robert J. Sachs	65	Continental Consulting Group, LLC. (as Principal) Dana-Farber Cancer Institute, Inc. UpdateLogic, Inc. WGBH Educational Foundation	Global Crossing Limited Big Band Networks, Inc. National Coalition for Cancer Survivorship (as Chairman of Board of Trustees)



Director	Age in Year 2013	Principal Directorships/Chairmanships in other listed companies & other major appointments, both present and held over the preceding 5 years	
		Present Principal Directorships/ Chairmanships & Appointments (as at 31 Dec 2012)	Past Principal Directorships/ Chairmanships & Appointments (from 1 Jan 2010 to 30 Dec 2012)
Nasser Marafih	52	Asia Mobile Holdings Pte. Ltd. Asiacell Communications LLC Wataniya Mobile Telecommunication Co. (NMTC) Tunisiana S.A. PT Indosat, Tbk Shenington Investments Pte Ltd Wataniya Telecom Algeria S.P.A. Wataniya Palestine Mobile Telecommunications Public Shareholding Company wi-tribe Limited	-
Sio Tat Hiang	66	Singapore Technologies Telemidia Pte Ltd STT Communications Ltd Asia Mobile Holding Company Pte. Ltd. Asia Mobile Holdings Pte. Ltd. i-STT Investments Pte. Ltd. ST Telecommunications (Beijing) Co., Ltd ST Teleport Pte Ltd STT Crossing Ltd TeleChoice International Limited Shenington Investments Pte Ltd U Mobile Sdn Bhd	PT Indosat Tbk Asia-Pacific Mobile Telecommunications (Singapore) Pte Ltd Asia-Pacific Mobile Telecommunications Satellite (AMPT) Pte Ltd Grid Communications Pte. Ltd.
Takeshi Kazami	50	NTT Singapore Pte Ltd NTT Communications (Thailand) Co., Ltd. NTT Communications World Network (S) Pte. Ltd. NTT Australia Pty Ltd PT. NTT Indonesia NTT Communications Philippines Corporation NTT MSC Sdn Bhd NTT Communications India Private Limited NTT Communications (Vietnam) Limited Emerio GlobeSoft Pte Ltd Frontline Systems Australia Pty Limited	-

Awards and Industry Honours

As a reflection of our capabilities - the senior management team, customer service, IR processes and innovation in product and service delivery - we won the below.

CORPORATE AWARDS

- 2013 Corporate Knights' Global 100
 - Placed 66th in Global 100's list of the world's most sustainable corporations
 - The highest first-time ranking by a Singapore company
- Asian Institute of Management (AIM) Asian CSR Awards 2012
 - Intel-AIM Corporate Responsibility Award
- Global Telecoms Business Power 100 of 2012
 - Neil Montefiore, CEO
- Global Telecoms Business 40 Under 40 for 2012
 - Ng Soon Leng, AVP, International Business Development & Voice Switch
- HPB Singapore HEALTH Award 2012
 - Silver Award

CUSTOMER SERVICE AWARDS

- SPRING Excellent Service Awards 2012
 - 41 awards won; 11 Gold, 21 Silver and 9 Star

INVESTOR RELATIONS AWARDS

- IR Magazine Awards – South East Asia 2012
 - Best IR Officer (Jeannie Ong)
- 2nd & 3rd Asian Excellence Recognition Awards
 - Best IR Company in Singapore
 - Best IR Professional in Singapore (Jeannie Ong)
- 6th Annual Best Financial Institution Awards 2012 & 2nd Annual Corporate Awards 2012
 - Most Organised IR & Best Strategic CSR
- 8th Corporate Governance Asia Recognition Awards 2012
 - Class of 2012 – The Best of Asia

- Governance and Transparency Index 2012
 - Ranked 37th out of 674 companies
- Institutional Investor's The 2012 All-Asia Executive Team Awards
 - Best Company by Countries, Telecommunications category (4th place)
 - Jeannie Ong, 2nd Runner-Up (nominated by the Sell side for Best IR Professional)

- SIAS Investors' Choice Awards 2012
 - Runner-Up in the Services category for Most Transparent Company

MARKETING / ADVERTISING / BRANDING

- Asia Communications Awards 2012
 - 'Food.I.Y': Best Content Service
- Gong 2012 Creative Circle Awards
 - StarHub's "Multi-screen Entertainment", "Stadium Five Million", "Musical Fitting Room" and "Music Moodbox" won a total of 14 awards
- PromaxBDA Asia 2012
 - 'American Pie' on StarHub's VoD service: Silver Award for Best Movie Promo
- Singapore Advertising Hall of Fame Awards 2012
 - Brand of the Year
 - SafeSurf Birds and The Bees 2.0: Product Innovation of the Year
- Superbrands Singapore 2012
 - StarHub is ranked the 9th in the top ten most respected B2B brands

COO Tan Tong Hai (third from right) receives the Intel-AIM Corporate Responsibility Award from Deputy Prime Minister of Thailand, Kittiratt Na-Ranong, at the Asian Forum on CSR.



Investor Relations

Since StarHub's commercial launch in 2000, we have always shown our strong spirit of corporate governance and corporate transparency.



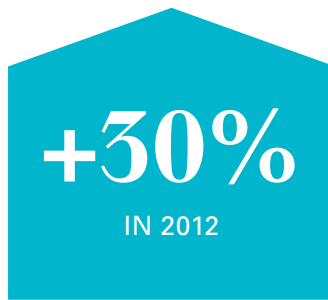
Our Head of Corporate Communications & IR, Jeannie Ong, was recognised as the 'Best IR Professional in Singapore' at the 2nd Asian Excellence Recognition Awards 2012

This was made more apparent after we were listed on the Main Board of SGX-ST in October 2004. The Investor Relations (IR) team, led by the CEO, has a firm and long-standing belief in effectively and regularly communicating with all shareholders. At all times, the Company is committed to making timely, full and accurate disclosure and we believe in treating all shareholders fairly.

The IR team established and maintained regular "dialogues with shareholders to solicit and understand their views through analyst briefings, investor roadshows and equity conferences. We provided quick responses to investors' queries and frequent access to one-on-one sessions with the senior management team. Besides that, the IR team also organised quarterly meetings and briefing sessions. These sessions were made available via conference call-ins and webcasts for numerous local/regional analysts and fund managers. Topics covered were as wide-ranging as financial performance, technological developments, industry trends and content acquisition strategies.

In 2012, as an active participant in regional and global equity conferences, the IR team met about 320 investors in some 240 meetings held in Asia, Europe and the USA. The Company also attended international roadshows to meet with existing institutional shareholders and potential investors.

All disclosures submitted to the SGX-ST through SGXNET are made available on the Company's easy-to-use and updated IR website (www.starhub.com/ir). The dedicated IR section can be found within our corporate website (www.starhub.com). This electronic avenue is



“THE STOCK HAS APPRECIATED SLIGHTLY OVER 30% IN 2012 TO CLOSE AT \$3.79 FOR THE YEAR, OUTPERFORMING THE STI’S GAIN OF ABOUT 20% IN THE SAME PERIOD.”

the easiest and most cost-effective way to reach a wide audience, providing investors and other interested parties with up-to-date information like our operations and financial performance at their fingertips.

For the first time, in our 2011 annual report, we included a sustainability report based on indicators under the Global Reporting Initiative framework. The report covered new ground not previously seen in our previous Corporate Social Responsibility section, such as our carbon and water footprints, waste management and human resource welfare. This year, we built upon that foundation to provide more in-depth details.

INVESTORS’ AND SHAREHOLDERS’ PERCEPTIONS

StarHub engaged a third-party research firm to conduct extensive qualitative and quantitative interviews with targeted and critical fund managers and analysts. Essentially, we did it to get a better understanding of how effective our meetings with the analysts and fund managers were, as well as to improve our overall IR efforts. The research firm solicited open and honest responses from the participants.

Such candid views were then shared with the Board members and senior management team.

To complement and to acquire a clearer picture of our shareholders’ profile, we performed a share registry analysis after every quarter’s results. The shareholders’ profile has shown that besides Singapore, the other top geographical regions where our investors are based are Asia (specifically Hong Kong and Japan), the UK and USA.

Looking at our share price performance, the stock has appreciated slightly over 30% in 2012 to close at \$3.79 for the year, outperforming the STI’s gain of about 20% in the same period. In terms of DPS, we have seen an increase since we first started paying quarterly dividends in 2005. We paid 9 cents DPS then and this has increased to the current 20 cents DPS in 2012. The Board takes a projected three-year view of the Company’s earnings performance, the Company’s reserves and free cash flows, to ensure there is more than adequate to cover the funding requirements for our dividend payments.

RECOGNITIONS BY THE INVESTMENT COMMUNITY

StarHub’s stakeholder communications efforts have been recognised widely by the investment community. To name a few, at the 6th Annual Best Financial Institution Awards 2012 & 2nd Annual Corporate Awards 2012, we walked away with the ‘Most Organised IR’ and ‘Best Strategic CSR’ awards. At the 3rd Asian Excellence Recognition Awards 2013, we scored the ‘Best IR Company in Singapore’ for the third consecutive time while, our Head of Corporate Communications & IR, Jeannie Ong, won the ‘Best IR Professional in Singapore’ twice consecutively.

Besides that, at the Institutional Investor’s The 2012 All-Asia Executive Team Awards, we were recognised for ‘Best Company by Countries, Telecommunications category’ and ‘Best IR Professional’, Jeannie Ong, as nominated by the sell-side analysts. Jeannie also took the ‘Best IR Officer’ honours at the IR Magazine Awards – South East Asia 2012. ■

Why invest in StarHub

Proven Management Team

Experienced, performance-oriented management team with solid industry expertise, technical depth and company tenures.

Focus on Customer Service

Extensive retail distribution channels, dedicated account management team, Hub Trooper service and recognised for customer service excellence.

Widely Recognised Brand

Well-known in the info-communications industry to be innovative—providing value-for-money products and services and excellent customer service.

Singapore's First Fully-Integrated Info-communications Company

Fully-integrated info-communications and entertainment service provider based in Singapore, providing at least one service to approximately 70% of all households.

Proven Strategy

The Hubbing strategy has been successfully executed since July 2002 across multiple service platforms. It has consistently delivered increased revenues and total dividend payouts.

Regional Connectivity

Strategic investments in submarine cable systems like AAG and ASE ensure low network latency, resilience and diversity, and support future growth needs.

Financially Sound

Stable cash flow generation, strong financial flexibility and consistently providing a high dividend yield.

Strategic Partnerships

Developing and fostering strategic relationships to run an efficient business model, provide complete end-to-end service offerings and continue to lead innovation in all areas.

Events/Financial Calendar

| IR CALENDAR OF EVENTS |

Date	Activities
1Q2012	<ul style="list-style-type: none"> ● FY2011 results announcement ● Singapore Investor Roadshows ● Nomura ASEAN Conference – Singapore ● BoAML ASEAN Conference – Singapore ● Nomura ASEAN Corporate Day – London, New York & Boston ● CLSA ASEAN Corporate Access Forum – Bangkok ● BNP Paribas ASEAN Telco Conference – Singapore ● Credit Suisse Asian Investment Conference – Hong Kong
2Q2012	<ul style="list-style-type: none"> ● 1Q2012 results announcement ● Singapore Investor Roadshows ● HSBC ASEAN Conference – Singapore ● UBS Pan-Asian Telco Conference – Singapore ● dbAccess Asia Conference – Singapore ● Nomura Asia Equity Forum – Singapore ● CIMB ASEAN Conference – Kuala Lumpur ● OSK-DMG ASEAN Corporate Day – Singapore
3Q2012	<ul style="list-style-type: none"> ● 2Q2012 results announcement ● Singapore Investor Roadshows ● Macquarie ASEAN Corporate Day – Singapore ● CLSA Investors' Forum – Hong Kong
4Q2012	<ul style="list-style-type: none"> ● 3Q2012 results announcement ● Singapore Investor Roadshows ● Morgan Stanley APAC Summit – Singapore ● HSBC Asia Investor Forum – London, New York & Boston ● JP Morgan APAC TMT Conference – Hong Kong

| FINANCIAL CALENDER FOR 2013/2014* |

**FY2012 Results
Announcement**

Feb 2013

**1Q2013 Results
Announcement**

May 2013

**3Q2013 Results
Announcement**

Nov 2013

Apr 2013

**15th Annual
General Meeting**

Aug 2013

**1H2013 Results
Announcement**

Feb 2014

**FY2013 Results
Announcement**

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

Sustainability Report 2012

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NUMBER OF GRI INDICATORS COVERED IN THIS SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is StarHub's second annual sustainability report prepared in accordance with the Global Reporting Initiative (GRI) G5.1 guidelines, including GRI's Telecommunications Sector Supplement (pilot version) and the Media Sector Supplement. This report covers StarHub's sustainability performance for the year ended 31 December 2012.

Social and environmental data presented in our inaugural sustainability report in 2011 helped us establish our baseline for measuring future progress and setting goals and targets for improvement. This year's report also covers relevant performance indicators from the GRI Media Sector Supplement which was launched in May 2012.

The report includes social, environmental and economic performance data from all business divisions and subsidiaries which are under the financial and operational control of StarHub. For the first time, this report includes the social and environmental performance of Nucleus Connect, a wholly owned subsidiary of StarHub. All data in the report has been extracted from primary official documents

and records to ensure accuracy. Estimations have been used only in those instances where complete data was not available and this has been indicated in the report wherever applicable. We continue to strengthen our processes and mechanisms for tracking, gathering and monitoring social and environmental performance data that will enable us to make improvements and report our performance more comprehensively in the future years.

We have used internationally accepted measurement units for all data. Wherever applicable, we have used the measurement techniques advocated by the guidelines and standards we have used for reporting, such as by GRI and the GHG Protocol for example. Financial figures are in Singaporean dollars unless specified otherwise.

GRI has verified this report and accorded a GRI Check Certificate for Application Level B. A summarised GRI Content Index has been included at the end of this report identifying the location of the Standard Disclosures in the report.

REPORTING PROCESS

StarHub's Sustainability Reporting Committee, which includes senior



ETHICS, CORPORATE GOVERNANCE, ENVIRONMENTAL RESPONSIBILITY AND CORPORATE CIVIC MINDEDNESS HAVE GUIDED OUR BUSINESS FROM INCEPTION.

executives from major functions, directs the preparation of the report. A materiality analysis, to identify sustainability issues that are most significant to the StarHub business as well as to its key stakeholders, continues to be the main basis for reporting. The Committee reviews, assesses and determines the sustainability context, materiality, scope, boundary, and prioritisation of topics to be covered in the report. A taskforce with representatives from all stakeholder departments was created to gather and verify the performance data.

STAKEHOLDERS

The purpose of this report is to provide information on our economic, social and environmental performance to a wide range of stakeholders that include investors, employees, unions, customers, suppliers, contractors, business partners, NGOs, regulatory authorities, industry associations, academics, media and the local community.

ASSURANCE

We have implemented an internal process to verify performance data and information presented in the report. In addition, a sustainability expert from the advisory firm that we

hired to assist in the preparation of this report verified samples of data gathered and reported by various departments. Although we currently do not seek external assurance for the sustainability report content, obtaining an independent external assurance for future reports remains under consideration.

AVAILABILITY

In line with our environmental policy, we have printed only a limited number of copies of this report. The paper that this report is printed on is certified as sustainable by the Forest Stewardship Council (FSC). To encourage the use of electronic copies, a PDF version of this report is available for download on our website www.starhub.com. Smart device users on the Android and iOS platforms can also download the StarHub Annual Report app to access and browse the StarHub Annual Reports on their smart devices.

CONTACT

We value feedback from all stakeholders. You are welcome to send questions, comments, suggestions or feedback relating to this report to StarHubCSR@StarHub.com

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www.starhub.com/corporate/csr.html

Visit us on the web to download the PDF version of this report.

StarHubCSR@StarHub.com

You are welcome to send questions, comments, suggestions or feedback relating to this report.



Download a QR code reader app on your smartphone and scan this code for more information.

Stakeholder *Engagement*

We remain committed to continuously exploring effective approaches to engage with our stakeholders in both informal and structured ways.



Jeannie Ong, StarHub's Head of Corporate Communications and Investor Relations, is also Chairperson of StarHub's Sustainability Reporting Committee. Jeannie was appointed a member of the Management Committee of the Singapore Compact for Corporate Social Responsibility in 2012. The Singapore Compact – a national society committed to promoting corporate social responsibility in Singapore – is also the United Nations Global Compact (UNGC) local focal point.

Jeannie's role as a Management Committee member of the Singapore Compact recognises her leadership in sustainability efforts and provides StarHub the invaluable opportunity to engage with diverse stakeholders and the wider sustainability community. Her role will also enhance StarHub's ability to contribute to building sustainability awareness and capabilities among Singapore's businesses and stakeholders.

Being part of the service industry and with more than three million individual and business customers, we understand the value of listening. Listening is an important component of our sustainable business approach, as is providing information to the investors and stakeholders on how and what we do to create and sustain value for all.

We also understand the importance of processing the feedback that we receive, prioritising the issues and responding with timely actions and information. Our approach therefore is to promote an open, transparent and ongoing dialogue with stakeholders to address their concerns and expectations, so as to build StarHub as a trusted brand.

As a leading infocomm player, our position—and the nature of services we provide—attracts a wide range of stakeholder interest in how we run our business. From formally identifying our key stakeholders and their expectations last year, stakeholder mapping is now an ongoing task at StarHub.

StarHub's Annual and Sustainability Reports are important channels to communicate our economical, social and environmental performance to the stakeholders. In addition, we have numerous channels and platforms to share information about our business and to understand stakeholders' views about our operations.

We are committed to continuously invest in and develop effective approaches to engage our stakeholders in both informal and structured ways. ■

Here is a summary of how we presently engage our key stakeholders:

Stakeholders	How we engage	Stakeholders' expectations	How we respond
Customers	Customer surveys, Twitter, Facebook® pages, advertisements, retail stores, Customer Service outlets	Seamless, high-quality coverage, rich content, affordability, data security, prompt level of service	By respecting consumers' rights, provide clear product information, offer value for money, ensure product performance and quality, reliable service, prompt handling of complaints and respect for privacy
Employees	Intranet, emails, internal newsletter publications, workshops, frequent sporting and social activities like games organised for staff, small group discussions and annual Staff Communication Session, encouragement to staff to interact more personally in and out of the office	Caring, conducive environment where productivity and self-development can take place, ease of employees' applications for leave, training, etc.	By adopting sound HR policies and practices that promote fair treatment, safe working conditions, reward and recognition for performance, team work, work-life balance and career growth, e.g. through provision of nursing rooms and a well-equipped gym, and encouraging staff to take part in sporting activities such as marathons, bowling, Futsal, etc.
Suppliers	Quotation, Request For Proposal, tenders, regular meetings, email correspondence, teleconference	Compliance with terms and conditions of prevailing purchasing policies and procedures, while maintaining ethical standards at all times; appropriate costs; marketing support from suppliers	By establishing policies and practices that ensure a fair selection and procurement process, ethical business practices and respect for contractual obligations
Distributors/ Retailers	Regular meetings, shop visits, email correspondence	Timely delivery; quality assurance; strong dealer collaboration, driving good customer experience; after-sales support	By proactive sales planning; sales support; regular visits by Account Managers and providing Single Point of Contact for distributors/partners for timely response
Business partners	Frequent discussions with telecom and content partners	Partnerships for business opportunities and growth	By engaging them to seek mutually beneficial business opportunities
Investors	Regular meetings, discussions, emails with over 300 institutional investors, across Asia, Europe and the US	Transparency, timely information on company progress and status, profitability	By endeavouring to generate optimum return on investment, good governance, transparency and disclosure, as well as sustainable and long-term growth of business

Stakeholders	How we engage	Stakeholders' expectations	How we respond
Local Communities	Community outreach programmes, corporate sponsorships	Support from a caring corporate citizen	By regularly reviewing community needs, partnering with Voluntary Welfare Organisations and investing in community projects to help the needy and the underprivileged
Media	Invitations to media events, regular media releases	Exposure and access to company developments and news, as well as breaking stories on products, entertainment and related content	By providing dedicated media contacts and offering timely and accurate information on company affairs of public interest
Government and Regulators	Regular discussions with relevant agencies and departments	Adherence to regulations, prompt resolution of issues	By complying with applicable laws, putting in place policies and procedures to ensure compliance
Trade associations	Joining relevant trade associations	Support in addressing issues facing the industry	By contributing through active membership and participating in industry forums and dialogues, and sharing knowledge and information
Trade unions	Dialogue with the unions	Access to employees for promoting membership and engagement with management	By maintaining open communication with the union. We have signed a Memorandum of Understanding (MOU) with Singapore Industrial and Services Employees' Union (SISEU) which allows rank and file employees to participate in recreational and social activities organised by the Union
NGOs and Advocacy Groups (e.g. Singapore Compact, human rights groups, WWF, etc.)	Attending conferences, meeting with interest groups and sustainability reporting	Responsible business practices, reduction of environmental impacts and disclosure of information about sustainability performance	By committing to wider sustainability programmes that seek to harmonise our economic, social and environmental goals

MEMBERSHIP

StarHub, through our employees, engages with a number of industry associations and forums through membership, participation and contributions. Some of these are listed below:

Association/Organisation	Position held, if any
American Chamber of Commerce, Singapore	
Asia Digital Marketing Association (ADMA)	
Asia Pacific Network Information Centre (APNIC)	
Association of Media Owners (AMOS)	
Association of Small & Medium Enterprises (ASME), Singapore	
British Chamber of Commerce, Singapore	
Cable Television Laboratories (CableLabs)	
CASBAA	
Contact Centre Association of Singapore	
Current Analysis	
Games Exchange Alliances	
GSMA Development Fund	
GSMA Wireless Intelligence Subscription	
Institute of Advertising, Singapore	
Institute of Public Relations, Singapore	
Investor Relations Professional Association, Singapore	Director: Jeannie Ong
Law Society of Singapore	
Lawnet for Legal Research	
Ovum Enterprise IT Knowledge Centre	
Pacific Telecommunications Council (PTC)	
Promax Asia	
Routing Asset Database (RADB)	
Singapore Academy of Law	
Singapore Advanced Research & Education Network (SingAREN)	
Singapore Association of the Institute of Chartered Secretaries & Administrators	
Singapore Business Federation (SBF)	
Singapore Chinese Chamber of Commerce & Industry (SCCCI)	Council Member: Teh Chong Mien
Singapore Compact for CSR	Management Committee member: Jeannie Ong
Singapore Computer Society	Ba/BE President of QA Chapter: Mock Pak Lum, Chew Sing Bin
Singapore Corporate Counsel Association	
Singapore Hotel Association	
Singapore Human Resource Institute (SHRI)	
Singapore Indian Chamber of Commerce & Industry (SICCI)	
Singapore InfoComm Technology Federation	Council Member: Kevin Lim
Singapore Institute of Management (SIM)	
Singapore International Chamber of Commerce (SICC)	
Singapore National Employers' Federation (SNEF)	
Singapore Press Club	
Singapore Training and Development Association (STADA)	
SMA (Singapore Manufacturers Federation)	Council Member: Wong Weng Thong
Singapore Retailers Association	
TM Forum	
Wireless Broadband Alliance (WBA)	

Our Sustainability *Strategy & Management Approach*

Making continuous efforts to strike a harmonious balance between economic, social and environmental objectives is the cornerstone of our approach to sustainability.

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Ethics, corporate governance and corporate citizenship have guided our business from inception. StarHub's sustainability strategy is formulated and driven at the top management level. StarHub's Sustainability Reporting Committee, headed by the CEO and represented by senior management executives, oversees company-wide sustainability strategies and initiatives. StarHub's CSR Manager has the responsibility to coordinate various sustainability programmes. A cross-functional project team is responsible for gathering, monitoring and reporting performance data for sustainability reporting.

A materiality analysis has helped us identify potential opportunities and risks associated with the sustainability issues relevant to our business and industry. We have used the findings of the materiality analysis in articulating our management approach to sustainability aimed at creating long term value for all involved. Going forward, our plan is to expand the materiality analysis to include our entire value chain to discover opportunities for making a difference.

As a result of the study of our operational impacts, we have adopted the most relevant economic, social and environmental performance indicators to manage, measure, and report our progress in sustainability.

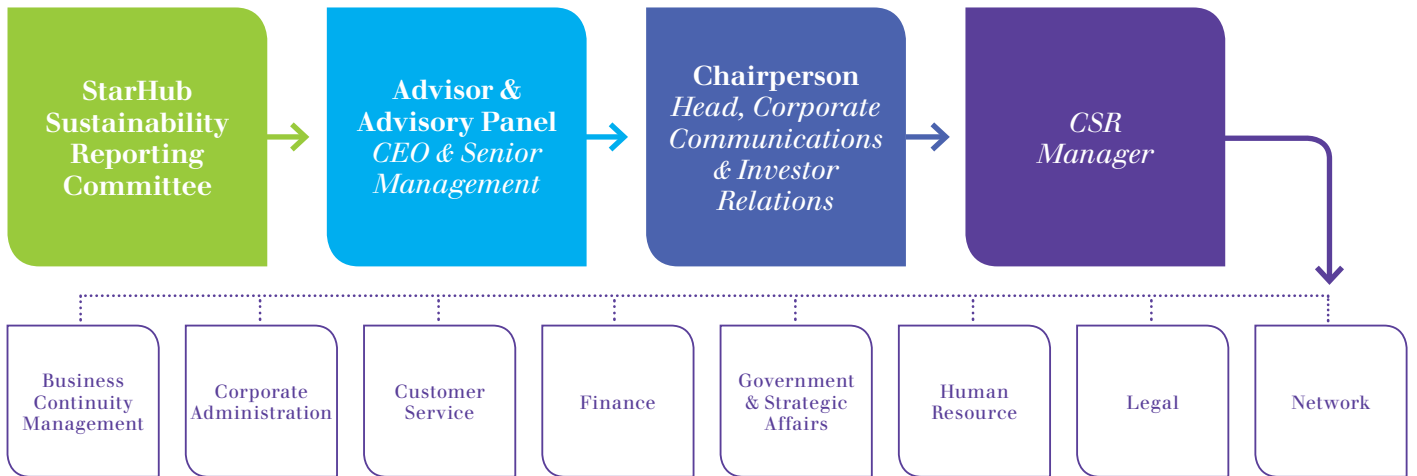
Our sustainability strategy includes providing the best-in-class infocomm products and services to meet our customers' diverse needs in a manner that enriches lives, and improves the productivity of individuals, companies and the wider economy while minimising operational impact on the environment and society.

A key aspect of our approach to sustainability is to develop capabilities, processes and systems to measure, monitor, establish targets and report our performance on material sustainability topics.

Our management approach to the key sustainability aspects is summarised below.

ECONOMIC PERFORMANCE

StarHub operates in four main business areas—mobile, pay TV, broadband and fixed network for data, voice and Internet services – for which we have a combined customer base of more than three million.



We operate in a highly competitive market. Singapore, our main market, has one of the highest mobile phone penetration rates in the world. Retaining existing customers and acquiring new ones is therefore crucial for ensuring sustained business growth. We overcome this challenge by providing uninterrupted connectivity, high levels of service, tailored products and services that best serve the needs of our customers, transparency in product offerings, timely resolution of complaints and problems and, above all, by building trusted relationships with customers.

Rapid technological changes in the telecommunications industry present both risks and opportunities. It is crucial for us to closely monitor technological developments and make timely investments in the right technologies and equipment to stay competitive.

In order to ensure sustained business growth and optimum return on investments, we need to continuously look for new opportunities whilst managing risks. Implementing robust corporate governance and risk management policies help us to protect shareholder value by mitigating financial, regulatory and reputational risks.

TOWARD THE INTELLIGENT NATION 2015

The Intelligent Nation 2015 or iN2015 is Singapore’s national master plan, launched in 2005, which seeks to transform Singapore into “An Intelligent Nation, A Global City, Powered by Infocomm”.

The goal of the master plan is to “fuel creativity and enable innovation among businesses and individuals by providing an infocomm platform that supports enterprise

and talent.” Guided by the master plan, the Infocomm Development Authority of Singapore (IDA) aims to “grow Singapore into a dynamic global infocomm hub and to leverage infocomm for Singapore’s economic and social development.”

As a leading infocomm company in Singapore, StarHub plays a key role in realising the national goals of enriching lives and enhancing economic competitiveness through infocomm. Our investment in state-of-the-art telecommunications infrastructure and innovative products and services contributes to improving the productivity of individuals, businesses and the overall economy of Singapore.

StarHub’s contribution to the local economy also includes the creation and nurturing of high quality direct and indirect jobs.

EMPLOYMENT PRACTICES

Building a committed and motivated workforce is crucial to serving our customers effectively and efficiently. Our people play a key role in enhancing customer satisfaction. Our goal therefore is to be an employer of choice by offering a vibrant workplace and fair employment practices.

Attracting, nurturing and retaining talent is a key component of our business strategy. Our human resource policies and practices are directed at promoting safe and healthy working conditions, fair employment, team work, respect for gender and ethnic diversity, learning and development, career growth and rewards for performance, and mutual trust between employees and the management.





We believe team work – one of the four Core Values that guides our day to day interactions in the workplace – is important for delivering our promises to customers, shareholders and stakeholders.

Employee training and development is an ongoing activity at StarHub. Investing in human capital, developing employee competencies and upgrading skills by providing regular training opportunities is an integral part of our human resource management approach.

Our approach to workplace safety involves assessing health and safety risks, inculcating awareness of best practices and taking preventive measures. Complying with all applicable workplace safety and health regulations is the starting point in our effort to make our operations safe.

HUMAN RIGHTS

Our approach to human rights is guided by the International Labour Organization's (ILO) core labour standards, the Universal Declaration of Human Rights, the United Nations Global Compact Ten Principles and national regulations.

Our commitment to fair employment practices includes banning discrimination, child labour and any kind of forced or compulsory labour. We respect employees' rights to freedom of association and collective bargaining as protected by the national law.

We are committed to identifying potential human rights risks across business operations and take necessary measures to prevent violations.

ENVIRONMENT

While our products and services improve the efficiency and competitiveness of individuals, businesses and the wider economy, they do have some environmental impacts that need to be managed.

ENERGY AND GREENHOUSE GAS EMISSIONS

Our data centres, base stations and offices consume energy and, as a result, produce greenhouse gas emissions, a key source of global warming. Saving energy not only mitigates climate change risk but also saves costs for the company. Therefore, finding ways to reduce energy use and exploring renewable energy options are part of ongoing efforts at StarHub.

We have implemented mechanisms to closely measure and monitor energy consumption across businesses to identify opportunities for reductions.

WATER

Even though our direct water footprint is relatively insignificant, we are mindful of the increasing global scarcity of water as a resource. In the context of Singapore, every drop of water is precious as the country lacks natural aquifers and the land mass is limited. In spite of these challenges, Singapore has ensured a stable and sustainable supply of water with an integrated water management approach. StarHub has started measuring and monitoring water use to begin examining opportunities for reduction.

WASTE

Our direct waste mainly includes paper and packaging, mostly generated at our offices. We have started implementing processes to measure and monitor all types of waste within our own operations. Our waste management approach is based on the classical "Reduce, Reuse and Recycle" philosophy.

PRODUCTS AND SERVICES

Use of our services and products consumes energy at the customer-end. Even though we do not manufacture products, such as the mobile handsets and set-top boxes for cable TV, and as such have minimal control over them, we acknowledge that introducing products and services that use less energy or provide a more energy-efficient alternative can have a positive impact on the environment. Solar-powered handsets and mobile base stations, as well as video and teleconferencing solutions that minimise the need for physical travel for customers, are some of the examples of our environmentally-friendly products and services.

COMPLIANCE

StarHub is committed to complying with all applicable national environmental rules and laws to reduce regulatory risk for our business.

SOCIETY

We believe building trusted relationships with the community is important for our long term sustainability. The ability to connect with communities through social and environmental projects strengthens StarHub's reputation as a trusted brand. Closely working with the voluntary welfare organisations, community groups, and relevant government agencies is part of our community initiatives. Apart from using our own resources, we use our influence and relationships to encourage customers and employees to contribute to the development of the community.

Our approach to being a responsible corporate citizen includes compliance with all applicable laws, ensuring mobile access, providing low-cost products to low-



income segments of the population, engaging in fair competition, adhering to ethics code, anti-bribery policies and advertising code, upholding high standards of corporate governance, respecting customers' privacy and data, respecting intellectual property rights of all involved, clear communication of pricing and product offering, ensuring cyber safety and protecting young and vulnerable users of services from undesirable content.

As a leading infocomm company, we understand our responsibility to help bridge the digital-divide in the communities where we operate.

For example, there is an opportunity to enrich the lives of senior citizens by educating them in the use of technology. According to a study by the Singapore Department of Statistics, the number of persons aged 65 years and above will escalate from 8.7% in 2008 to about 19% of our population in 2030.

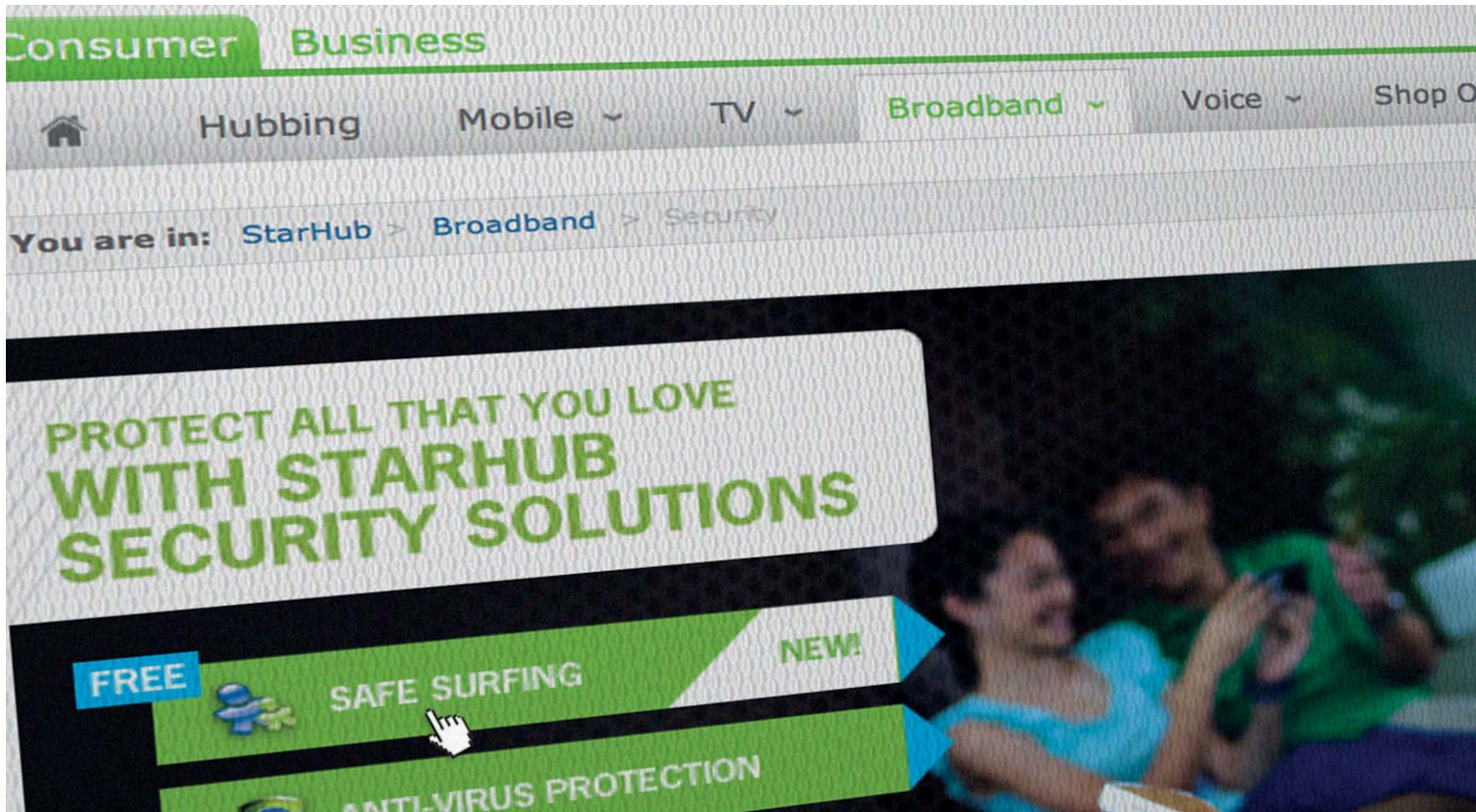
Helping the “silver population” use technology will not only improve their access to emerging services such as remote healthcare management and telemedicine, but will also enable them to enjoy the common benefits of connectivity such as accessing a host of online services offered by the government agencies, banks and other entities. They will also be able to be part of the larger and predictably highly networked community, by tapping into the power of social media. ■

Case Study

Our approach to sustainability was recognised when StarHub trumped 87 other entries from 13 Asian countries to win the Intel-Asian Institute of Management (AIM) Corporate Responsibility Award on 26 October 2012.

The Intel-AIM Corporate Responsibility Award is the grand prize of the AIM Asian CSR Awards, given to an organisation that has taken on a fully embedded approach to CSR across all four focus areas and is only presented to a chosen company after a rigorous selection process.

StarHub is the first Singaporean company to win this prestigious award, based on its healthy workforce and labour policies, pro-environmental initiatives, consumer-engaging StarHub Sparks Fund and other efforts.



Our *Marketplace*

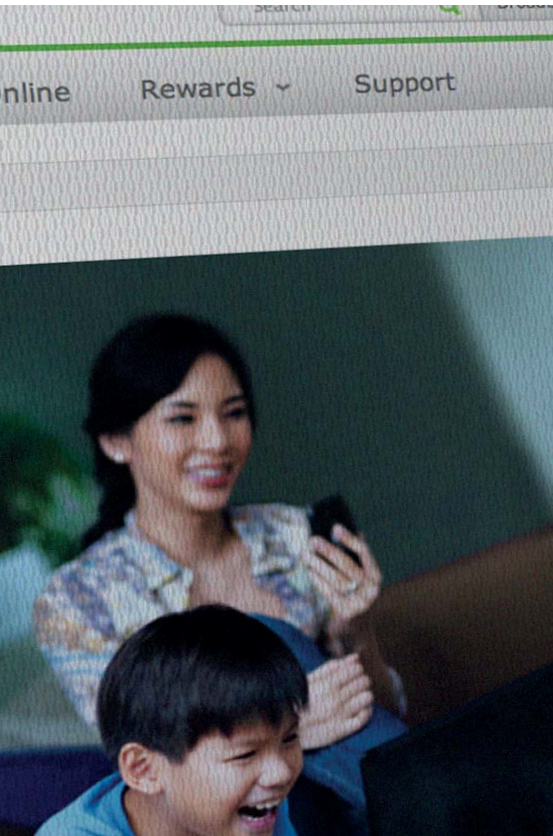
Our marketplace policies are designed to build and nurture StarHub as a trusted and respected brand. Our strategy is to deploy state-of-the-art technology to provide cutting edge mobile, broadband and cable network services to enrich lives. Integrity, fairness, transparency and ethics are our key guiding principles.

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We recognise that mobile phones and the Internet can empower the community. We therefore take the responsibility to enhance the community's disadvantaged groups' access to these services.

Our services keep people connected and drive productivity for businesses. Doing everything in our capacity to maintain uninterrupted and reliable delivery of services is of paramount importance to us.

Customer satisfaction, fair sales, marketing and advertising practices, pricing clarity, protecting vulnerable groups from inappropriate content, fair competition, data security, customer privacy, and ethical dealings with parties are main areas that we focus on.



We have taken steps to boost Internet security and protect minors from undesirable online content.

MOBILE ACCESSIBILITY

Our 24/7 mobile network monitoring system for network services is aimed at maintaining quality and reliability of service consistently above 99.9%.

Our equipment's daily maintenance to ensure the system availability, serviceability and performance is looked after by a team of qualified technical staff. Our efforts to improve availability and reliability of services include adopting a stringent standard MTTR (Mean Time to Repair) target, implementation of a detailed system rectification and troubleshooting procedure. A hierarchical escalation process has been implemented for more efficient fault management control for system restoration or service normalisation, and to ensure business continuity.

We are committed to empowering the community by providing subsidised mobile access to help low-income households, senior citizens and people

with disabilities. For example, our Active Stars scheme offers 25% extra credits on pre-paid cards for senior citizens aged 55 years and above. The scheme also offers discounted mobile plans, designated handsets at zero cost, and special discounts on selected TV channels. Our Active Plus programme allows senior citizens to enjoy a host of benefits and discounts at partner outlets.

We offer our telecom services to all groups, including residents and visitors, in accordance with the registration criteria set by the government agencies. We adhere to the policies and practices issued by the regulators, the IDA and MDA, to manage human rights issues relating to the access and use of telecommunication products and services.

CONTENT RESPONSIBILITY

We have taken steps to boost Internet security and protect minors from undesirable online content. For example, we worked with other telcos in Singapore to jointly develop the Voluntary Code for Self-regulation of Mobile Content (Mobile Operators' Content Code). Our SafeSurf on Mobile,

Singapore's first network-based mobile Internet content filtering service, allows children the freedom to use their mobile devices to access content and information while at the same time addressing their parents' concern of protecting their children from undesirable and inappropriate content.

StarHub SafeSurf Online, a network-based Internet content filtering service for all computers connected to a home network, blocks out undesirable websites on the Internet. With SafeSurf Online, parents can enjoy peace of mind when their children access the Internet.

SafeShield, an Internet security service that provides enhanced protection against viruses, malware, spam e-mail, and cyber criminals, is now available under StarHub's Value-Added Services.

CONTENT VALUES

Our policy is to ensure that our content, whether it is on our mobile, Internet or cable TV platforms, does not contain material that is undesirable or offensive to consumers. The quality and values of the content





that we carry on our cable TV network is primarily governed by Singapore's laws, guidelines issued by the MDA and industry codes which include the Broadcasting Act, TV Advertising Code, Subscription TV Programme Code, Free-To-Air Television Programme Code, Video on Demand (VOD) Programme Code, Film Classification Guidelines, and Mobile Operators' Content Code.

Guided by laws, codes and our own corporate responsibility policies, we actively support TV programmes for schools or other educational programmes; news and information programmes produced in Singapore or elsewhere; arts and cultural programmes; and drama and sports programmes produced in Singapore. Our programming policy promotes content in all national languages and free-to-air broadcasting for certain hours.

In line with the Mobile Operators' Content Code, we are committed to prohibit content that is objectionable on the grounds of public interest, public morality, public security, national harmony, or that is illegal under Singapore laws.

We also seek to protect vulnerable audience groups and enable our customers to make informed choices. When we launched R21 VoD services in January 2013, we did so with a customer education campaign and an effective system of parental locks. We also empower audiences through a channel locking feature, parental advisory messages and content ratings.

We regularly engage regulators and other stakeholders to review and improve our content values and conformance with the codes. Our viewers can use our customer help lines to seek clarifications or give feedback on the quality of our service including the content. We also engage audiences through our website, social media platforms such as Facebook, Twitter and the StarHub Community, a peer to peer portal.

EMERGENCY PREPAREDNESS

StarHub maintains a strategic BCM (Business Continuity Management) Programme, certified under Singapore Standards SS540: 2008 since May 2011, to enhance its capability to provide, maintain and recover its telecommunication products and services in the event of an emergency, disaster or crisis situation.

Consistency and continuous improvement is achieved with surveillance audits and recertification. Critical business functions identified within StarHub have assessed business continuity risks and potential impacts; prepared business continuity and disaster recovery policies; developed plans and procedures; and executed tests and exercises

as part of the programme. Areas addressed include pandemic flu, crisis communication, coordination and management, and loss of access to key StarHub infrastructure and operating facilities.

The certification and its ongoing maintenance gives reasonable assurance to our stakeholders and customers that a methodical BCM framework has been adopted by StarHub, and required components have been put in place to achieve this business continuity objective. The BCM Programme is overseen by the MRC (Management Risk Committee), and is supported operationally by representatives from StarHub's critical business functions.

CLARITY OF CHARGES AND TARIFFS

We are committed to setting fair prices and communicating them as clearly as possible. Our mobile, TV and broadband price plans are prominently displayed at all retail outlets, and are available on our website. Our marketing communication material, collaterals and advertisements include price plans wherever applicable. As a standard procedure, our sales and service staff



Compliments to those StarHub Customer Support staff who have attended to and assisted me on my Home Hubbing Pack Express issue. I appreciate all their utmost effort and hard work, all their patience, kindness, goodness and understanding towards my Home Hubbing Pack Express issue.”

Priscilla Yeo
StarHub customer

members go through contract terms with customers, highlight the penalties of early termination by the customers where applicable, and procure their acknowledgement before any agreements are signed.

We were the first telco in Singapore to launch a tool which provides mobile roaming customers with pertinent roaming-related information and data usage, with an added cost notification feature. Roam Manager is a free service from StarHub that allows customers to check for roaming rates, check data roaming usage, set data roaming usage alerts and get emergency numbers in over 250 international destinations.

In 2012, we further enhanced our clarity of charges and protection of consumers against bill-shocks in line with the new guidelines by the IDA. For example, we launched DataRoam Cap@ \$100, a roaming tool that ensures customer's data roaming usage charges do not exceed \$100 per month, based on the customer's bill cycle. We have started publishing the typical speed range for our broadband plans that consumers can expect to experience. We also introduced a Premium Rate Services (PRS) barring service that allows blocking of the subscription of PRS and its charges offered by StarHub or third parties.

CUSTOMER SATISFACTION AND FEEDBACK

Customer service excellence is one of our top goals. Customer satisfaction is crucial in the highly competitive telecom market in Singapore to maintain growth. Our approach is to provide the best-in-class service, seek regular feedback from customers on how well we are serving them, and closely monitor the customer satisfaction level.



“I wish to commend your Customer Service Officer, who was patient in his manner as he attended to my requests and questions. He was proactive in resolving my request for change of payment mode for my mobile phone by consolidating the bills for the various services I have with StarHub, thereby saving me the time and trouble in having to fill in another form.”

Marcus Khoo
StarHub Customer

We measure customer satisfaction through the Enterprise Customer Experience Scorecard that we have implemented. In the 2012 survey, 95.6% of the customers participating in the survey rated our contact centre interaction as having met or exceeded their expectations, up from 91.1% in 2011.

Customer satisfaction at our Customer Service Centres soared with 99.1% of our customers affirming that we met or exceeded their expectations as against 95.1% in 2011. For our Technical Services department, the score was 97.2%, an improvement from 95.7% in 2011. Meanwhile, after-service customer surveys at our shops revealed 99.4% of our customers said we met or exceeded their expectations.

CONSUMER PRIVACY AND DATA SECURITY

We have recently reviewed and strengthened our consumer privacy and data security system in view of Singapore's Personal Data Protection Act, scheduled to come into force





Being a senior citizen, I was at a loss despite the promptings/instructions given to me. I was very fortunate to be assisted by your staff who so patiently guided and helped me along in getting what I set out to do. She was ever so patient, pleasant and friendly. Her act of kindness will long be remembered. Thank you.”

Low Mei Leng
StarHub customer



from January 2013. Steps will be taken to further enhance StarHub’s compliance, once the legislation and regulations have been finalised. We have appointed a Data Protection Officer, who is responsible to ensure compliance with the Personal Data Protection Act and who heads up a Working Committee on Data Protection. A Data Clarification Policy has been uploaded on the company Intranet. This outlines policies for, amongst other things, the clarification and use of different types of data.

INTELLECTUAL PROPERTY RIGHTS

We treat Intellectual Property Rights (IPR) as strategic corporate assets and have implemented policies and procedures to secure, maintain and use IPRs in a manner consistent with Singapore’s IPR regulations and the Copyright Act. Our policy is to grant licences for our IPRs to third parties only on a limited basis and when necessary. When we purchase systems or solutions from our vendors or require integration works, we generally seek to own or licence any IPRs created in the process unless the cost is prohibitive, or if we are not able to use the IPR in isolation.

ANTI-CORRUPTION POLICY

We follow a zero-tolerance policy against unethical conduct which is reflected in our employee code of conduct. Employees are required to adhere to the employee code of conduct and demonstrate the highest professional standards in carrying out their job responsibilities.

Currently, business units are not formally analysed for risks related to corruption. However, our Whistle Blowing Policy encourages employees to bring any ethical and/or legal violations that they are aware of to the management’s attention. We are committed to taking timely action and dealing firmly with cases of corruption.

FAIR COMPETITION POLICY

We support ethical and fair competition policies and practices. We conduct business in compliance with all applicable laws including the anti-competition law of Singapore, the Telecom Competition Code and the Media Market Conduct Code. There has not been any incidence of legal action against StarHub for anticompetitive behaviour, anti-trust, or monopolistic practices in the reporting period.

COMPLIANCE WITH REGULATIONS AND CODES

Adherence to applicable laws and generally accepted industry norms and codes is an important part of StarHub’s management approach. Singapore’s infocommunications sector is highly regulated and StarHub is committed to comply with applicable laws. We understand that legal compliance reduces regulatory risk and builds public trust. StarHub’s marketing communication, sales, content,

SAFESHIELD, AN INTERNET SECURITY SERVICE THAT PROVIDES ENHANCED PROTECTION AGAINST VIRUSES, MALWARE, SPAM E-MAIL, AND CYBER CRIMINALS, IS NOW AVAILABLE UNDER STARHUB'S VALUE-ADDED SERVICES.



programming, advertising, promotion and sponsorship policies and practices are also guided by a number of applicable laws, standards and codes. Some of these are listed below:

SINGAPORE LAWS AND CODES

1. Broadcasting Act
2. Media Market Conduct Code
3. TV Advertising Code
4. Sponsorship Code
5. Subscription TV Programme Code
6. Video on Demand (VOD) Programme Code
7. Film Classification Guidelines
8. Copyright Act
9. Telecommunications Act (Cap. 323)
10. Telecom Competition Code
11. The Spam Control Act
12. Consumer Protection (Fair Trading Act)
13. Code of Practice for Info Communication Facilities in Buildings
14. Code of Practice for Telecommunications Service Resiliency
15. Code of Practice for Telecommunication Outage Reporting
16. Premium Rate Services Code

VOLUNTARY CODES

1. Advertising Standards Authority of Singapore (ASAS) Code
2. Mobile Operators' Content Code

There was no incident of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, in the reporting period.

In Singapore, all radio frequency (RF)-emitting phones, including base stations and mobile phones, are required to comply with the World Health Organisation (WHO) standards which in turn are based on the International Commission on Non-Ionising Radiation Protection (ICNIRP) guidelines, which protect against identified hazards of RF exposure with large safety margins. We work closely with the local health authorities to monitor that RF signals from base stations are within prescribed limits. ■

Case Study

BTS Upgrade

StarHub has deployed many base transceiver station (BTS) over the years to provide mobile services island-wide. We continue to invest in upgrading our infrastructure to stay competitive and efficient. For example, we have upgraded the 2G-only BTS to more energy-efficient equipment that can support both the 2G as well as 4G networks, with a much smaller energy footprint.

In 2012, we completed our 2G BTS upgrade to the new 4G-enabled eNode B at the central business area and Changi Airport terminals. And in 2013, more 2G BTS in other parts of Singapore will be enhanced with the 4G-enabled eNode B. With this upgrading, we estimate to see electrical savings of about 24% each year.

The BTS upgrade also allows us to offer improved delivery of broadband content over the 4G network, providing customers with a faster and more seamless mobile data experience.



Our People *Simply the Best*

Our human resource strategy is to develop organisational abilities through policies, practices and leadership to attract, retain and motivate the best talent.

Employees are our strategic resources who play a significant role in driving StarHub's business. We operate in a highly competitive landscape and our success depends on how competent and passionate our people are to win and retain customers. StarHubbers, as our employees are affectionately called, work tirelessly behind the scenes to ensure our customers enjoy uninterrupted entertainment on their TV sets and other devices and stay connected to their family, friends and the world. Our employees also take time out to help communities by volunteering and actively participating in a number of social and environmental initiatives.

Our human resource strategy is to develop organisational capabilities through policies, practices and leadership to attract, retain and motivate the best talent.

Customer satisfaction, a key growth driver for our business, depends on the quality of interaction our people have with our customers on a day-to-day basis. It is important that our people are positive, energised and excited about serving the customers. We make this happen by treating our people fairly, rewarding performance, coaching for improvement, and creating a workplace that reflects the vibrancy and excitement of the StarHub brand.

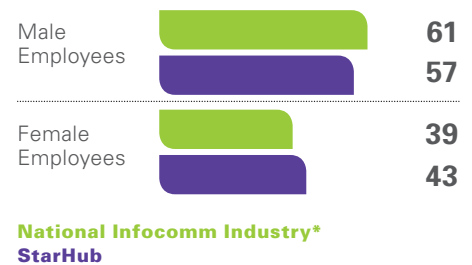
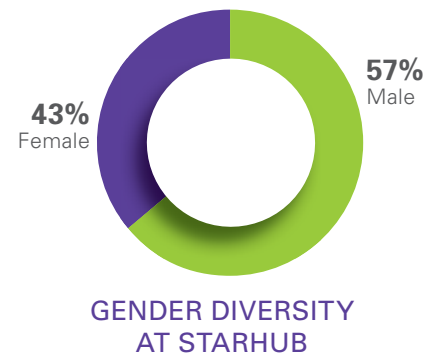
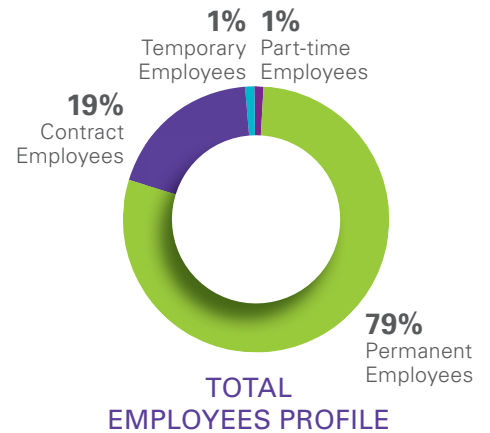
Rapid technological change is the norm in the information and communications industry. Continuously upgrading the skills and knowledge of our employees is therefore a must at StarHub. We invest in training and developing people to stay competitive. Providing life-long learning opportunities is one of our retention strategies.

StarHub continues to get recognition for excellence in people management. In 2012, StarHub received the Silver award at Singapore HEALTH Award 2012, presented by Health Promotion Board (HPB) for excellence in workplace health programmes for employees. During the year, StarHub also received the Investment in People award by Asia Responsible Entrepreneurship Awards.

This year's report includes labour performance data from our wholly owned subsidiary Nucleus Connect and, as such, we have adjusted and restated figures for 2010 and 2011 to reflect the inclusion.

EMPLOYEE PROFILE

We employed 3,612 people across our businesses in 2012 compared with 3,842 employees in 2011. The fall in the total number is largely due to a reduction of temporary employees in 2012 who accounted for just 1% of the workforce as against 8% in 2011, and relatively lower levels of hiring during the year. The proportion of permanent employees was 79%, while contract employees comprised 19%. Of all employees, 475 were in supervisory or managerial positions.



GENDER DIVERSITY AT STARHUB (%)

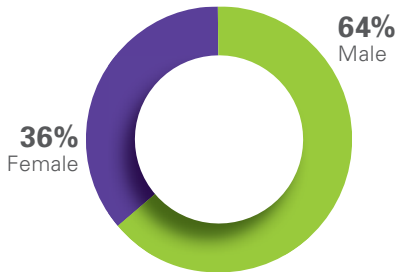
*Year Book of Manpower Statistics 2012



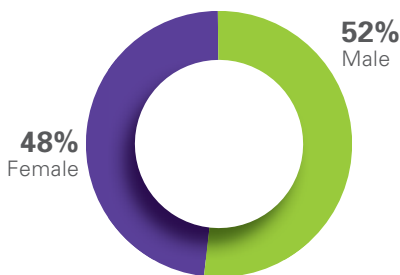
Senior Managers & above	58	42
Middle Managers	63	37
Executives	56	44
Non-Executives	11	89

Male
Female

GENDER PROFILE BY EMPLOYEE CATEGORY (%)



GENDER PROFILE OF DEPARTMENT/DIVISION/SECTION HEADS



HIRING BY GENDER 2012



In StarHub, the divisions with the largest headcounts are IS & Network Engineering and Customer Service.

WORKPLACE DIVERSITY

StarHub employees come from diverse cultural, racial and ethnic backgrounds. Various age groups, minorities and women are well represented in our workforce. We also employ persons with physical disability. Our merit-based hiring policy provides equal opportunity to prospective candidates irrespective of race, age, gender or religion. As a result, our workforce mirrors the diverse community we operate in, both racially and culturally.

GENDER

Female employees represented 45% of our workforce in 2012. Although, this is slightly lower than 44% in 2011, the number remains higher than the national average of 39% for the Information and Communications industry. Women held 42% of the positions in the “Senior Managers & above” category while their share in the “Middle Managers” category was 37%. They accounted for 36% of the Department/Division/Section Head positions. Women’s share in “Executive” level jobs was 44%.

We continue to look for ways to maintain a healthy representation of women in jobs. In 2012, women accounted for 48% of new hiring, up from 44% in 2011.

AGE

StarHub has a young workforce with a median age of 34 years. In 2012, 48% of our employees were in the age group of 30-40 years, similar to the previous year. Employees younger than 30 years old formed the second largest group with 26% share, a small drop from 29% in 2011. The proportion of staff members in the 41-50 years age group increased from 17% in 2011 to 19% in 2012. Those less than 30 years old accounted for 62% of all the employees we hired in 2012 as we experienced a higher turnover in this age group.

Women were well represented across age groups. Their share in the 30-40 years age group remains at a healthy level of 45%, significantly higher than the national average of 39% for the Information and Communications Industry. In general, women employees in this age group are more likely to stop working to tend to their children and families. Our approach is to promote work-life balance policies and practices to retain these employees. In 2012, female employment at StarHub for the 41-50 years age group was 38%, higher than the national average of 33% for the Information and Communications Industry for the age group 40-49 years.

StarHub has aligned its Retirement and Re-employment policy with the Retirement and Re-employment Act that came into effect from 1 January 2012. The Act requires employers to re-hire those who have reached retirement age of 62 until the age of 65 and, where appropriate, until the age of 67, subject to the staff being medically fit and having satisfactory performance. In 2012, we rehired two employees upon retirement. At the end of 2012, we had 11 employees above the age of 62 years.

ETHNIC DIVERSITY

We are committed to creating a vibrant workplace for employees with diverse background and ethnicities. Our human resource policies support and promote ethnic and cultural diversity. All key ethnic and racial communities are represented in StarHub's workforce. Providing equal and merit-based opportunities is a key principle of our employee management. Striving to maintain a fair representation of minority groups remains an important part of our responsible business approach.

NATIONALITIES

As a leading information and communications company in Singapore, StarHub creates quality jobs that largely benefit the local community. In 2012, Singapore citizens accounted for 81.4% of our workforce followed by PRs at 11.9%, very similar to 80% and 12% respectively in 2011.

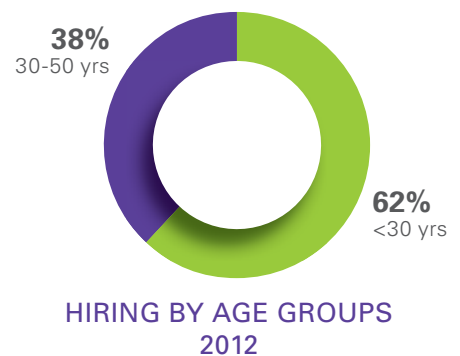
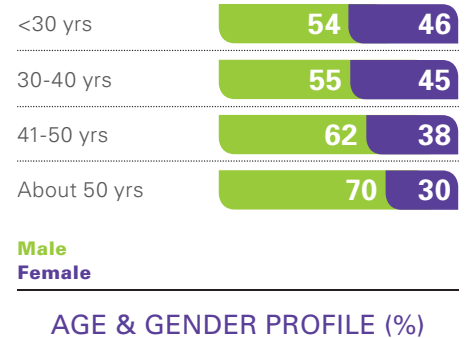
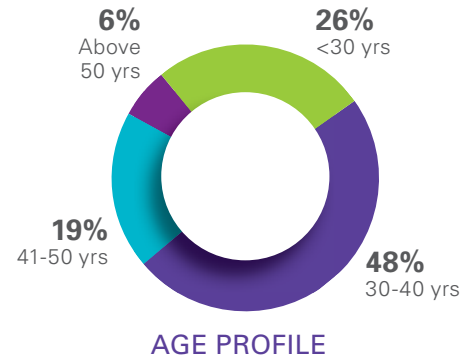
Foreigners comprised 6.7% of our workforce in 2012. Our foreign employees came from diverse nations such as Australia, China, India, Indonesia, Ireland, Malaysia, Myanmar, Philippines, Thailand, UK and Vietnam.

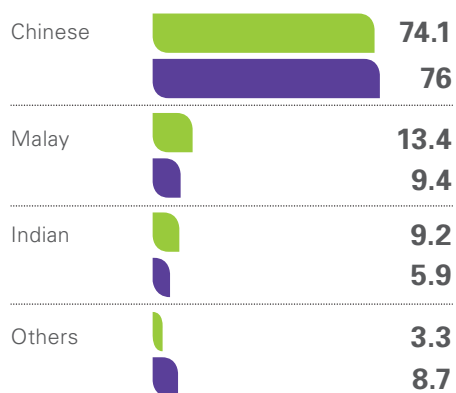
FAIR COMPENSATION

We offer fair and competitive remuneration to all employees. Our compensation is based on merit, skills, qualification, relevant experience and performance. Our compensation and benefits policies are designed to attract, retain and motivate employees.

We continuously review our compensation and benefits policies against established market benchmarks to stay competitive. The Corporate Rewards and Recognition Committee headed by the CEO, Head of HR and selected Heads of Division (HODs), and the Divisional Rewards and Recognition Committee – which includes Division Heads, Heads of Sections and HR Business Partners – are responsible for reviewing and approving promotions and recommending rewards.

We offer a number of perks and benefits to our employees. These include comprehensive health screening, insurance coverage in addition to the coverage under the Workplace

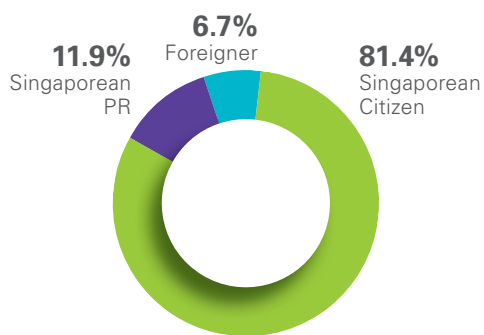




National Ethnic Composition*
StarHub workforce

ETHNIC PROFILE (%)

*Population Trends 2011,
Department of Statistics, Singapore



WORKFORCE PROFILE



Injury Compensation Act, discounts on StarHub products and services, leave (which includes childcare leave, paternity leave, volunteerism leave and examination leave to name a few) medical claims including dental and specialist treatment, transport allowance, leadership and development training, professional fee claims for any professional associations, free entry passes for places of interest, and tokens for occasions such as birth or marriage. Some of these benefits are, however, not available to temporary workers whose tenure is normally less than three months.

Merit based remuneration without discrimination remains an essential element of our compensation policy. In 2012, the overall ratio of base salary of women to men was 1.00 : 1.12 narrowing the gap from 1.00 : 1.30 in 2011.

PERFORMANCE MANAGEMENT

An objective and fair assessment of employee performance is the cornerstone of a merit-based reward system. Our Performance Management and Appraisal system, which covers all permanent employees, acts as a platform to align the individual work objectives and action plans to the broader goals and strategies of the Division, and to those of the Organisation.

The system enables supervisors to provide feedback, coach and develop employees so as to guide and equip them, in accomplishing their work objectives. More importantly, it allows employees to provide feedback to their supervisors, hence ensuring an effective two-way communication process. In addition to the annual performance appraisal, supervisors are strongly encouraged to conduct regular performance reviews with their staff.

Apart from determining performance rewards, the appraisal system places emphasis on identifying employees' development needs and career aspirations, and in developing necessary plans to meet these goals.

At the beginning of each year, employees and their managers mutually discuss and agree on a set of goals. At the end of the year, appraisal is conducted in an open joint discussion between the employee and his/her supervisor. The entire process is documented and signed off by the employee as well as the supervisor.

We have developed a specially designed training programme for team leaders, supervisors and managers to equip them with the necessary skills for effective

performance management. This customised program enables the participants to learn the techniques of developing effective goals and objectives, gain insight into the alternatives available for establishing good development plans, conduct the annual performance appraisal effectively through a comprehensive understanding of the preparation and process involved – including the approach to evaluating competencies, and acquire the skills in giving feedback, coaching, counseling and recognition.

HEALTH EDUCATION

We continue to promote the health and well being of employees. StarHub received the Silver award at Singapore HEALTH Award 2012, presented by Health Promotion Board (HPB) for continual excellence in workplace health efforts for employees.

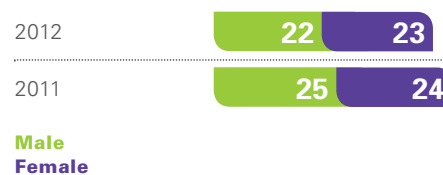
We have signed a Health Pledge with the Health Promotion Board to implement health promotion programmes in the workplace. As in the previous year, we organised a number of lunch-time talks during 2012 to create awareness among employees on a range of health issues. Topics covered include Insomnia, Cervical Cancer, Dental Health, and Preventing Sudden Cardiac Death in the Young and Old.

TRAINING AND SKILL DEVELOPMENT

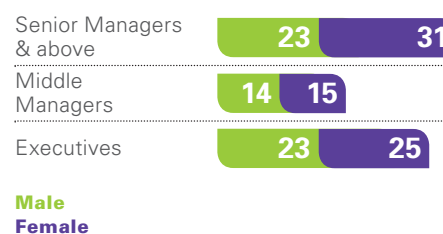
Employee development continues to be an important aspect of our people management strategy. We believe investing in employee learning and development enables them to do their jobs more effectively, meets their aspirations for career growth and makes StarHub an attractive employer.

Our Organisational Learning Unit has implemented an extensive Learning & Development Framework. The main objectives of the framework are to build and maintain an engaged and motivated workforce, build leadership quality for the future, and identify and equip employees with critical technical skills which are required to meet current and future business challenges.

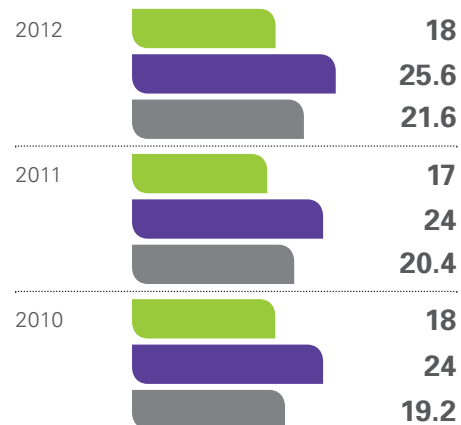
We have significantly invested in in-house training programmes. These include the StarHub Essentials training modules that all employees are expected to attend. Specific sets of Key Programmes have been developed for various job categories to meet their specific learning needs. Attendance in these courses is one of the promotion criteria. Where new legislation are passed by Parliament and is relevant to StarHub, we have also conducted in-house legal training for staff, to raise awareness of the obligations and implement for compliance. Employees are also provided sponsorship opportunities for attending functional skills training,



AVERAGE TRAINING HOURS BY GENDER



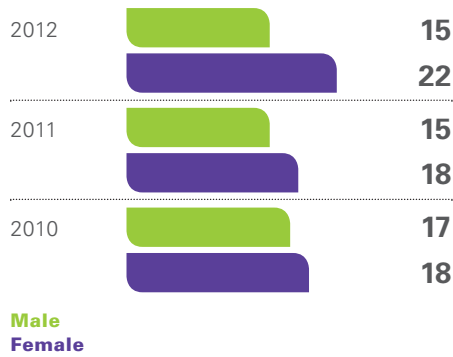
AVERAGE TRAINING HOURS BY CATEGORY & GENDER



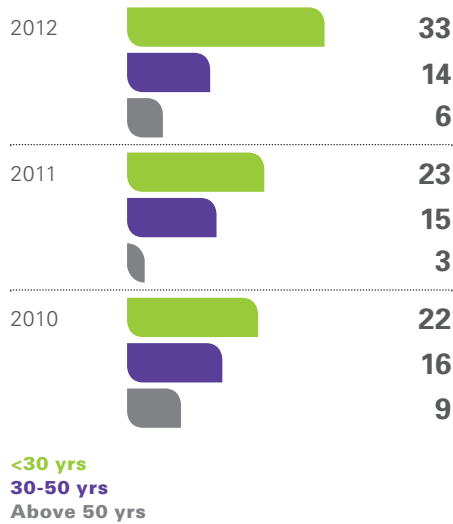
StarHub
National Average*
Telecom, Broadcasting & Publishing Industry*

EMPLOYEE TURNOVER (%)

*Source: Labour Market Survey, MOM. 2012 rates based on first three quarters' figures



EMPLOYEE TURNOVER BY GENDER (%)



EMPLOYEE TURNOVER BY AGE GROUPS (%)

Employee development continues to be an important aspect of our people management strategy



overseas training and conferences, certification courses and executive management programmes.

While line managers are responsible for identifying the training and developmental needs of their team members, individual employees are encouraged to take responsibility for their life-long learning. To support life-long learning, a list of recommended programmes has been developed for various job levels.

Rapid technological changes are common in the information and communications industry. Whenever we adopt or introduce a new technology, we ensure our employees receive the necessary training to upgrade their skills whenever possible. In 2012, our employees attended a number of New Media Development training programmes, seminars and conferences. These included Data Protection Act, IP, AXN Training, e-Publishing, Consumer Electronics conference, social media marketing, mobile payment/NFC seminar, Promax & BDA conference, online programme management, content assessor training, Forms IR8A/IR21 Workshop, Legal Issues of Cloud Computing and Business Contract Law.

Employees in Content Services, the department responsible for acquiring, aggregating and creating compelling content for our wide variety of viewers – including all on-air programmes, advertisements and promotions – receive regular training and briefing to ensure the content conforms with legal and voluntary codes for responsible content.

In 2012, StarHub provided 65,215 hours of training for employees, or an average of 22 hours of training per employee as compared with 24.6 hours in 2011. Women’s share in training was higher at 23 hours per employee compared with 22 hours for men.

Our training expenditure in 2012 was \$1.5 million compared with \$2.1 million in 2011. Training spend per employee for 2012 was \$531 compared to \$713 in 2011, which remains higher than the 2010 national average expenditure of \$511 per employee, the latest national statistic available. In terms of expenditure per trainee, it was \$745 in 2012 compared with \$926 in 2011. Expenditure per trainee in 2011 was higher than the national expenditure per trainee of \$872 in 2010, the latest available benchmark at the time, while expenditure per trainee in 2012 was lower than 2010’s national expenditure per trainee.

EMPLOYEE ENGAGEMENT AND SATISFACTION

We believe employee engagement contributes to improved productivity, better business performance, team work, mutual trust, retention, and overall vibrancy in the

workplace. At StarHub, we engage employees through a good mix of company wellness events, initiatives and benefits or perks that are of good quality and meet employees' needs. Examples include Dinner & Dance, Communication sessions, marathon runs, bowling tournaments, basketball tournaments, Futsal challenges, health screenings, monthly bazaars, wellness talks, Fruits @ pantries, and Shape-Up Fitness Challenge. Regular communication through e-newsletters and Intranet webpages also facilitate our employee engagement.

We measure employee satisfaction with our human resource policies through Annual HR Satisfaction Surveys. In the 2012 Annual HR Satisfaction Survey, 95% of the participants said that the overall HR performance met or exceeded requirements, up from 92% in 2011.

Work-life balance: StarHub believes that home is where the heart is. We have taken steps over the years to improve work-life balance for employees. Examples of our work-life balance initiatives include an early release from work on the last Friday of every quarter, so that staff can spend more time with their loved ones, friends or just to recharge and rejuvenate themselves. We have also allowed staff early release before certain festivals such as Chinese New Year, Deepavali, Hari Raya Puasa and Christmas.

Employee turnover: Attracting, nurturing and retaining talent are at the core of our human resource strategy. Fair and objective hiring practices, learning and skill development and career growth opportunities, a merit and performance-based reward and recognition system, work-life balance initiatives and workplace harmony all contribute to keeping attrition rates relatively low at StarHub, compared with national and industry benchmarks.

However, we acknowledge that Singapore's resilient economy and a tightening labour market have resulted in keen competition for the limited talent pool. Our approach is to continue to review and adjust our retention policies to remain as a top employer of choice.

In 2012, our overall employee turnover rate was 18%, slightly higher than 17% in 2011. However, our employee turnover rate remains significantly lower than 21.6% for the Telecommunications, Broadcasting & Publishing Industry and the national attrition rate of 25.6%. Attrition rate for women employees was 22%, up from 18% in 2011, partly on account of hiring more female employees during the year. Turnover in the "less than 30 years age" category was 33%, up from 22.9% in 2011. We are in the process of analysing the trends and understanding the underlying reasons to improve the retention rate across employment categories.

HUMAN RIGHTS

Our approach to conducting business responsibly includes respect for human rights as protected by national laws and international conventions. In 2012, we re-affirmed our commitment to human rights when we pledged our support for the United Nations Global Compact (UNGC) Principles. The UNGC Principles include support and respect for internationally proclaimed human rights. Our approach to human rights issues is described below.

Human rights abuses: StarHub does not condone human rights abuses and is committed to conduct business in a fair and just manner.

Discrimination: StarHub policies promote merit and performance-based employment and development opportunities. StarHub is also a signatory to the Tripartite Alliance for Fair Employment Practices (TAFEP), a national initiative in Singapore to promote the adoption of fair employment practices. Our policy prohibits any kind of discrimination in employment or transactions. We believe treating employees fairly enhances our ability to attract and retain talent. There were no incidents of discrimination reported during 2012.

Child labour: StarHub policy bans the use of child labour. In fact, we run a number of social programmes – as described in the 'Our Community' chapter of this report – that help children and youth to continue their studies and pursue their dreams. The Employment Act of Singapore prohibits employment of children below 13 years of age and imposes restrictions on the employment of young persons below the age of 16. Due to strict enforcement, child labour risk in Singapore remains very low. We currently do not evaluate suppliers for identifying potential risks of child labour in their operations.

Freedom of Association: StarHub respects employees' rights to freedom of association and to lawfully join unions. StarHub employees are free to subscribe to the General Branch membership of Singapore Industrial & Services Employees' Union (SISEU). At present, we do not evaluate suppliers for identifying potential risks of violation of freedom of association in their operations.

Forced labour: StarHub does not engage in forced labour or compulsory labour. Our employees are free to leave employment at will after serving a notice in accordance with their contracts. We presently do not assess suppliers for identifying potential risks of forced labour in their operations. ■■■



Workplace *Safety & Health*

Our approach to workplace safety and health is based on assessing our work activities and processes to identify potential safety and health hazards and taking preventive measures to minimise the risk.

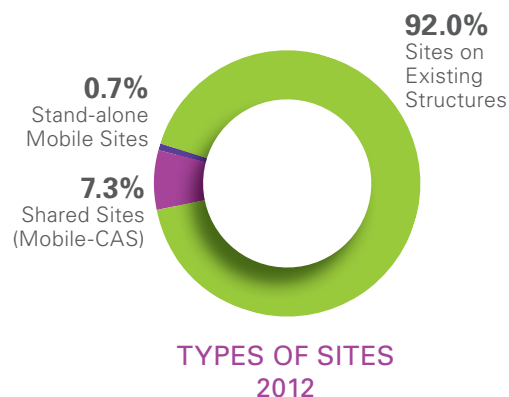
In 2012, we further strengthened our workplace safety and health system and achieved bizSAFE Level 3 certification, the second highest level, awarded by the Workplace Safety and Health Council Singapore. The certification covers our subsidiaries StarHub Cable Vision Ltd, StarHub Mobile Pte Ltd, StarHub Internet Pte Ltd, StarHub Online Pte Ltd, Nucleus Connect Pte Ltd, and SHINE Systems Assets Pte Ltd.

To embark on the bizSAFE journey, we formed a Workplace Safety and Health Committee to review and consolidate

StarHub's safety and health policies, procedures and practices. Members of our top management team attended a bizSAFE workshop to demonstrate their strong commitment to promoting safety and health in the workplace.

We nominated a Risk Management Champion who attended a bizSAFE course on risk management. We also appointed Risk Assessment team members from various functions and departments. This was

In order to support continuous communication and learning, we have created a StarHub Workplace Safety and Health portal on the company Intranet for employees.



followed by charting out a detailed risk management implementation plan based on a comprehensive risk assessment for every work activity and process carried out at the workplace. Our risk management implementation was then independently audited by a Ministry of Manpower – approved bizSAFE auditor.

In order to support continuous communication and learning, we have created a StarHub Workplace Safety and Health portal on the company Intranet for employees.

While all work activities are insured by our workplace safety and health policy, special attention is paid to enhance the safety of our field staff and contractors involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside work. Our Workplace Safety and Health system includes a Code of Practice on WSH Risk Management, Risk Assessment, safety procedures for installation of radio equipment and a disaster recovery plan.

We require our contractors to comply with the provisions of the Workplace Safety & Health Act (WSH Act) while undertaking work at our sites. Contractors are required to carry out a risk assessment of the workplace and submit the assessment report for necessary approval prior to carrying out work on site.

SITING OF MASTS

We actively support responsible policies and practices on the siting of masts and transmission sites that encourage stakeholder consultation, site sharing and initiatives to reduce visual impacts.

In Singapore, new terms and conditions imposed by the Urban Redevelopment Authority and the IDA require mobile telecommunications operators to share newly proposed designation of monopoles or masts as infrastructure.

Mobile operators are also required to reduce the visual impact of masts by having them painted to blend with the surroundings and by other creative measures such as by using artificial trees to cover roof-top installations. StarHub is in compliance with the relevant regulations. ■

Our *Environment*

We believe we can help our customers to reduce their environmental impact by promoting the use of technology.

StarHub's environmental approach is deeply rooted in the company's Corporate Green Policy and the Six-Point Commitment adopted in 2009. We have committed ourselves to adopting responsible and sustainable business practices that minimise the environmental impact. These include complying with applicable regulations; establishing goals and reduction targets for energy, emissions, waste, and use of resources; recycling; adopting and promoting eco-friendly technology; creating awareness among our employees; and involving our customers and the community in addressing the environmental issues.

As an information and communications company, our direct environmental impacts are mainly from the use of electricity followed by fuel consumption for vehicles and power generators, water and waste. Our strategy is to progressively reduce these impacts. We do this by measuring, monitoring, and finding ways to reduce the impact for each of these indicators. We measure our progress against the respective base year that we established last year while preparing our inaugural sustainability report.

We believe we can help our customers to reduce their environmental impact by promoting the use of technology. For example, by using our video and teleconferencing solutions, companies can reduce the amount of travel for meetings that would reduce their carbon footprint. Our state-of-the-art superfast broadband Internet services enable businesses to do more processing online and reduce the consumption of paper. Solar-charging batteries of the iNO SOLO mobile phone that we launched in 2011 in partnership with Foresight Technologies enable users to operate the phone outdoors for extended hours.

This year's report includes environmental performance data from our wholly owned subsidiary Nucleus Connect and, as such, we have adjusted and restated figures for 2010 and 2011 to reflect the inclusion. We are committed to refining our data collection methods for more effective monitoring. Currently, energy data for nearly 8.3% of our base stations is not available where landlords include electricity expenses in the rental and do not provide usage figures.

ENERGY

In 2012, our operations consumed 116.74 million kWh of electricity, 2.4% more than in the preceding year. Our Base Transceiver Stations (BTS) and Central Offices accounted for 68% of the total consumption. In terms of energy, the combined consumption from direct and indirect sources in 2012 was 431,177 Gigajoules.

Absolute electricity consumption inched up slightly in 2012 in spite of initiatives to reduce energy consumption as we simultaneously added and expanded infrastructure and operations to better serve our customers. For example, we rolled out the Long Term Evolution (LTE) or 4G services in 2012 which will enable customers to enjoy improved peak downlink speed high-speed mobile broadband network. We also expanded operations at the Asia Submarine-cable Express, a high bandwidth, ultra-low latency optical fibre submarine cable system that provides the shortest and fastest reliable direct link from Singapore to Japan, connecting Hong Kong and the Philippines. While the 2G modernisation resulted in energy savings, the upgrading of 3G base transceiver stations increased energy consumption.

Our immediate focus is to improve energy efficiency of the Base Transceiver Stations (BTS) and Central Offices which





STARHUB BELIEVES IN SUSTAINING BOTH THE SOCIAL AND PHYSICAL ENVIRONMENTS IN WHICH WE OPERATE.

StarHub Corporate Green Policy & 6-point Commitment

1.

StarHub will adopt responsible and sustainable practices in our corporate activities to minimise the environmental impact of our operations. We will continually review our goals and commitment to protect the global environment as much as possible.

2.

We will adhere as much as possible to environmental recommendations made by the relevant authorities and also implement in-house targets to improve our environmental performance.

3.

We will reduce our environmental loads by efficiently using resources, saving energy, reducing waste, encouraging material recycling, and minimising emissions of greenhouse gases and ozone-depleting substances.

4.

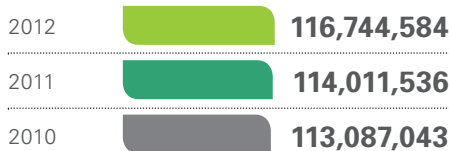
We will minimise environmental loads and adopt environmentally friendly technologies as far as possible, when ordering and purchasing necessary resources.

5.

We will implement educational programmes to raise environmental awareness among our employees and to ensure that they recognise the essence of this Green Policy by actively addressing environmental concerns.

6.

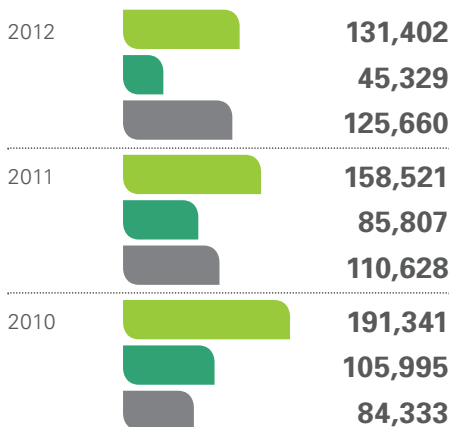
We will make social contributions in close partnership with local communities by disclosing environmental information and supporting environmental conservation initiatives.



ELECTRICITY USE (kWh)



TOTAL ENERGY CONSUMPTION (GJ)



Petrol (mobile combustion)
Diesel (stationary combustion)
Diesel (mobile combustion)

FUEL CONSUMPTION (LITRES)



account for the bulk of our total energy consumption. We are doing this by converting all BTS sites to more energy efficient equipment and by upgrading the 2G-only BTS to energy-efficient equipment that can support both the 2G as well as 4G networks.

In 2012, we commenced upgrading our 2G BTS to include the new 4G-enabled eNode B at the central business area and Changi airport terminals. More 2G BTS in other parts of Singapore will be similarly upgraded in 2013. The upgrading is estimated to result in a 24% reduction of electricity consumption by the upgraded 2G component. The upgrade of 3G BTS would result in higher energy consumption. However, it is estimated that once all upgrading is completed, the overall hourly energy consumption would be about 4.9% lower.

When the 2G and 3G BTS modernisations are completed, we estimate an average annual saving of about 1,445 kWh of electricity per BTS.

Energy reduction and BTS upgrade targets were included in the 2012 Corporate Key Performance Indicators and 5% of the staff members' bonus was tied to it (see Case Study).

Use of renewable energy continues to offset our environmental footprint. We saved electricity in 2012 from the two solar-powered BTS situated at StarHub Green and on the roof of IKEA at Alexandra Road which were established in September 2010. Our solar-powered BTS-enabled Greenergy vehicle, which is deployed to boost signal strength where needed, has been saving fossil fuel.

FUEL

We used less fuel in 2012 even as we expanded our operations. Our fuel consumption mainly includes diesel for our commercial fleet and back-up power generator sets, and petrol for company-owned vehicles. In 2012, the diesel consumption was 170,989 litres, lower than 196,435 litres in 2011. Petrol consumption amounted to 131,402 litres, also lower than 158,521 litres in the previous year.

CARBON FOOTPRINT

Our carbon footprint in 2012 amounted to 60,859 Mt CO₂e, lower than 61,695 Mt CO₂e in 2011. Electricity accounted for about 98.75% of the overall emissions. The remaining emissions resulted from the use of diesel and petrol. Overall reduction in emissions mainly came from lower consumption of fuel, due to staff from different departments now sharing the same transport to make one house call. The increased diesel consumption for vehicles arose from the greater number of vans using diesel instead

DETAILED EMISSIONS SUMMARY (IN METRIC TONNES)

Emissions sources	CO ₂ tons		
	2012	2011	2010
Scope 1			
Stationary combustion	121	229	283
Mobile combustion	641	664	469
Fugitive emissions (refrigerant gases)	0	2,131	1,885
Total Scope 1 emissions	762	3,024	2,637
Scope 2			
Purchased electricity	60,077	58,670	58,285
Total Scope 2 emissions	60,077	58,670	58,285
Total CO₂ emissions	60,839	61,695	60,922

of petrol. Our carbon intensity or metric tonne emission per million dollar revenue was 25.12 in 2012, an improvement from 26.68 in 2011 and 27.22 in 2010.

OZONE DEPLETING FUGITIVE EMISSIONS

In 2012, we did not use refrigerants containing any of the six reportable greenhouse gases under the GHG Protocol. In some of the air-condition equipment we used R22 refrigerant, an ozone-depleting hydrochlorofluorocarbon (HCFC) which is not part of the Kyoto Protocol and is not required to be reported. However, in the spirit of transparency, we would like to report that the emission from the use of R22 in 2012 was 1,702 tonnes CO₂e.

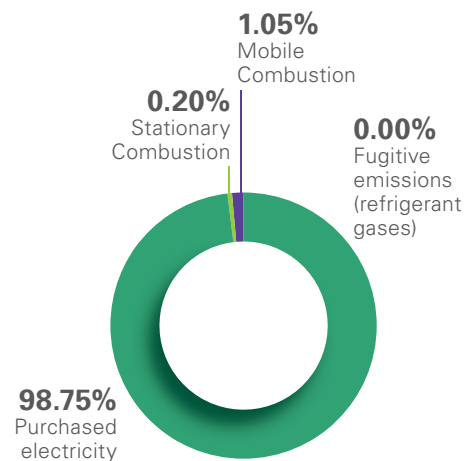
Following the Montreal Protocol on Substances that Deplete the Ozone Layer, the use of R-22 is being phased-out according to an internationally agreed schedule. Beginning 2013, Singapore will freeze and commence gradual phasing out the use of R22. Our plan is to switch to lower impact alternatives such as R407A or R410A.

Our carbon emission reduction strategy remains focused on reducing electricity consumption and using renewable energy such as solar power wherever feasible.

WATER

Our water consumption in 2012 was 25,163 cubic metres, a bit lower than the 25,402 cubic metres in the previous year. Water for drinking accounted for 69% of the total water use followed by 31% for washing and cleaning.

We continue to use the Water Footprint Network standards, a global framework, to measure our water footprint. We are still implementing measures to expand data collection

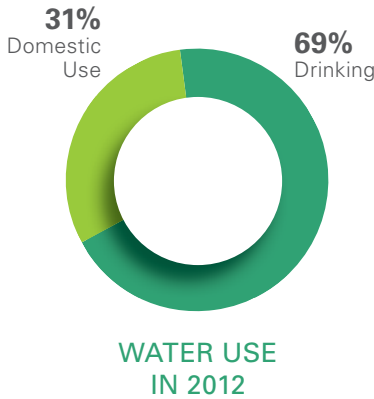


SOURCES OF GHG EMISSIONS IN 2012



WATER CONSUMPTION (CUBIC METRES)





WASTE GENERATED (TONNES)



StarHubbers planted 30 trees at Sungei Buloh Wetlands Reserve as part of their Earth Hour effort.



Case Study

Introducing Consumer-Centric E-Waste Recycling

Being a responsible provider of electronic services and equipment, StarHub recognised a need for electronic items to be disposed of safely. As part of our Earth Hour effort in 2012, we introduced e-waste recycling bins at five customer service centres in partnership with local e-waste recycler TES-AMM, for which we won a WWF Award for “Best Step Beyond The Hour”. There is no profit involved in this purely community and environment-centric project.

In August, we expanded the number of locations for our recycling bins. We now have 39 bins at 21 locations island wide: in schools, commercial malls, condominiums, Community Clubs and even at the Environment Building. In 2012, we collected and recycled over 2.7 tonnes of electronic waste.

system to include all locations. This year’s water footprint covers our Headquarters at StarHub Green, Nobel Call Centre, Haw Par Techno Centre, and Nucleus Connect locations at 13 Tai Seng Drive, Yishun Industrial Park A and 3 Tai Seng Drive.

WASTE

Currently, paper and polystyrene foam from utensils and packaging are the main types of the waste generated at our offices. In 2012, we generated 123 tonnes of waste as against 126 tonnes in 2011. All reported waste is deemed non-hazardous. We also helped our customers to recycle 2.7 tonnes of electronic waste in 2012 (see Case Study).

Currently, our waste figures include only these locations: StarHub Green HQ, all retail and CSC outlets, Nobel Call Centre, Haw Par Techno Centre and Nucleus Connect. We send all our waste for recycling through licensed contractors.

We have taken a number of initiatives to reduce the use of paper in our offices as well as by customers. Increased employee awareness has resulted in a lower use of printing paper and recycling of paper. We have significantly reduced paper consumption by placing forms on the Internet and Intranet where they can be processed online. We continue to buy only FSC-certified paper (paper made from wood sourced from certified sustainable forests) for internal use to minimise the environmental impact.



StarHub introduced Singapore's first e-waste recycling programme for the public, with bins in locations like schools and Community Clubs.

Our Corporate Key Performance Indicators include reducing and reusing paper with specific reduction targets. Our initiative to reduce the number of Business Reply Envelopes (BREs) with bills sent to customers saved 3 million BREs in 2012 or 14.74 tonnes of paper as against 488,000 BREs (2.4 tonnes of paper) in 2011, when the BRE removal was initiated. This initiative saved us an estimated \$55,000 in costs in 2012. In 2012, we also introduced My StarHub eBill, a paperless billing system to involve our customers in saving paper (see Case Study).

ENVIRONMENTAL EDUCATION AND AWARENESS

In 2012, we continued with programmes to create wider awareness about environmental issues and to seek active involvement of employees, customers and communities. Examples include Green Corporate KPIs, and campaigns for eWaste recycling and reducing the use of Business Reply Envelopes by customers. Targeting the youth, we organised a terrarium-building-cum-donation event for Boys' Town, a charitable institution dedicated to providing guidance, shelter, education, vocational training and practical living skills to youths. Environmental awareness is also included in the StarHub new employee orientation programme.

ENVIRONMENTAL REGULATIONS

We work closely with the regulatory authorities in Singapore and are committed to comply with applicable environmental regulations and guidelines. There was no incident of fine or sanction for noncompliance with environmental laws and/or regulations in the reported period. ■

Case Study

My StarHub eBill

StarHub aims to implement environmentally friendly processes and if we can involve our customers in our efforts, that is even better.

To help reduce paper consumption, My StarHub eBill was officially launched on 1 May 2012. My StarHub eBill provides customers with paperless billing that includes SMS or email alerts when their bill is ready. Customers enjoy the freedom of accessing their bills online, as well as the convenience of making online payment anytime.

This service is available to all StarHub customers who have at least one active personal StarHub Mobile, StarHub TV, MaxOnline or Digital Voice service. They simply have to log on to My Account Manager to do their part to help save the trees. As of end-December 2012, about 41,000 StarHub customers were using the My StarHub eBill facility.

Green Corporate KPIs

StarHub believes that every employee should play a part in helping to save the environment. That is why 5% of every staff's bonus, from the CEO down, is directly linked to a set of environment-related Key Performance Indicators.

In 2012, these indicators included targets for Paper Recycling, Reduced Paper Consumption, and Reduced Electrical Consumption at three facilities and the upgrading of certain base transceiver stations. This last is a variable KPI that changes to include different operational targets each year.

Our 2012 results achieved "Stretch targets" across the board. Some of the achievements are: 9,910kg of paper recycled up from 8,380kg in 2011; 3,998 sheets of paper used on average per employee down from 4,216 in 2011 and 8.857m KWH of electricity consumed at three major facilities, down from 9.093m KWH in 2011.



Bonding with *Our Community*

Some of our community development programmes are designed to encourage our employees and customers to actively participate and contribute.

As the leading cable TV operator and the second largest mobile phone operator in Singapore, StarHub is an important part of the local communities' lives. A strong, vibrant and thriving community is essential for our business growth. We therefore take our responsibility to invest in community development seriously.

Regular discussions with Voluntary Welfare Organisations, Social Enterprises, government agencies, community groups and our own employees enable us to assess and understand the needs of society and to respond with appropriate programmes.



StarHub's broad community development goals include encouraging equality and the social integration of the less fortunate, empowering youths with the resources and platforms they require to uncover their talents and make a positive difference in the world, and contributing towards Singapore's quest for sporting excellence and to promote a vibrant sporting culture.

Some of our community development programmes are designed to encourage our employees and customers to actively participate and contribute.

The StarHub Corporate Volunteerism Scheme, introduced at the end of 2006 allows employees two working days of paid leave every year to spend on community development projects. In 2012, employees volunteered a total of 133 days to support a number of social initiatives, up from just 57 days in 2011. The year also saw staff



In 2012, employees volunteered a total of 133 days to support a number of social initiatives.”

The StarHub Sparks Fund, committing 1% of revenue earned from all IDD 008 and IDD 018 calls to charitable causes since the company's inception in 2000, remains one of the prime vehicles for our corporate philanthropy.

volunteers from StarHub's SHINE division starting a six-month programme to teach elderly citizens from Southeast CDC basic computer skills on a monthly basis.

The StarHub Sparks Fund, committing 1% of revenue earned from all IDD 008 and IDD 018 calls to charitable causes since the company's inception in 2000, remains one of the prime vehicles for our corporate philanthropy. The Sparks Fund aims to benefit the less fortunate, widening their visions and opportunities in life through education, skills enhancement and by fulfilling basic needs. StarHub has so far disbursed over \$9 million from the fund to over 250 causes, charities and programmes to help the less fortunate.

StarHub donations and other community investments in 2012 amounted to \$0.7 million. The reason for the drop since 2011 was due to the disbursement of funds in 2011 for activities that were carried out in 2012.

A brief description of some of the initiatives that we undertook in 2012 is provided on the following pages.

SPREAD OF PROJECTS
CONTRIBUTING TO THE BOY'S TOWN BUILDING FUND

In line with StarHub's community outreach objective of empowering Singapore's disadvantaged youths, and its continued aim of raising awareness for the environment, we organised a terrarium-building session for Boys' Town in 2012.

A group of 42 boys from Boys' Town—a charitable institution dedicated to providing guidance, shelter, education, vocational training and practical living skills





40 StarHubbers shaved their heads in support of Children's Cancer Foundation's Hair for Hope initiative.

\$122,015

VALUE OF DONATIONS TO MINDS TOWNER GARDENS SCHOOL REDEEMED IN 2012 BY STARHUB CUSTOMERS THROUGH OUR REWARDS REDEMPTION FOR CHARITY PROGRAMME, THE HIGHEST SINCE THE PROGRAMME BEGAN IN 2009



to youths—visited StarHub’s headquarters in February where they discovered their green thumbs. Together with 50 StarHub volunteers, the boys made 84 terrariums, half of which were sold to StarHub employees to help raise \$2,130 for their new building. In addition, a sum of \$200,000 was donated from the StarHub Sparks Fund to the Boys’ Town Building Fund. Boys’ Town urgently needed an estimated \$15m to repair and upgrade its 65 year-old Boys’ Town residence building.

FREE PHONES FOR ACCIDENT VICTIMS

When StarHub came to know that 89 workers, most of them foreign migrant workers, were injured in an oil rig accident in December 2012 at Jurong Shipyard and had lost their mobile phones to the sea while scrambling to escape to the shore, the company decided to donate pre-owned mobile phones and pre-paid SIM cards—valued at \$38 each—to every affected worker.

IN SUPPORT OF CHILDREN’S CANCER FOUNDATION

A group of 40 StarHub staff members, including two female employees, went bald in support of Hair for Hope 2012. Hair for Hope is the Children’s Cancer Foundation’s call to the public to shave their heads to spread awareness of childhood cancer in Singapore; and raise funds to help children with cancer and their families.

To support this cause and its employees’ bold statement, StarHub donated \$40,000 from the StarHub Sparks Fund, or \$1,000 for each of their 40 employees who shaved at the satellite event. In addition, about \$40,000 in online donations was also raised by well-wishers.

GETTING CUSTOMERS INVOLVED IN GIVING

StarHub celebrated World Charity Day, which falls on 10 October every year, with an SMS Donation Drive—and encouraged consumers to get involved and do their part by messaging in a donation.

The five-day campaign invited StarHub mobile customers to send a message to make a \$2 donation to one of three charities: Arts@Metta, SWAMI or Xin Yuan Community Care. The StarHub Sparks Fund matched each donation dollar-for-dollar.

NURTURING STARS CARNIVAL

StarHub organised a Nurturing Stars Carnival for over 300 children from low-income families in Central CDC in March. At the event, StarHub made a donation of \$200,000 as Title Sponsor of Central Singapore CDC’s Nurture Programme.

The Nurture Programme helps children from low-income families improve their command of the English language and boost self-confidence. StarHub's funding will enable the Nurture Programme to roll out a structured and comprehensive curriculum for the children.

BRINGING FUN TO THE UNDERPRIVILEGED CHILDREN

StarHub organised a special preview of local film "We Not Naughty" for youth from Boys' Town Singapore in January. In May we brought children from our Fengshan-Jade RC Tuition Sponsorship to an exclusive Debby Ryan Meet-&-Greet session. In September, 40 children from the Fengshan-Jade RC Tuition Sponsorship, and the top three finalists from our inaugural Sunsilk Academy Fantasia, were treated to a special 'Gardens by the Bay' excursion.

COMMUNITY CHEST HEARTSTRINGS WALK 2012

StarHub returned as a Presenting Partner at the Community Chest Heartstrings Walk 2012 and Vertical Marathon. The event, held in August, marked a \$300,000 donation from the StarHub Sparks Fund to the Asian Women's Welfare Association's (AWWA) Teach Me programme, Lutheran Community Care Services' Enhanced STEP-UP programme and Yishun Students Care Service's SYNC (School Social Work for Youth and Children) Programme.

Close to 200 StarHub employees came with their friends and families to walk hand-in-hand around the Marina Bay with 15 very important guests: beneficiaries from AWWA's Teach Me programme, a Community Integration Support programme for persons with physical disabilities.

StarHub Sparks Fund will help the Teach Me programme to assist

children with special needs to gain admission to mainstream education, meet their physical mobility and other therapy needs through Mobile Clinics and Centre Based Activities.

The Enhanced STEP-UP is a support programme for students at risk of dropping out of schools as well as out-of-school youth.

STARHUB GOLDEN GURUS TO BRIDGE DIGITAL DIVIDE

In December 2012, StarHub launched Golden Gurus, an IT empowerment and education programme by seniors for seniors, to help the elderly bridge the digital gap with their loved ones and the community.

In line with the Government's promotion of Active Aging, StarHub's Golden Gurus programme, supported by Council for Third Age (C3A) and RSVP ProGuide – a social enterprise—will see tech-savvy senior citizens giving back to society by teaching information technology to other seniors.

After a nationwide hunt, five digitally savvy seniors will be selected. They will receive exclusive training from RSVP ProGuide and StarHub to become the Golden Gurus. Thereafter the Golden Gurus will be imparting their technological knowledge as co-trainers at community workshops conducted by RSVP ProGuide. The Golden Gurus will also share their knowledge via social media, blogs and more. ■

Case Study

Helping Prisoners

About 20 inmates at Changi Prison, under Connect Centre, work as our call centre agents. This initiative, begun in July 2010, aims to equip the inmates with useful skills to enable them to rehabilitate and integrate back into society upon their release. Customer service and product training is provided by StarHub.

In-mates at Changi Prison have also supported co-axial cable assembly for StarHub through our supplier GS Technology Pte Ltd since 2003. This allows for competitive pricing as well as a shorter lead time.

This programme is run by SCORE-managed business units which are supervised by SCORE staff. Inmates are trained in the production process to meet StarHub's stringent quality requirements and turnaround time.

Beneficiaries of StarHub's Community Outreach Programmes in 2012

Feb 2012



\$200,000

from the StarHub Sparks Fund plus \$2,130 from the auction of terrariums donated to the Boys' Town Singapore Building Fund

Mar 2012

Sponsored
\$150,000
for the tuition of
165 under-privileged
children in
Fengshan Jade for 2012

Aug 2012



Donated as a Presenting Partner of the Community Chest Heartstrings Walk and Vertical Marathon

\$300,000

StarHub continued to provide donations, funding and sponsorships to support a number of community initiatives in 2012 under various schemes. Some of the main beneficiaries in 2012 are depicted here.

May 2012

\$26,000

Sponsored Team YWB's (Youth Without Borders) team of adaptive paddlers, the Deaf Dragons, for the World Club Crew Championship in Hong Kong

Jun 2012

\$40,000

StarHub Sparks Fund donation plus another

\$40,000

raised by well-wishers for Children Cancer Foundation's Hair for Hope initiative

2012

\$200,000

donation as Title Sponsor of Central Singapore CDC's Nurture Programme



2012

\$99,405

Disbursed to MINDS Towner Gardens School under StarHub's Rewards Redemption for Charity Programme

Economic Performance

Our approach to economic performance goes beyond striving to achieve a reasonable return on investment and increasing shareholder value. Our business generates significant indirect economic value for a variety of stakeholders and the community at large.

For example, our operating costs, including staff costs, exceeded \$2 billion in 2012 contributing indirectly to the national economic activity. We created more than 3,600 direct jobs in 2012 with a total staff cost of \$266 million, adding significant value to the local economy. Our operations create a large number of indirect jobs through suppliers and contractors that we work with, and through our retailers and business partners. We have invested \$3.5 million in social projects since 2010 which are aimed at building a strong and inclusive community. Our business contributes to the state exchequer by way of taxes such as the corporate income tax and the Goods and Services Tax (GST) which helps in nation building. Our shareholders have consistently received healthy dividends over the years.

Our information and telecommunications services provide critical infrastructure for the larger economy that boosts the competitiveness and productivity of businesses, empowers the community and enriches the lives of individuals. Some of our telecom products and services are designed to meet the needs of the underprivileged sections of society (please see Our Marketplace and Our Community chapters of this report).

We have committed ourselves to developing a deeper understanding of indirect economic value generated by our business for a variety of stakeholders and taking measures wherever possible to maximise our positive impact.

SUPPORTING LOCAL SUPPLIERS

One of the positive impacts that we have on the local economy and society is through local sourcing. We have more than 2,100 suppliers who provide a wide range of services and products needed to run our operations. Out of these, 81.81% are local suppliers. In 2012, local suppliers accounted for 80.96% of our total vendor payments. Our support to local suppliers also creates indirect employment and tax opportunities for the government, and contributes to the local economic development. Our support for the local suppliers attracts additional investment to the local economy and spurs overall economic growth for the local society.

INVESTING IN RESEARCH AND DEVELOPMENT

We regularly invest in research and development projects that promise new technological breakthroughs, reinvigorate our infrastructure, enhance productivity for customers and empower the community.

For example, in 2012, we partnered with the Singapore Management University (SMU) to launch the “LiveLabs Urban Lifestyle Innovation Platform” (LiveLabs) and “SmartHub”, two complementary innovation platforms in consumer and social analytics that will strengthen Singapore’s capabilities in Interactive Digital Media (IDM) Research & Development (R&D). With an investment of over \$50 million, these two National Research Foundation (NRF)-supported innovation platforms will provide city-scale test-beds where home-grown and global players can jointly develop, test, and launch their IDM-based products and services, not just for Singapore, but for the region.

The two innovation platforms are expected to help speed up the commercialisation process of R&D, increase the

SUMMARY OF STARHUB'S ECONOMIC PERFORMANCE

Economic performance indicators (\$ million)	2012	2011	2010
Operating revenue	\$2,422	\$2,312	\$2,238
Net profit	\$359	\$316	\$263
Operating costs (including staff costs)	\$2,001	\$1,935	\$1,901
Staff costs	\$266	\$267	\$250
Dividends paid to shareholders	\$343	\$343	\$343

quality and quantity of IDM innovations, help businesses gain useful insights into consumer behaviours, as well as catalyse more collaborations between the academia, industry and public-sector organisations in developing IDM innovation.

We also received \$39,599 in subsidy for employee training in 2012 under various schemes run by the Singapore Workforce Development Agency.

ECONOMIC WELL BEING OF EMPLOYEES

Singapore has a well developed social security system administered by the Central Provident Fund Board. The CPF Board manages the Central Provident Fund (CPF), a comprehensive social security savings plan extended to Singapore citizens and Permanent Residents. The CPF scope and benefits cover retirement, healthcare, home ownership, family protection and asset enhancement. Employers are required to make monthly CPF contributions for their employees, which includes the employer's share as well as the employee's share, at rates fixed by the CPF Board. StarHub makes CPF contributions as required by law for all eligible employees.

WAGE LEVELS

Singapore currently does not have legal minimum wage; wages are market driven. Our approach is to offer competitive wages, including for the entry level jobs, to employees to encourage retention. We regularly monitor the wage levels across industries, use industry wage surveys and adjust our compensation and benefits policies to stay current and competitive.

SENIOR MANAGEMENT HIRING

Our business operations are mainly in Singapore.

Our senior management team is largely made up of local executives who not only bring tremendous business expertise but also understand the needs of the local community and customers. Expatriate executives complement the team by bringing in international experience and ensure diversity. About half of our 13 Board members reside outside Singapore, bringing invaluable insights from abroad. In 2012, our senior management team consisted of 12 members, 10 of these being local executives (please see Our Senior Management section of the Annual Report).

FINANCIAL PERFORMANCE

A summarised version of our economic performance is presented above in accordance with the GRI guidelines. These figures have been taken from the audited Financial Statements approved by the Board of Directors for the respective financial years. Please refer to Group Financial Review and Financial Statements sections of this report for more detailed information on our financial performance. ■



Statement GRI Application Level Check

GRI hereby states that **STARHUB LIMITED** has presented its report "ANNUAL REPORT 2012 (AHEAD WITH HUBBING)" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 March 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 28 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

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Directors' Report

Year ended 31 December 2012

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 2012.

Directors

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

Tan Guong Ching	(Chairman)
Neil Montefiore	(CEO)
Kua Hong Pak	
Peter Seah Lim Huat	
Nihal Vijaya Devadas Kaviratne CBE	
Steven Terrell Clontz	
Lim Ming Seong	
Teo Ek Tor	
Liu Chee Ming	
Robert J. Sachs	
Nasser Marafih	
Takeshi Kazami	(Appointed on 13 April 2012)
Sio Tat Hiang	(Appointed on 2 July 2012)

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 2012	31 December 2012
The Company		
Ordinary shares		
Tan Guong Ching	70,952	97,870
Neil Montefiore	750,000	200,400
Peter Seah Lim Huat	519,022	540,762
Nihal Vijaya Devadas Kaviratne CBE	134,812 +	200,052 +
Steven Terrell Clontz	1,015,000 +	29,400
Lim Ming Seong	257,302	281,310
Teo Ek Tor	95,796	116,300
Liu Chee Ming	129,862 +	148,226 +
Robert J. Sachs	66,412	83,276
Nasser Marafih	18,600	33,360

+ Held (partly or wholly) by a nominee.

Shares in the Company and in related corporations (continued)

	1 January 2012/ Date of Appointment	31 December 2012
Related Corporations		
Singapore Airlines Limited		
Ordinary shares		
Tan Guong Ching	2,000	2,000
Singapore Technologies Engineering Ltd		
Ordinary shares		
Tan Guong Ching	47,399	55,375
Peter Seah Lim Huat	494,108	526,025
Lim Ming Seong	82,280	87,536
Singapore Telecommunications Limited		
Ordinary shares		
Tan Guong Ching	2,840	2,840
Kua Hong Pak	3,027	3,027
Peter Seah Lim Huat	3,040	3,040
SMRT Corporation Ltd		
Ordinary shares		
Tan Guong Ching	11,000	11,000
SP Australia Networks (Transmission) Ltd ("SPANTL")		
SP Australia Networks (Distribution) Ltd ("SPANDL")		
SP Australia Networks (Finance) Trust ("SPANFT")		
Stapled securities comprising shares in SPANTL and SPANDL and units in SPANFT		
Tan Guong Ching	174,642	216,193
STATS ChipPAC Ltd		
Ordinary shares		
Peter Seah Lim Huat	6,900	6,900
Steven Terrell Clontz	800	800
Lim Ming Seong	6,900	6,900
TeleChoice International Limited		
Ordinary shares		
Peter Seah Lim Huat	50,000	50,000
Lim Ming Seong	60,000	60,000
Sio Tat Hiang	150,000	150,000

Directors' Report

Year ended 31 December 2012

Options and other interests in the Company and in related corporations

	1 January 2012	31 December 2012
The Company		
Conditional awards of shares under StarHub Performance Share Plan		
Neil Montefiore	303,600 ⁽¹⁾	303,600 ⁽¹⁾
	303,600 ⁽²⁾	303,600 ⁽²⁾
	–	304,000 ⁽³⁾

⁽¹⁾ A conditional award was granted in May 2010. The performance period was from 2010 to 2012. No shares will be delivered if the threshold performance targets are not achieved while up to twice the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

⁽²⁾ A conditional award was granted in March 2011. The performance period is from 2011 to 2013. 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.

⁽³⁾ A conditional award was granted in May 2012. The performance period is from 2012 to 2014. 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.

	1 January 2012	31 December 2012
The Company		
Conditional awards of shares under StarHub Restricted Stock Plan		
Tan Guong Ching	3,518 ⁽⁴⁾	–
	13,471 ⁽⁵⁾	6,671 ⁽⁵⁾
Neil Montefiore	264,000 ⁽⁶⁾	140,800 ⁽⁶⁾
	264,000 ⁽⁷⁾	264,000 ⁽⁷⁾
	–	264,000 ⁽⁸⁾
Peter Seah Lim Huat	2,740 ⁽⁴⁾	–
	10,930 ⁽⁵⁾	5,330 ⁽⁵⁾
Nihal Vijaya Devadas Kaviratne CBE	2,740 ⁽⁴⁾	–
	10,930 ⁽⁵⁾	5,330 ⁽⁵⁾
Lim Ming Seong	2,908 ⁽⁴⁾	–
	11,426 ⁽⁵⁾	5,626 ⁽⁵⁾
Teo Ek Tor	2,604 ⁽⁴⁾	–
	10,038 ⁽⁵⁾	4,938 ⁽⁵⁾
Liu Chee Ming	1,964 ⁽⁴⁾	–
	7,758 ⁽⁵⁾	3,858 ⁽⁵⁾
Robert J. Sachs	1,964 ⁽⁴⁾	–
	7,758 ⁽⁵⁾	3,858 ⁽⁵⁾

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

	1 January 2012	31 December 2012
The Company (continued)		
Conditional awards of shares under StarHub Restricted Stock Plan		
Nasser Marafih	1,660 ⁽⁴⁾	–
	6,370 ⁽⁵⁾	3,170 ⁽⁵⁾

⁽⁴⁾ A conditional award was granted in May 2008. The performance period was from 2008 to 2009. The final award was granted in 2010 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were delivered in phases according to the stipulated vesting periods from 2010 to 2012.

⁽⁵⁾ A conditional award was granted in May 2009. The performance period was from 2009 to 2010. The final award was granted in 2011 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2011 and 2012, and the balance will be delivered in 2013.

⁽⁶⁾ A conditional award was granted in May 2010. The performance period was from 2010 to 2011. The final award was granted in 2012 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2012, and the balance will be delivered in 2013 and 2014.

⁽⁷⁾ A conditional award was granted in March 2011. The performance period was from 2011 to 2012. 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.

⁽⁸⁾ A conditional award was granted in May 2012. The performance period is from 2012 to 2013. 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.

	1 January 2012	31 December 2012	Exercise Price \$	Exercise Period
Related Corporations				
Singapore Technologies Engineering Ltd				
Tan Guong Ching	13,500	–	3.23	16.03.2008 to 15.03.2012
	13,500	–	3.61	11.08.2008 to 10.08.2012
Peter Seah Lim Huat	44,500	–	3.23	16.03.2008 to 15.03.2012
	44,500	–	3.61	11.08.2008 to 10.08.2012
Lim Ming Seong	7,500	–	3.23	16.03.2008 to 15.03.2012
	7,500	–	3.61	11.08.2008 to 10.08.2012

Directors' Report

Year ended 31 December 2012

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

	1 January 2012	31 December 2012
Related Corporations (continued)		
Singapore Technologies Engineering Ltd		
Conditional awards of shares		
Tan Guong Ching	1,176 ⁽⁹⁾	–
Peter Seah Lim Huat	6,517 ⁽⁹⁾	–
Lim Ming Seong	856 ⁽⁹⁾	–

⁽⁹⁾ The minimum threshold performance over the period from 1 January 2009 to 31 December 2009 was required for any restricted shares to be released. The final award was granted in 2010 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were delivered according to the stipulated vesting periods from 2010 to 2012.

	1 January 2012	31 December 2012	Exercise Price \$	Exercise Period
STATS ChipPAC Ltd				
Options to subscribe for ordinary shares				
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

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 2013.

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 notes 19.2.1 and 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.

Share-based Payments

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 three directors, namely Peter Seah Lim Huat (Chairman), Lim Ming Seong and Sio Tat Hiang. Lee Theng Kiat had resigned as a member of the ERCC on 20 June 2012. Sio Tat Hiang was appointed as a member of the ERCC on 2 July 2012.

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

Share-based Payments (continued)**(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 were vested 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) Since 31 December 2010, there has been no option outstanding held by the directors of the Company.
- (iii) Details of options granted to directors of the Company under the StarHub Share Option Plans are as follows:

Name of director	Aggregate options granted and accepted since commencement of the StarHub Share Option Plans to 31 December 2012	Aggregate options exercised since commencement of the StarHub Share Option Plans to 31 December 2012
StarHub Share Option Plan 2000		
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
StarHub Share Option Plan 2004		
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	44,250
Teo Ek Tor	44,250	44,250
Liu Chee Ming	44,250	44,250
Robert J. Sachs	25,500	25,500

Lee Theng Kiat had resigned as a non-executive director on 20 June 2012.

- (iv) 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 Company and its subsidiaries (“Parent Group”).
- (v) No options had been offered at a discount during the financial year.
- (vi) The options granted by the Company do not entitle the option holders, by virtue of such holding, to any rights to participate in any share issue of any other company.
- (vii) During the financial year, a total of 220,475 ordinary shares fully paid in the Company were issued and a total of 721,335 treasury shares were transferred pursuant to the exercise of options under the StarHub Share Option Plans at exercise prices of between \$0.68 and \$1.52 per share.

Directors' Report

Year ended 31 December 2012

Share-based Payments (continued)

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

Number of option holders	Exercise period	Number of unissued shares	Exercise price per share \$
32	31.05.2004 to 30.05.2013	62,939	0.88
51	29.11.2004 to 28.11.2013	97,989	0.88
98	03.04.2005 to 02.04.2014	156,686	0.96
141	27.11.2005 to 26.11.2014	291,369	0.99
267	31.05.2006 to 30.05.2015	962,401	1.52
Total		1,571,384	

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.
- (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 2012, conditional awards aggregating 7,926,150 shares have been granted under the aforesaid plan. No shares will be delivered if the threshold performance targets are not achieved, while up to twice the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

Share-based Payments (continued)

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 2012	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2012
Executive director:				
Neil Montefiore	304,000	911,200	–	911,200
Key executives	660,000	5,071,950	642,000	1,531,450

- (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 period (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 period.

The performance-based restricted 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. The actual number of shares to be released depends on the level of attainment of the performance targets over the performance period. For performance-based restricted awards granted prior to financial year ended 31 December 2008, (a) the first performance target benchmarks the performance of the Company's TSR measured against the Straits Times Index ("STI") over the performance period; and (b) the second performance target used is measured against Free Cashflow ("FCF"). For performance-based restricted awards granted during and from financial year ended 31 December 2008 onwards, the performance targets used are measured against the Return on Invested Capital ("ROIC") and the FCF respectively.

Since the commencement of the StarHub Restricted Stock Plan to the financial year ended 31 December 2012:

- (1) performance-based restricted awards aggregating 13,441,100 shares have been granted under the aforesaid Plan. 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;
- (2) a time-based restricted award of 100,000 shares has been granted on 15 January 2009. The shares under this award were vested in three equal tranches over a 3-year period from 1 January 2009 to 31 December 2011 according to a specified vesting schedule;
- (3) a time-based restricted award of 213,000 shares has been granted on 17 May 2010. The shares under this award were vested in May 2011 upon the participants' continued tenure as non-executive directors of the Company for a full one-year period from the date of grant; and
- (4) a restricted award of 155,900 shares has been granted on 7 June 2012. The shares under this award formed 30% of the non-executive directors' remuneration for the financial year ended 31 December 2011 and were vested immediately without any further vesting period.

Directors' Report

Year ended 31 December 2012

Share-based Payments (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 2012	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2012
Non-executive directors:				
Tan Guong Ching	16,600	110,400	26,918	6,671
Peter Seah Lim Huat	13,400	88,600	21,740	5,330
Nihal Vijaya Devadas Kaviratne CBE	15,900	91,100	24,240	5,330
Lee Theng Kiat #	11,300	75,300	18,168	4,546
Steven Terrell Clontz	14,400	29,400	14,400	–
Lim Ming Seong	15,300	95,600	24,008	5,626
Teo Ek Tor	12,800	81,700	20,504	4,938
Liu Chee Ming	12,500	66,500	18,364	3,858
Robert J. Sachs	11,000	65,000	16,864	3,858
Nasser Marafih	9,900	43,900	14,760	3,170
Executive director:				
Neil Montefiore	264,000	792,000	70,400	668,800
Key employees	1,745,000	11,528,400	1,060,098	4,499,110

Lee Theng Kiat had resigned as a non-executive director on 20 June 2012.

As at 31 December 2012, 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:

- (a) the total number of new shares available under the StarHub Share Option Plans, StarHub Performance Share Plan and StarHub Restricted Stock Plan collectively; and
- (b) the total number of existing shares delivered pursuant to options exercised under the StarHub Share Option Plans and awards released under the StarHub Performance Share Plan and the StarHub Restricted Stock Plan collectively.

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.

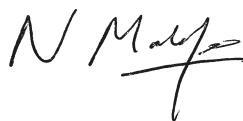
Auditors

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

On behalf of the Board of Directors



Tan Guong Ching
Director



Neil Montefiore
Director

Singapore
7 February 2013

Statement by Directors

Year ended 31 December 2012

In our opinion:

- (a) the financial statements set out on pages 138 to 180 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 2012 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.

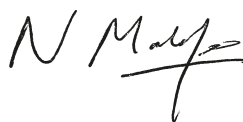
On behalf of the Board of Directors



Tan Guong Ching

Director

Singapore
7 February 2013



Neil Montefiore

Director

Independent Auditors' Report

Members of the Company

StarHub Ltd

Report on the financial statements

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 2012, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows 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 information, as set out on pages 138 to 180.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

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 of financial statements that give a true and fair view 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 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, 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 2012 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.

Report on other legal and regulatory requirements

In our opinion, 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
7 February 2013

Statements of Financial Position

As at 31 December 2012

	Note	GROUP		COMPANY	
		2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Non-current assets					
Property, plant and equipment	3	791.1	761.9	367.7	344.9
Intangible assets	4	397.0	423.6	105.9	126.9
Subsidiaries	5	–	–	1,202.1	1,202.1
Balances with related parties	10	–	–	600.0	–
Deferred tax assets	6	2.5	2.8	–	–
		1,190.6	1,188.3	2,275.7	1,673.9
Current assets					
Inventories	7	28.1	37.2	21.2	29.0
Trade receivables	8	142.3	152.0	130.9	139.9
Other receivables, deposits and prepayments	9	123.6	149.2	20.4	22.0
Balances with related parties	10	12.0	17.2	48.2	661.6
Cash and cash equivalents	11	312.0	179.2	245.7	154.3
		618.0	534.8	466.4	1,006.8
Current liabilities					
Trade and other payables	12	(728.1)	(702.9)	(344.5)	(353.4)
Balances with related parties	10	(56.5)	(41.9)	(321.5)	(296.0)
Borrowings	13	–	(75.0)	–	(75.0)
Provision for taxation		(94.6)	(83.5)	(51.4)	(55.7)
		(879.2)	(903.3)	(717.4)	(780.1)
Net current (liabilities)/assets		(261.2)	(368.5)	(251.0)	226.7
Non-current liabilities					
Trade and other payables	12	(37.5)	(34.1)	(37.5)	(34.1)
Borrowings	13	(687.5)	(587.5)	(687.5)	(587.5)
Deferred income	14	(41.7)	(62.8)	–	–
Deferred tax liabilities	6	(119.2)	(112.8)	(72.4)	(69.8)
		(885.9)	(797.2)	(797.4)	(691.4)
Net assets		43.5	22.6	1,227.3	1,209.2
Shareholders' equity					
Share capital	15	263.1	262.8	263.1	262.8
Reserves	17	(219.6)	(240.2)	964.2	946.4
Total equity		43.5	22.6	1,227.3	1,209.2

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

Income Statements

Year ended 31 December 2012

	Note	GROUP		COMPANY	
		2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Operating revenue	18	2,421.6	2,312.0	1,185.2	1,108.4
Operating expenses	19	(2,001.0)	(1,935.2)	(1,080.6)	(1,018.8)
Other income	20	26.7	21.4	295.9	290.9
		447.3	398.2	400.5	380.5
Finance income	21	4.1	2.1	20.1	17.6
Finance expense	21	(20.0)	(20.5)	(21.4)	(20.6)
Net finance costs		(15.9)	(18.4)	(1.3)	(3.0)
Profit before taxation		431.4	379.8	399.2	377.5
Taxation	22	(72.1)	(64.3)	(42.7)	(29.2)
Profit for the year		359.3	315.5	356.5	348.3
Attributable to:					
Equity holders of the Company		359.3	315.5	356.5	348.3
Profit for the year		359.3	315.5	356.5	348.3
Earnings per share					
Basic (cents)	23	20.9	18.4		
Diluted (cents)	23	20.8	18.3		
EBITDA	24	719.8	676.0		

Statements of Comprehensive Income

Year ended 31 December 2012

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Profit for the year	359.3	315.5	356.5	348.3
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedge	(0.4)	1.1	(0.4)	1.1
Total comprehensive income for the year, (net of taxation)	358.9	316.6	356.1	349.4
Total comprehensive income for the year attributable to:				
Equity holders of the Company	358.9	316.6	356.1	349.4

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

Statements of Changes in Equity

Year Ended 31 December 2012

GROUP	Share Capital \$'mil	Treasury Shares \$'mil	Goodwill Written Off \$'mil	Share-based Payments Reserve \$'mil	Hedging Reserve \$'mil	Retained Profits \$'mil	Total Reserves \$'mil	Total Equity \$'mil
At 1.1.2011	260.3	(0.1)	(276.3)	15.7	(7.7)	62.1	(206.3)	54.0
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	315.5	315.5	315.5
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedge, (net of taxation)	-	-	-	-	1.1	-	1.1	1.1
Total comprehensive income for the year	-	-	-	-	1.1	315.5	316.6	316.6
Transactions with equity holders of the Company, recognised directly in equity								
<i>Contributions by and distributions to equity holders of the Company</i>								
Issue of shares pursuant to share plans	2.5	-	-	(1.7)	-	-	(1.7)	0.8
Share-based payments expenses	-	-	-	2.4	-	-	2.4	2.4
Purchase of treasury shares	-	(9.1)	-	-	-	-	(9.1)	(9.1)
Transfer from treasury shares to share-based payments reserve	-	3.7	-	(2.5)	-	-	1.2	1.2
Dividends paid (note 16)	-	-	-	-	-	(343.3)	(343.3)	(343.3)
Total transactions with equity holders of the Company	2.5	(5.4)	-	(1.8)	-	(343.3)	(350.5)	(348.0)
At 31.12.2011	262.8	(5.5)	(276.3)	13.9	(6.6)	34.3	(240.2)	22.6
At 1.1.2012	262.8	(5.5)	(276.3)	13.9	(6.6)	34.3	(240.2)	22.6
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	359.3	359.3	359.3
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedge, (net of taxation)	-	-	-	-	(0.4)	-	(0.4)	(0.4)
Total comprehensive income for the year	-	-	-	-	(0.4)	359.3	358.9	358.9
Transactions with equity holders of the Company, recognised directly in equity								
<i>Contributions by and distributions to equity holders of the Company</i>								
Issue of shares pursuant to share plans	0.3	-	-	-	-	-	-	0.3
Share-based payments expenses	-	-	-	6.4	-	-	6.4	6.4
Purchase of treasury shares	-	(2.3)	-	-	-	-	(2.3)	(2.3)
Transfer from treasury shares to share-based payments reserve	-	7.6	-	(6.6)	-	-	1.0	1.0
Dividends paid (note 16)	-	-	-	-	-	(343.4)	(343.4)	(343.4)
Total transactions with equity holders of the Company	0.3	5.3	-	(0.2)	-	(343.4)	(338.3)	(338.0)
At 31.12.2012	263.1	(0.2)	(276.3)	13.7	(7.0)	50.2	(219.6)	43.5

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

COMPANY	Share Capital \$'mil	Treasury Shares \$'mil	Merger/ Capital Reserve \$'mil	Share-based Payments Reserve \$'mil	Hedging Reserve \$'mil	Retained Profits \$'mil	Total Reserves \$'mil	Total Equity \$'mil
At 1.1.2011	260.3	(0.1)	276.5	15.7	(7.7)	663.1	947.5	1,207.8
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	348.3	348.3	348.3
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedge, (net of taxation)	-	-	-	-	1.1	-	1.1	1.1
Total comprehensive income for the year	-	-	-	-	1.1	348.3	349.4	349.4
Transactions with equity holders of the Company, recognised directly in equity								
<i>Contributions by and distributions to equity holders of the Company</i>								
Issue of shares pursuant to share plans	2.5	-	-	(1.7)	-	-	(1.7)	0.8
Share-based payments expenses	-	-	-	2.4	-	-	2.4	2.4
Purchase of treasury shares	-	(9.1)	-	-	-	-	(9.1)	(9.1)
Transfer from treasury shares to share-based payments reserve	-	3.7	-	(2.5)	-	-	1.2	1.2
Dividends paid (note 16)	-	-	-	-	-	(343.3)	(343.3)	(343.3)
Total transactions with equity holders of the Company	2.5	(5.4)	-	(1.8)	-	(343.3)	(350.5)	(348.0)
At 31.12.2011	262.8	(5.5)	276.5	13.9	(6.6)	668.1	946.4	1,209.2
At 1.1.2012	262.8	(5.5)	276.5	13.9	(6.6)	668.1	946.4	1,209.2
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	356.5	356.5	356.5
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedge, (net of taxation)	-	-	-	-	(0.4)	-	(0.4)	(0.4)
Total comprehensive income for the year	-	-	-	-	(0.4)	356.5	356.1	356.1
Transactions with equity holders of the Company, recognised directly in equity								
<i>Contributions by and distributions to equity holders of the Company</i>								
Issue of shares pursuant to share plans	0.3	-	-	-	-	-	-	0.3
Share-based payments expenses	-	-	-	6.4	-	-	6.4	6.4
Purchase of treasury shares	-	(2.3)	-	-	-	-	(2.3)	(2.3)
Transfer from treasury shares to share-based payments reserve	-	7.6	-	(6.6)	-	-	1.0	1.0
Dividends paid (note 16)	-	-	-	-	-	(343.4)	(343.4)	(343.4)
Total transactions with equity holders of the Company	0.3	5.3	-	(0.2)	-	(343.4)	(338.3)	(338.0)
At 31.12.2012	263.1	(0.2)	276.5	13.7	(7.0)	681.2	964.2	1,227.3

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

Consolidated Cash Flow Statement

Year ended 31 December 2012

	2012 \$'mil	2011 \$'mil
Operating activities		
Profit before taxation	431.4	379.8
Adjustments for:		
Depreciation and amortisation (net of asset grants)	272.5	277.8
Loss on disposal of property, plant and equipment and intangible assets	0.4	3.8
Income related grants	(26.7)	(21.4)
Share-based payments	6.4	2.4
Changes in fair value of financial instruments	0.6	(2.0)
Net finance costs	15.9	18.4
Other non-cash items	1.0	(0.9)
Operating cash flow before working capital changes	701.5	657.9
Changes in working capital:		
Inventories	9.1	(5.4)
Trade receivables	9.7	21.9
Other receivables, deposits and prepayments	(18.1)	(3.7)
Trade and other payables	21.5	26.1
Balances due from related parties	5.2	(0.8)
Balances due to related parties	14.6	0.2
Cash generated from operations	743.5	696.2
Income tax paid	(54.0)	–
Net cash from operating activities	689.5	696.2
Investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	1.0	0.5
Purchase of property, plant and equipment and intangible assets	(272.7)	(246.5)
Interest received	4.0	2.0
Net cash used in investing activities	(267.7)	(244.0)
Financing activities		
Proceeds from exercise of share options	1.1	1.7
Proceeds from bank loans	80.0	187.5
Proceeds from issuance of medium term note	220.0	–
Grants received	50.5	4.9
Repayment of bank loans	(275.0)	(330.4)
Dividends paid	(343.4)	(343.3)
Interest paid	(19.9)	(21.8)
Purchase of treasury shares	(2.3)	(9.1)
Net cash used in financing activities	(289.0)	(510.5)
Net change in cash and cash equivalents	132.8	(58.3)
Cash and cash equivalents at beginning of year	179.2	237.5
Cash and cash equivalents at end of year (note 11)	312.0	179.2

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

Notes to the Financial Statements

Year ended 31 December 2012

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 February 2013.

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 million, 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 2012. 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.

New accounting standards and interpretations not yet adopted

Certain accounting standards (including their consequential amendments) and interpretations that have been issued as of the reporting date and are relevant to its operations but are not yet effective have not been applied by the Group.

The initial application of the 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 2012.

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. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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.

Notes to the Financial Statements

Year ended 31 December 2012

2.2 Consolidation (continued)

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

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

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. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign subsidiary is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign subsidiary is transferred to the income statement as an adjustment to the profit or loss arising on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

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

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.

2.4 Intangible assets

Goodwill

Acquisitions prior to 1 January 2010

Goodwill arising on acquisition prior to 1 January 2010 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.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis as described in note 2.5.

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 years to 21 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 (CGU) 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.

For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amounts.

Notes to the Financial Statements

Year ended 31 December 2012

2.5 Impairment (continued)

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

Calculation of recoverable amount

The recoverable amount of an asset or its CGU 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 or CGU.

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. For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level within the Group at which goodwill is monitored for internal reporting purposes.

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 Borrowings

Borrowings are initially recognised at fair value of the proceeds received less directly attributable transaction costs. After initial recognition, borrowings 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 borrowings is recognised in income statement over the period of the borrowings.

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.

Notes to the Financial Statements

Year ended 31 December 2012

2.15 Revenue recognition

Revenue comprises fees earned from telecommunications services, broadband access, Pay TV, 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 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 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 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.

2.20 Income taxes (continued)

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.

2.21 Dividends

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.

2.22 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.

2.23 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 2.24.

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.

2.24 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.

Notes to the Financial Statements

Year ended 31 December 2012

2.24 Hedging (continued)

Cash flow hedges (continued)

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.

2.25 Segment reporting

With the adoption of FRS 108, segment information is presented based on the information reviewed by chief operating decision maker ("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. Based on the financial information regularly reviewed by the CODM, the Group has one operating and reporting segment.

2.26 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 estimates are 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 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 6 – recognition of deferred tax assets
- 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 \$'mil	Leasehold improve- ments \$'mil	Freehold property \$'mil	Network equipment \$'mil	Office equipment, computers and furniture and fittings \$'mil	Motor vehicles \$'mil	Construction in progress \$'mil	Total \$'mil
Cost								
At 1.1.2011	5.7	60.2	1.7	2,789.2	152.6	6.2	68.0	3,083.6
Additions	–	0.2	–	12.5	6.2	0.4	201.2	220.5
Transfers	2.6	3.1	–	154.6	17.4	–	(177.7)	–
Disposals	–	(3.0)	–	(116.8)	(10.1)	(0.5)	–	(130.4)
At 31.12.2011	8.3	60.5	1.7	2,839.5	166.1	6.1	91.5	3,173.7
At 1.1.2012	8.3	60.5	1.7	2,839.5	166.1	6.1	91.5	3,173.7
Additions	–	0.1	–	6.2	–	1.3	248.4	256.0
Transfers	–	0.8	–	209.3	9.4	–	(219.5)	–
Disposals	–	(11.1)	–	(49.9)	(16.1)	(0.5)	–	(77.6)
At 31.12.2012	8.3	50.3	1.7	3,005.1	159.4	6.9	120.4	3,352.1
Accumulated depreciation								
At 1.1.2011	0.6	38.9	–	2,142.9	121.8	3.4	–	2,307.6
Charge for the year	0.3	7.4	–	205.3	16.4	0.9	–	230.3
Transfers	–	(0.4)	–	0.4	–	–	–	–
Disposals	–	(2.9)	–	(112.6)	(10.1)	(0.5)	–	(126.1)
At 31.12.2011	0.9	43.0	–	2,236.0	128.1	3.8	–	2,411.8
At 1.1.2012	0.9	43.0	–	2,236.0	128.1	3.8	–	2,411.8
Charge for the year	0.3	7.3	–	201.7	16.1	1.0	–	226.4
Disposals	–	(11.1)	–	(49.5)	(16.1)	(0.5)	–	(77.2)
At 31.12.2012	1.2	39.2	–	2,388.2	128.1	4.3	–	2,561.0
Carrying amount								
At 31.12.2011	7.4	17.5	1.7	603.5	38.0	2.3	91.5	761.9
At 31.12.2012	7.1	11.1	1.7	616.9	31.3	2.6	120.4	791.1
							2012 \$'mil	2011 \$'mil
Staff costs capitalised in construction in progress during the year							3.6	4.1

Notes to the Financial Statements

Year ended 31 December 2012

3 Property, Plant and Equipment (continued)

COMPANY	Leasehold building \$'mil	Leasehold improvements \$'mil	Network equipment \$'mil	Office equipment, computers and furniture and fittings \$'mil	Motor vehicles \$'mil	Construction in progress \$'mil	Total \$'mil
Cost							
At 1.1.2011	5.7	49.3	935.2	124.4	1.8	32.6	1,149.0
Additions	–	–	–	0.2	0.1	92.3	92.6
Transfers	2.6	1.4	50.3	8.7	–	(63.0)	–
Disposals	–	(2.4)	(19.7)	(5.0)	(0.3)	–	(27.4)
At 31.12.2011	8.3	48.3	965.8	128.3	1.6	61.9	1,214.2
At 1.1.2012	8.3	48.3	965.8	128.3	1.6	61.9	1,214.2
Additions	–	–	–	–	0.4	100.9	101.3
Transfers	–	0.7	98.3	6.8	–	(105.8)	–
Disposals	–	(6.3)	(4.2)	(15.9)	(0.1)	–	(26.5)
At 31.12.2012	8.3	42.7	1,059.9	119.2	1.9	57.0	1,289.0
Accumulated depreciation							
At 1.1.2011	0.6	30.0	693.7	95.1	0.8	–	820.2
Charge for the year	0.3	6.5	54.7	14.4	0.3	–	76.2
Transfers	–	(0.4)	0.4	–	–	–	–
Disposals	–	(2.2)	(19.6)	(5.0)	(0.3)	–	(27.1)
At 31.12.2011	0.9	33.9	729.2	104.5	0.8	–	869.3
At 1.1.2012	0.9	33.9	729.2	104.5	0.8	–	869.3
Charge for the year	0.3	6.4	58.8	12.4	0.3	–	78.2
Disposals	–	(6.3)	(3.9)	(15.9)	(0.1)	–	(26.2)
At 31.12.2012	1.2	34.0	784.1	101.0	1.0	–	921.3
Carrying amount							
At 31.12.2011	7.4	14.4	236.6	23.8	0.8	61.9	344.9
At 31.12.2012	7.1	8.7	275.8	18.2	0.9	57.0	367.7

4 Intangible Assets

GROUP	Telecom- munications licences \$'mil	Software \$'mil	Software in development \$'mil	Goodwill \$'mil	Total \$'mil
Cost					
At 1.1.2011	116.8	388.7	7.2	220.3	733.0
Additions	–	5.0	18.0	–	23.0
Transfers	–	16.4	(16.4)	–	–
Disposals	–	(3.3)	–	–	(3.3)
At 31.12.2011	116.8	406.8	8.8	220.3	752.7
At 1.1.2012	116.8	406.8	8.8	220.3	752.7
Additions	–	0.2	21.9	–	22.1
Transfers	–	21.5	(21.5)	–	–
Disposals	–	(6.0)	(0.2)	–	(6.2)
At 31.12.2012	116.8	422.5	9.0	220.3	768.6
Accumulated amortisation					
At 1.1.2011	46.1	235.3	–	–	281.4
Charge for the year	6.5	44.5	–	–	51.0
Disposals	–	(3.3)	–	–	(3.3)
At 31.12.2011	52.6	276.5	–	–	329.1
At 1.1.2012	52.6	276.5	–	–	329.1
Charge for the year	6.5	41.3	–	–	47.8
Disposals	–	(5.3)	–	–	(5.3)
At 31.12.2012	59.1	312.5	–	–	371.6
Carrying amount					
At 31.12.2011	64.2	130.3	8.8	220.3	423.6
At 31.12.2012	57.7	110.0	9.0	220.3	397.0

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.

The recoverable amount of the cash-generating unit ("CGU") is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are the discount rates, growth rates and expected changes to profit margins. 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 4 years. The forecast cash flows were extrapolated using an estimated growth rate of 5.3% (2011: 5.0%). The pre-tax discount rate applied is assumed at 6.3% (2011: 6.4%) for the value-in-use calculation.

No impairment charge was required for the carrying amount of goodwill assessed as at 31 December 2012 and 31 December 2011 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.

Notes to the Financial Statements

Year ended 31 December 2012

4 Intangible Assets (continued)

COMPANY	Telecom- munications licences \$'mil	Software \$'mil	Software in development \$'mil	Total \$'mil
Cost				
At 1.1.2011	1.0	344.9	5.5	351.4
Additions	–	0.1	14.0	14.1
Transfers	–	12.6	(12.6)	–
At 31.12.2011	1.0	357.6	6.9	365.5
At 1.1.2012	1.0	357.6	6.9	365.5
Additions	–	–	17.5	17.5
Transfers	–	17.4	(17.4)	–
Disposals	–	(6.1)	–	(6.1)
At 31.12.2012	1.0	368.9	7.0	376.9
Accumulated amortisation				
At 1.1.2011	0.5	196.2	–	196.7
Charge for the year	0.1	41.8	–	41.9
At 1.1.2011	0.6	238.0	–	238.6
At 1.1.2012	0.6	238.0	–	238.6
Charge for the year	0.1	37.6	–	37.7
Disposals	–	(5.3)	–	(5.3)
At 31.12.2012	0.7	270.3	–	271.0
Carrying amount				
At 31.12.2011	0.4	119.6	6.9	126.9
At 31.12.2012	0.3	98.6	7.0	105.9
			GROUP AND COMPANY	
			2012	2011
			\$'mil	\$'mil
Staff costs capitalised in software in development during the year			2.9	1.9

5 Subsidiaries

COMPANY	2012 \$'mil	2011 \$'mil
Investments in subsidiaries, at cost	1,209.1	1,209.1
Discount implicit in the interest-free loan to a subsidiary	21.9	21.9
	1,231.0	1,231.0
Allowance for impairment losses	(28.9)	(28.9)
	1,202.1	1,202.1

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	
			2012 %	2011 %
StarHub Cable Vision Ltd. ⁽¹⁾	Provision of subscription television and television broadcasting services	Singapore	100	100
StarHub Mobile Pte Ltd ⁽¹⁾	Provision of mobile telecommunications services	Singapore	100	100
StarHub Internet Pte Ltd ⁽¹⁾	Provision and operation of internet services	Singapore	100	100
StarHub Online Pte Ltd ⁽¹⁾	Provision of broadband access services	Singapore	100	100
Nucleus Connect Pte. Ltd. ⁽¹⁾	Provision of high speed wholesale broadband services	Singapore	100	100
SHINE Systems Assets Pte. Ltd. ⁽¹⁾	Investment in, ownership or lease of infrastructure assets for use by StarHub Group or its partners	Singapore	100	100
StarHub (Mauritius) Ltd ⁽²⁾	Investment holding company and for acquisition of info-communication and infotainment services	Mauritius	100	100
StarHub (Hong Kong) Limited ⁽³⁾	Provision of telecommunication services	Hong Kong	100	100
StarHub Shop Pte Ltd ⁽⁴⁾	Dormant	Singapore	100	100
StarHub, Inc. ⁽⁴⁾	Dormant	United States	100	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	
			2012 %	2011 %
Foosti Pte. Ltd. ^{(4) (5)}	Dormant	Singapore	100	100

(1) Audited by KPMG LLP Singapore

(2) Audited by KPMG Mauritius, a member firm of KPMG International

(3) Audited by another firm

(4) Not required to be audited by laws of the country of incorporation

(5) The company is currently in liquidation pursuant to a winding-up order by the High Court of Singapore issued on 14 January 2011.

Notes to the Financial Statements

Year ended 31 December 2012

6 Deferred Taxes

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

GROUP 2012	At 1.1.2012 \$'mil	Recognised in income statement \$'mil	Recognised in other comprehensive income \$'mil	Recognised in equity statement \$'mil	At 31.12.2012 \$'mil
Deferred tax assets					
Property, plant and equipment and intangible assets	(4.5)	(3.4)	-	-	(7.9)
Deferred income	7.0	3.4	-	-	10.4
Other payables and accruals	0.1	(0.1)	-	-	-
Tax losses carried forward	0.2	(0.2)	-	-	-
Total	2.8	(0.3)	-	-	2.5
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(116.0)	(5.6)	-	-	(121.6)
Other payables and accruals	3.2	(1.1)	0.1	0.2	2.4
Total	(112.8)	(6.7)	0.1	0.2	(119.2)

GROUP 2011	At 1.1.2011 \$'mil	Recognised in income statement \$'mil	Recognised in other comprehensive income \$'mil	Recognised in equity statement \$'mil	At 31.12.2011 \$'mil
Deferred tax assets					
Property, plant and equipment and intangible assets	(4.8)	0.3	-	-	(4.5)
Deferred income	9.2	(2.2)	-	-	7.0
Other payables and accruals	0.1	-	-	-	0.1
Tax losses carried forward	-	0.2	-	-	0.2
Total	4.5	(1.7)	-	-	2.8
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(111.0)	(5.0)	-	-	(116.0)
Other payables and accruals	2.9	-	(0.2)	0.5	3.2
Total	(108.1)	(5.0)	(0.2)	0.5	(112.8)

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:

	2012 \$'mil	2011 \$'mil
Tax losses	55.4	63.6
Deferred tax assets	9.4	10.8

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 foreseeable future. The Group reassesses the recovery of these potential deferred tax assets annually.

6 Deferred Taxes (continued)

COMPANY 2012	At 1.1.2012 \$'mil	Recognised in income statement \$'mil	Recognised in other comprehensive income \$'mil	Recognised in equity statement \$'mil	At 31.12.2012 \$'mil
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(73.0)	(1.9)	–	–	(74.9)
Other payables and accruals	3.2	(1.0)	0.1	0.2	2.5
Total	(69.8)	(2.9)	0.1	0.2	(72.4)

COMPANY 2011	At 1.1.2011 \$'mil	Recognised in income statement \$'mil	Recognised in other comprehensive income \$'mil	Recognised in equity statement \$'mil	At 31.12.2011 \$'mil
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(74.3)	1.3	–	–	(73.0)
Other payables and accruals	2.9	–	(0.2)	0.5	3.2
Total	(71.4)	1.3	(0.2)	0.5	(69.8)

7 Inventories

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Inventories, at lower of cost and net realisable value	28.1	37.2	21.2	29.0
Allowance made during the year	2.1	2.1	1.6	2.1

Notes to the Financial Statements

Year ended 31 December 2012

8 Trade Receivables

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Trade receivables	171.7	184.2	159.7	171.8
Allowance for doubtful receivables	(29.4)	(32.2)	(28.8)	(31.9)
	142.3	152.0	130.9	139.9

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

The Group's 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	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Past due 0 – 30 days	66.4	46.7	63.7	41.9
Past due above 30 days	5.7	18.3	0.5	14.7
	72.1	65.0	64.2	56.6

The movements in allowance for doubtful receivables in respect of trade receivables during the year are as follows:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
At beginning of year	32.2	38.5	31.9	38.2
Allowance for doubtful receivables	14.8	14.7	0.7	3.1
Recharged to subsidiaries	–	–	13.8	8.3
Allowance utilised	(17.6)	(21.0)	(17.6)	(17.7)
At end of year	29.4	32.2	28.8	31.9

9 Other Receivables, Deposits and Prepayments

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Grant receivables	–	43.8	–	–
Accrued revenue	45.6	27.2	2.5	3.0
Deposits	4.9	5.4	1.3	1.5
Prepayments	72.5	72.2	15.5	17.1
Other receivables	0.6	0.6	1.1	0.4
	123.6	149.2	20.4	22.0

10 Balances with Related Parties

The immediate and ultimate holding companies are Asia Mobile Holdings Pte. Ltd. and Temasek Holdings (Private) Limited respectively. These companies are incorporated in the Republic of Singapore.

10.1 Amounts due from related parties

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Current				
Loans to subsidiaries	-	-	-	600.0
Amounts due from (trade):				
- Ultimate holding company	0.1	0.1	0.1	0.1
- Subsidiaries	-	-	38.9	49.6
- Related corporations	11.9	17.1	9.2	11.9
	12.0	17.2	48.2	661.6
Non-current				
Loans to subsidiaries	-	-	600.0	-

The loans to the subsidiaries are unsecured, repayable on demand and bore interest at 2.69% (2011: 2.69%) per annum. At 31 December 2012, as these loans are not expected to be repayable within the next 12 months, they are reclassified as non-current.

10.2 Amounts due to related parties

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Amounts due to (trade):				
- Subsidiaries	-	-	274.6	263.3
- Related corporations	56.5	41.9	46.9	32.7
	56.5	41.9	321.5	296.0

The amounts due to subsidiaries include interest bearing amounts of \$160.9 million (2011: \$159.8 million) at interest rates ranging from 0.80% to 1.10% (2011: 0.57% to 0.88%) per annum.

11 Cash and Cash Equivalents

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Fixed deposits	225.8	141.7	195.9	136.7
Cash at bank and in hand	86.2	37.5	49.8	17.6
	312.0	179.2	245.7	154.3

Notes to the Financial Statements

Year ended 31 December 2012

12 Trade and Other Payables

	Note	GROUP		COMPANY	
		2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Current					
Trade payables		59.4	80.5	54.2	72.7
Accruals		410.7	367.6	212.8	216.2
Unearned revenue		164.4	168.8	31.0	28.2
Property, plant and equipment vendors		59.4	54.0	33.6	26.0
Deferred income	14	21.2	21.6	–	–
Deposits from customers		12.4	9.3	12.3	9.2
Mark-to-market financial instruments					
– Interest rate swaps		0.4	1.1	0.4	1.1
– Forward exchange contracts		0.2	–	0.2	–
		728.1	702.9	344.5	353.4
Non-current					
Unearned revenue		29.0	27.2	29.0	27.2
Mark-to-market financial instruments					
– Interest rate swaps		8.5	6.9	8.5	6.9
		37.5	34.1	37.5	34.1

13 Borrowings

	Note	GROUP AND COMPANY	
		2012 \$'mil	2011 \$'mil
Bank loans	13.1	467.5	662.5
Medium term note	13.2	220.0	–
		687.5	662.5

13.1 Bank loans

	GROUP AND COMPANY	
	2012 \$'mil	2011 \$'mil
Current	–	75.0
Non-current	467.5	587.5
	467.5	662.5
Repayable:		
– Within 1 year	–	75.0
– After 1 year but within 5 years	347.5	537.5
– After 5 years but within 10 years	120.0	50.0
	467.5	662.5

At 31 December 2012, the unsecured bank loans bore interest at rates ranging from 1.02% to 2.56 % (2011: 0.30% to 2.56%) per annum.

13.2 Medium term note

	GROUP AND COMPANY	
	2012 \$'mil	2011 \$'mil
Non-current	220.0	–

The Company has established a multicurrency medium term note programme with a maximum aggregate principal amount of \$1,000,000,000 in September 2011. In September 2012, the Company issued a \$220,000,000 10 years medium term note which bore an interest rate of 3.08% per annum and is payable in September 2022. There is no material difference between the carrying amount and fair value of the medium term note.

14 Deferred Income

	Note	GROUP		COMPANY	
		2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Deferred grants					
At beginning of year		84.4	60.6	–	–
Grants received		–	40.0	–	–
Amount accreted to the income statement		(21.5)	(16.2)	–	–
At end of year		62.9	84.4	–	–
Deferred grants to be accreted:					
Current (within 1 year)	12	21.2	21.6	–	–
Non-current (after 1 year but within 5 years)		41.7	62.8	–	–
Total		62.9	84.4	–	–

The deferred income are government grants received. The assets related grants are recognised over the estimated useful lives of the related assets. The income related grants are recognised on a systematic basis over the periods to match the related cost.

15 Share Capital

COMPANY	2012		2011	
	Number of shares 'mil	\$'mil	Number of shares 'mil	\$'mil
Issued and fully paid ordinary shares:				
At beginning of year	1,717.3	262.8	1,716.0	260.3
Issue of ordinary shares	–	–	0.7	1.7
Issue of ordinary shares for cash pursuant to the exercise of options under the StarHub Share Option Plans	0.2	0.3	0.6	0.8
At end of year	1,717.5	263.1	1,717.3	262.8

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 2012, included in the total number of ordinary shares was 72,788 shares (2011: 1,975,987 shares) held by the Company as treasury shares. The treasury shares were included as a deduction from equity (note 17).

Notes to the Financial Statements

Year ended 31 December 2012

16 Dividends

	COMPANY	
	2012 \$'mil	2011 \$'mil
Final dividend of \$0.05 (2011: \$0.05) per share (1-tier tax exempt) paid in respect of the previous financial year	85.8	85.8
Interim dividends of \$0.15 (2011: \$0.15) per share (1-tier tax exempt) paid in respect of the current financial year	257.6	257.5
	343.4	343.3

17 Reserves

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Treasury shares	(0.2)	(5.5)	(0.2)	(5.5)
Merger/Capital reserve	–	–	276.5	276.5
Goodwill written off	(276.3)	(276.3)	–	–
Share-based payments reserve	13.7	13.9	13.7	13.9
Hedging reserve	(7.0)	(6.6)	(7.0)	(6.6)
Retained profits	50.2	34.3	681.2	668.1
	(219.6)	(240.2)	964.2	946.4

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	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Mobile revenue	1,224.2	1,217.6	–	–
Pay TV revenue	396.3	376.0	–	–
Broadband revenue	249.4	241.7	–	–
Fixed network services revenue	357.7	336.7	711.2	697.8
Sale of equipment	194.0	140.0	474.0	410.6
	2,421.6	2,312.0	1,185.2	1,108.4

19 Operating Expenses

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Cost of equipment sold	440.7	383.4	439.1	382.2
Cost of services	339.7	298.3	47.0	35.8
Traffic expenses	230.5	246.8	94.2	95.7
Depreciation and amortisation (net of asset grants)	272.5	277.8	115.9	118.1
Marketing and promotions	147.4	169.6	10.8	13.7
Staff costs	265.9	266.9	194.4	194.5
Allowance for doubtful receivables	14.8	14.7	0.7	3.1
Repairs and maintenance	63.2	68.0	28.1	34.5
Operating leases	131.3	135.5	67.3	68.7
Other expenses	95.0	74.2	83.1	72.5
	2,001.0	1,935.2	1,080.6	1,018.8

19.1 Depreciation and amortisation (net of asset grants)

Depreciation and amortisation expenses comprise the following:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Depreciation of property, plant and equipment	226.4	230.3	78.2	76.2
Accretion of asset grants to the income statement	(1.7)	(3.5)	–	–
	224.7	226.8	78.2	76.2
Amortisation of intangible assets	47.8	51.0	37.7	41.9
Total	272.5	277.8	115.9	118.1

19.2 Staff costs

The following are included in staff costs:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Defined contribution plans	24.9	21.9	17.4	14.7
Share-based payments	6.4	2.4	6.4	2.4

Notes to the Financial Statements

Year ended 31 December 2012

19 Operating Expenses (continued)

19.2.1 Key management personnel compensation

The key management personnel compensation is as follows:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Short-term employee benefits	12.1	11.3	11.1	10.2
Share-based payments	3.8	2.8	3.5	2.7
	15.9	14.1	14.6	12.9

Included in the above is the total compensation to directors of the Company which amounted to \$5.2 million (2011: \$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 964,000 shares (2011: 961,400 shares) under the StarHub Performance Share Plan and conditional awards of 662,000 shares (2011: 662,000 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 2009 to 2011 performance period, there were 642,000 shares delivered to the key management personnel of the Company during the year under the 2009 conditional awards granted to key management personnel of the Company in May 2009 pursuant to the StarHub Performance Share Plan.

Based on the actual level of achievement of the pre-determined performance targets over the 2010 to 2011 performance period, final awards comprising 392,000 shares were awarded to the key management personnel of the Company during the year under the 2010 conditional awards granted to the key management personnel of the Company in May 2010 pursuant to the StarHub Restricted Stock Plan. 130,500 shares under the final awards were delivered during the year, with the balance of 261,500 shares to be delivered in phases according 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.

As at 31 December 2012, 68,000 (2011: 118,000) of the share options under the StarHub Share Option Plans, 2,442,650 (2011: 1,955,150) of the conditional awards of shares under the StarHub Performance Share Plan, and 1,586,720 (2011: 1,433,494) of the conditional awards of shares granted to the key management personnel were outstanding.

19.2.2 Share-based Payments

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 Pte Ltd Share Option Plan 2000 ("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 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 were vested 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 Share-based Payments (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 (“SGX”) 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 2012, the conditional grants of 964,000 (2011: 961,400) shares under the StarHub Performance Share Plan and the conditional grants of 2,009,000 (2011: 2,040,000) 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.
 - (v) During the financial year ended 31 December 2012, 155,900 shares under the StarHub Restricted Stock Plan were vested and delivered to certain non-executive directors of the Company as part of their non-executive directors’ remuneration, without any performance or vesting conditions attached.

Notes to the Financial Statements

Year ended 31 December 2012

19 Operating Expenses (continued)

19.2.2 Share-based Payments (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	
	2012 '000	2011 '000	2012 \$	2011 \$
Outstanding at beginning of year	2,731	4,011	1.24	1.25
Exercised	(941)	(1,190)	1.19	1.28
Forfeited	(219)	(90)	1.05	1.31
Outstanding at end of year	1,571	2,731	1.30	1.24
Exercisable at end of year	1,571	2,731	1.30	1.24

Options were exercised throughout the year. The weighted average share price during the year was \$3.35 per share (2011: \$2.76 per share).

The outstanding share options have the following exercise prices:

COMPANY	2012 '000	2011 '000
Exercise price range:		
\$1.50 to \$1.52	962	1,441
\$0.68 to \$0.99	609	1,290
	1,571	2,731
Weighted average remaining contractual life	2.03 years	2.80 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 up 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. No options were granted for the years ended 31 December 2012 and 31 December 2011.

19 Operating Expenses (continued)

19.2.2 Share-based Payments (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 of the Company are as follows:

2012 Date of grant	Balance outstanding at 1.1.2012 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31.12.2012 '000
29 May 2009	321	–	(321)	–	–
17 May 2010	673	–	–	–	673
31 March 2011	961	–	–	(103)	858
25 May 2012	–	964	–	(52)	912
Total	1,955	964	(321)	(155)	2,443

2011 Date of grant	Balance outstanding at 1.1.2011 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31.12.2011 '000
9 May 2008	250	–	(144)	(106)	–
29 May 2009	321	–	–	–	321
17 May 2010	673	–	–	–	673
31 March 2011	–	961	–	–	961
Total	1,244	961	(144)	(106)	1,955

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.

The assumptions under the model used for the grant in 2012 and 2011 are as follows:

	Year of grant	
	2012	2011
Fair value	\$3.24	\$2.17
Share price	\$3.21	\$2.70
Expected volatility of the Company's shares	15.41%	22.09%
Expected volatility of MSCI Asia-Pacific Telecommunications Component Stock	7.24%	19.02%
Expected dividend yield	5.52%	6.39%
Risk-free interest rates	0.32%	0.50%

Notes to the Financial Statements

Year ended 31 December 2012

19 Operating Expenses (continued)

19.2.2 Share-based Payments (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 of the Company are as follows:

2012 Date of grant	Balance outstanding at 1.1.2012 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Balance outstanding at 31.12.2012 '000
9 May 2008	204	–	(198)	(6)	–
15 January 2009	33	–	(33)	–	–
29 May 2009	862	–	(435)	(33)	394
17 May 2010	2,081	–	(543)	(502)	1,036
31 March 2011	1,982	–	–	(150)	1,832
7 June 2012	–	156	(133)	(23)	–
25 May 2012	–	2,009	–	(56)	1,953
Total	5,162	2,165	(1,342)	(770)	5,215

2011 Date of grant	Balance outstanding at 1.1.2011 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Balance outstanding at 31.12.2011 '000
18 April 2007	298	–	(287)	(11)	–
21 May 2007	46	–	(46)	–	–
9 May 2008	457	–	(228)	(25)	204
15 January 2009	67	–	(34)	–	33
29 May 2009	1,616	–	(461)	(293)	862
17 May 2010	2,398	–	(182)	(135)	2,081
31 March 2011	–	2,040	–	(58)	1,982
Total	4,882	2,040	(1,238)	(522)	5,162

Except as disclosed below, the fair value of the share awards 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 awards on 15 January 2009 of 100,000 shares is estimated at grant date after discounting for expected dividend yield. It is solely time-based with no performance conditions tied to this grant.

The fair value of the time-based share awards granted on 17 May 2010 of 213,000 shares is estimated using a Monte-Carlo simulation methodology at the measurement date, which is grant date of the share award. It is solely time-based with no performance conditions tied to this grant.

The share awards granted on 7 June 2012 of 155,900 are outright shares with no performance conditions and vesting period. The number of shares awarded were based on the volume weighted average price of an ordinary share of the Company listed on the Main Board of Singapore Exchange Securities Trading Limited over the 14 trading days immediately after the Fourteenth Annual General Meeting in 2012.

19 Operating Expenses (continued)

19.2.2 Share-based Payments (continued)

StarHub Restricted Stock Plan (continued)

The assumptions under the model used for the grant in 2012 and 2011 are as follows:

	Year of grant	
	2012	2011
Fair value	\$2.83	\$2.56
Share price	\$3.21	\$2.70
Expected volatility of the Company's shares	15.41%	22.09%
Expected dividend yield	5.52%	6.39%
Risk-free interest rates	0.24% - 0.32%	0.43% - 0.49%

19.3 Other expenses

Included in other expenses are the following:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Fees paid to auditors of the Company:				
– Audit	0.4	0.3	0.1	0.1
– Non-audit	0.2	0.3	0.1	0.1
Exchange gain	(4.9)	(8.1)	(1.8)	(7.5)
Changes in fair value of financial instruments	0.6	(2.0)	0.6	(1.7)
Loss on disposal of property, plant and equipment and intangible assets	0.4	3.8	0.9	0.3

20 Other Income

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Corporate recharges to subsidiaries	–	–	205.9	190.9
Dividend income from subsidiaries	–	–	90.0	100.0
Income related grants	26.7	21.4	–	–
	26.7	21.4	295.9	290.9

21 Finance Income and Expense

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Interest income:				
– Bank deposits	4.1	2.1	3.9	2.1
– Subsidiaries	–	–	16.2	15.5
Finance income	4.1	2.1	20.1	17.6
Interest expense:				
– Bank loans	18.0	20.5	18.0	20.5
– Medium term note	2.0	–	2.0	–
– Subsidiaries	–	–	1.4	0.1
Finance expense	20.0	20.5	21.4	20.6

Notes to the Financial Statements

Year ended 31 December 2012

22 Taxation

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Current tax				
Current income tax	81.0	66.9	52.0	55.7
Utilisation of previously unrecognised deferred tax assets	(10.5)	(8.6)	(11.6)	(18.0)
Over provision in prior year	(5.4)	(0.7)	(0.6)	(7.2)
	65.1	57.6	39.8	30.5
Deferred tax				
Origination and reversal of temporary differences	1.9	7.8	2.3	(8.5)
Over/ (under) provision of tax assets in prior year	5.1	(1.1)	0.6	7.2
	7.0	6.7	2.9	(1.3)
Total income tax in income statement	72.1	64.3	42.7	29.2

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	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Profit before taxation	431.4	379.8	399.2	377.5
Income tax using Singapore tax rate of 17%	73.3	64.6	67.8	64.2
Income not subject to tax	(0.3)	(0.7)	(15.3)	(17.0)
Non-deductible expenses	3.5	2.6	2.2	1.3
Deferred tax assets not recognised	8.8	10.2	–	–
Utilisation of previously unrecognised deferred tax assets	(10.5)	(8.6)	(11.6)	(18.0)
Over provision in prior year, net	(0.3)	(1.8)	–	–
Others	(2.4)	(2.0)	(0.4)	(1.3)
Total income tax in income statement	72.1	64.3	42.7	29.2

The Company's utilisation of previously unrecognised deferred tax assets relate to unutilised and unabsorbed capital allowances transferred from its subsidiaries under the group tax relief system in Singapore.

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

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Cash flow hedge, before tax	(0.5)	1.3	(0.5)	1.3
Taxation	0.1	(0.2)	0.1	(0.2)
Other comprehensive income for the year, net of taxation	(0.4)	1.1	(0.4)	1.1

23 Earnings Per Share

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 StarHub share plans.

	GROUP	
	2012 \$'mil	2011 \$'mil
Profit attributable to equity holders	359.3	315.5

	2012	2011
	Number of shares (million)	
Weighted average number of ordinary shares (basic)	1,716.8	1,716.2
Adjustment for dilutive effect of share plans	9.0	8.9
Weighted average number of ordinary shares (diluted)	1,725.8	1,725.1

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. The Group defines EBITDA as follows:

	GROUP	
	2012 \$'mil	2011 \$'mil
Profit before taxation	431.4	379.8
Adjustments for:		
Depreciation and amortisation (net of asset grants)	272.5	277.8
Finance income	(4.1)	(2.1)
Finance expense	20.0	20.5
EBITDA	719.8	676.0

Notes to the Financial Statements

Year ended 31 December 2012

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	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Ultimate holding company				
Sales	0.6	0.6	0.6	0.5
Subsidiaries				
Sales	-	-	656.6	648.9
Purchase of services	-	-	43.1	32.5
Related corporations				
Sales	102.6	105.7	33.6	30.2
Purchase of property, plant and equipment	22.1	15.3	18.6	13.7
Rental expenses	81.2	81.6	36.6	39.4
Purchase of services	119.3	124.2	22.7	25.5
Purchase of inventories	178.8	76.4	178.3	75.7

26 Segment Reporting

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

The CODM assesses 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.

The Group's reportable segment information is as follows:

	GROUP	
	2012 \$'mil	2011 \$'mil
Mobile	1,224.2	1,217.6
Pay TV	396.3	376.0
Broadband	249.4	241.7
Fixed network services	357.7	336.7
Sale of equipment	194.0	140.0
Operating revenue	2,421.6	2,312.0
EBITDA	719.8	676.0
Depreciation and amortisation (net of asset grants)	(272.5)	(277.8)
Finance income	4.1	2.1
Finance expense	(20.0)	(20.5)
Profit before taxation	431.4	379.8
Taxation	(72.1)	(64.3)
Profit for the year	359.3	315.5
Assets and liabilities		
Non-current assets	1,190.6	1,188.3
Current assets	618.0	534.8
Total assets	1,808.6	1,723.1
Borrowings	687.5	662.5
Other non-current liabilities	198.4	209.7
Current liabilities	879.2	828.3
Total liabilities	1,765.1	1,700.5
Other information		
Capital expenditure	278.1	243.5
Free cash flow *	416.8	449.7

* Free cash flow refers to net cash from operating activities less purchase of property, plant and equipment and intangible assets in the consolidated cash flow statement.

Notes to the Financial Statements

Year ended 31 December 2012

27 Financial Risk Management

Financial risk management objectives and policies

Exposure to credit, liquidity, 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 2.23.

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 maintains sufficient level of cash and cash equivalents, and has available funding through diverse sources of committed and uncommitted credit facilities from banks and the capital market through its medium term note programme.

27 Financial Risk Management (continued)

Liquidity risk (continued)

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

GROUP 2012	Carrying amount \$'mil	Contractual cash flows			
		Total \$'mil	Within 1 year \$'mil	After 1 year but within 5 years \$'mil	After 5 years but within 10 years \$'mil
Non-derivative financial liabilities					
Borrowings	687.5	785.9	9.7	398.7	377.5
Trade and other payables ^	540.1	540.1	540.1	–	–
Balances with related parties	56.5	56.5	56.5	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	10.7	10.8	4.3	6.5	–
Forward exchange contracts	0.2	0.2	0.2	–	–
	1,295.0	1,393.5	610.8	405.2	377.5

GROUP 2011	Carrying amount \$'mil	Contractual cash flows			
		Total \$'mil	Within 1 year \$'mil	After 1 year but within 5 years \$'mil	After 5 years but within 10 years \$'mil
Non-derivative financial liabilities					
Borrowings	662.5	700.5	79.7	568.2	52.6
Trade and other payables ^	507.2	507.2	507.2	–	–
Balances with related parties	41.9	41.9	41.9	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	12.2	12.2	8.8	3.4	–
	1,223.8	1,261.8	637.6	571.6	52.6

Notes to the Financial Statements

Year ended 31 December 2012

27 Financial Risk Management (continued)

Liquidity risk (continued)

COMPANY 2012	Carrying amount \$'mil	Contractual cash flows			
		Total \$'mil	Within 1 year \$'mil	After 1 year but within 5 years \$'mil	After 5 years but within 10 years \$'mil
Non-derivative financial liabilities					
Borrowings	687.5	785.9	9.7	398.7	377.5
Trade and other payables ^	311.1	311.1	311.1	–	–
Balances with related parties	321.5	321.8	321.8	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	10.7	10.8	4.3	6.5	–
Forward exchange contracts	0.2	0.2	0.2	–	–
	1,331.0	1,429.8	647.1	405.2	377.5

COMPANY 2011	Carrying amount \$'mil	Contractual cash flows			
		Total \$'mil	Within 1 year \$'mil	After 1 year but within 5 years \$'mil	After 5 years but within 10 years \$'mil
Non-derivative financial liabilities					
Borrowings	662.5	700.5	79.7	568.2	52.6
Trade and other payables ^	320.0	320.0	320.0	–	–
Balances with related parties	296.0	296.2	296.2	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	12.2	12.2	8.8	3.4	–
	1,290.7	1,328.9	704.7	571.6	52.6

^ The carrying amount of trade and other payables disclosed in the table exclude deferred income, unearned revenue, interest accruals for derivative financial liabilities. The latter is included in the derivative financial liabilities.

27 Financial Risk Management (continued)

Liquidity risk (continued)

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

GROUP AND COMPANY 2012	Within 1 year \$'mil	After 1 year but within 5 years \$'mil	Total \$'mil
Interest rate swaps – Liabilities	2.5	6.5	9.0

GROUP AND COMPANY 2011	Within 1 year \$'mil	After 1 year but within 5 years \$'mil	Total \$'mil
Interest rate swaps – Liabilities	4.6	3.4	8.0

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 2012, the Group had outstanding interest rate swap agreements with notional principal amounts totalling \$335.0 million (2011: \$602.5 million) in cash flow hedges against borrowings. These interest rate swaps will mature over the remaining term ranging from 2.1 years to 4.4 years (2011: 4 months to 4.6 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 0.855% to 2.250% per annum (2011: 0.920% to 3.015% per annum).

Sensitivity analysis

The Group's and the 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 the Company's profit before taxation to be lower/higher by \$1.3 million (2011: \$0.1 million).

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 United States Dollar.

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk on forecasted payment obligations. At 31 December 2012, the Group and the Company have outstanding forward exchange contracts with notional principal amounts of approximately \$42.9 million (2011: Nil).

The Group's and the Company's exposures to United States Dollar are as follows:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Trade and other receivables	18.2	6.4	5.8	6.9
Cash and cash equivalents	86.6	17.3	76.3	14.4
Trade and other payables	(163.2)	(164.5)	(92.9)	(111.6)
	(58.4)	(140.8)	(10.8)	(90.3)

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.

Notes to the Financial Statements

Year ended 31 December 2012

27 Financial Risk Management (continued)

Foreign currency risk (continued)

Sensitivity analysis

At 31 December 2012, a 1% (2011: 1%) strengthening of Singapore Dollar against the United States 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	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Profit before taxation	0.6	1.4	0.1	0.9

A 1% (2011: 1%) weakening of Singapore Dollar against the United States 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.

Borrowings

The fair values of borrowings which reprice within one year of reporting date were assumed to equate the carrying value. All other borrowings are calculated using discounted cash flow models based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

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 2012 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2012 % per annum	2011 % per annum
Derivatives	0.855 – 2.250	0.920 – 3.015

27 Financial Risk Management (continued)

Fair value 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 AND COMPANY	
	2012 \$'mil	2011 \$'mil
Mark-to-market financial instruments – Liabilities	9.0	8.0
Borrowings – Medium term note	220.0	–

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, bank borrowings from financial institutions and medium term note issued.

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.

Notes to the Financial Statements

Year ended 31 December 2012

29 Commitments

(a) Capital and other financial commitments

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Contracted and not provided for in the financial statements:				
– Capital expenditures	271.8	195.1	211.6	167.6
– Other operating expenditures	452.1	454.9	–	–
	723.9	650.0	211.6	167.6

Included in the capital expenditures contracted by the Company is an amount of approximately \$68.1 million (2011: \$56.2 million) which has been entered into on behalf of a subsidiary.

As at 31 December 2012, the Group has outstanding capital and other financial commitments with related companies amounting to \$20.7 million (2011: \$28.1 million).

(b) Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2012 \$'mil	2011 \$'mil	2012 \$'mil	2011 \$'mil
Payable:				
– Within 1 year	97.8	98.0	51.2	51.6
– Within 2 to 5 years	219.9	270.4	106.5	135.5
– After 5 years	4.7	20.6	3.6	11.5
	322.4	389.0	161.3	198.6

Included in the operating lease commitment of the Company is \$6.6 million (2011: \$6.6 million) which is contracted on behalf of a subsidiary.

The operating leases include lease of premises and network infrastructure. The leases have varying terms and renewal rights.

As at 31 December 2012, the Group has outstanding operating lease commitments with related companies amounting to \$253.9 million (2011: \$310.3 million).

30 Subsequent Event

The directors have proposed a final dividend of \$0.05 (2011: \$0.05) per share, tax exempt (one tier), totalling \$85.9 million (2011: \$85.8 million) in respect of the financial year ended 31 December 2012. 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 2013.

Interested Person Transactions and Material Contracts

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

	Aggregate value of all interested person transactions conducted under a Shareholders' Mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)	Aggregate value of all 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)
	1 January 2012 to 31 December 2012 \$'mil	1 January 2012 to 31 December 2012 \$'mil
Transactions for the Sale of Goods & Services		
CapitaLand Limited & its associates	0.1	–
Singapore Telecommunications Limited & its associates	61.7	–
STATS ChipPac Ltd & its associates	0.2	–
STT Communications Ltd and its associates	0.3	–
TeleChoice International Ltd & its associates	5.1	–
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	6.1	–
	73.5	–
Transactions for the Purchase of Goods & Services		
CapitaLand Limited & its associates	2.5	–
Mapletree Industrial Trust & its associates	3.4	–
Refinery Media Pte Ltd	–	2.2
Singapore Power Limited & its associates	25.9	–
Singapore Telecommunications Limited & its associates	113.0	–
SMRT Corporation Ltd & its associates	3.5	–
STT Communications Ltd and its associates	1.9	–
TeleChoice International Ltd & its associates	225.4	–
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	2.7	–
	378.3	2.2

During the financial year ended 31 December 2012, 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.

Shareholding Information

As at 22 February 2013

Class of shares	: Ordinary share
Voting rights	: One vote per share
Total number of issued shares excluding treasury shares	: 1,718,423,474
Total number of treasury shares held	: 72,788
Percentage of treasury shares held against the total number of issued shares excluding treasury shares	: 0.004%

Distribution of shareholdings

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares	% of issued share capital
1 – 999	1,153	8.83	642,168	0.04
1,000 – 10,000	9,832	75.29	37,844,699	2.20
10,001 – 1,000,000	2,050	15.70	88,241,086	5.13
1,000,001 and above	24	0.18	1,591,768,309	92.63
Total	13,059	100.00	1,718,496,262	100.00

Substantial shareholders

Name	Number of shares		% of issued share capital ⁽⁵⁾
	Direct interest	Deemed interest	
Temasek Holdings (Private) Limited	–	972,586,140 ⁽¹⁾	56.60
Singapore Technologies Telemedia Pte Ltd	–	970,807,990 ⁽²⁾	56.49
STT Communications Ltd	–	970,807,990 ⁽²⁾	56.49
Asia Mobile Holding Company Pte. Ltd.	–	970,807,990 ⁽²⁾	56.49
Asia Mobile Holdings Pte. Ltd.	970,807,990	–	56.49
Qatar Telecom (Qtel) Q.S.C.	–	970,807,990 ⁽³⁾	56.49
Qtel Investment Holdings S.P.C.	–	970,807,990 ⁽³⁾	56.49
Nippon Telegraph and Telephone Corporation	–	171,490,520 ⁽⁴⁾	9.98
NTT Communications Corporation	171,490,520	–	9.98

Notes:

- ⁽¹⁾ Temasek Holdings (Private) Limited is deemed to have an interest in 972,586,140 shares of StarHub in which Fullerton Fund Management Company Ltd, DBS Group Holdings Ltd and Singapore Technologies Telemedia Pte Ltd (ST Telemedia) group of companies have or are deemed to have an interest.
- ⁽²⁾ ST Telemedia is deemed to have an interest in 970,807,990 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.
- ⁽³⁾ Qtel Investment Holdings S.P.C. (QIH) and Qatar Telecom (Qtel) Q.S.C. (Qtel) are deemed to have an interest in 970,807,990 shares of StarHub held by AMH. QIH holds approximately 25% of the total issued share capital of AMH. QIH is a wholly-owned subsidiary of Qtel.
- ⁽⁴⁾ 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.
- ⁽⁵⁾ The shareholding percentage is based on the number of issued shares of StarHub excluding treasury shares.

Twenty largest shareholders

No.	Name of shareholder	Number of shares held	% of issued share capital ⁽¹⁾
1	Asia Mobile Holdings Pte. Ltd.	970,807,990	56.49
2	NTT Communications Corporation	171,490,520	9.98
3	Citibank Nominees Singapore Pte Ltd	126,730,399	7.37
4	DBS Nominees Pte Ltd	93,362,072	5.43
5	HSBC (Singapore) Nominees Pte Ltd	73,906,032	4.30
6	DBSN Services Pte Ltd	51,816,834	3.02
7	Raffles Nominees (Pte) Ltd	30,462,076	1.77
8	United Overseas Bank Nominees Pte Ltd	23,198,044	1.35
9	Singapore Press Holdings Limited	12,911,230	0.75
10	DB Nominees (Singapore) Pte Ltd	8,397,818	0.49
11	BNP Paribas Securities Services	5,259,848	0.31
12	Yeo Kok Pin	3,444,000	0.20
13	Bank of Singapore Nominees Pte Ltd	3,055,324	0.18
14	Morgan Stanley Asia (Singapore) Pte Ltd	2,032,609	0.12
15	Yeo Wei Yan	1,822,000	0.11
16	Yeo Kok Seng	1,688,000	0.10
17	BNP Paribas Nominees Singapore Pte Ltd	1,686,812	0.10
18	OCBC Nominees Singapore Pte Ltd	1,665,225	0.10
19	Koh Kai Jiang	1,605,000	0.09
20	Merrill Lynch (Singapore) Pte Ltd	1,598,818	0.09
Total		1,586,940,651	92.35

⁽¹⁾ The shareholding percentage is based on the number of issued shares of StarHub excluding treasury shares.

Shareholding held in hands of the public

Based on the information available to StarHub as at 22 February 2013, approximately 33.32% 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 Fifteenth Annual General Meeting

Notice of Fifteenth Annual General Meeting

Notice is hereby given that the Fifteenth 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 15 April 2013 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 2012 and the Auditors' Report therein. **Resolution 1**
- 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 Teo Ek Tor (Independent Member of Audit Committee); **Resolution 2**
 - (b) Mr Liu Chee Ming; **Resolution 3**
 - (c) Mr Nihal Vijaya Devadas Kaviratne (Independent Member of Audit Committee); and **Resolution 4**
 - (d) Mr Lim Ming Seong (Member of the Audit Committee). **Resolution 5**

The profile of Mr Teo, Mr Liu, Mr Kaviratne and Mr Lim can be found on pages 20 to 22 of the StarHub Ltd Annual Report 2012.
- 3 To re-elect the following Directors, each of whom will retire pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:
 - (a) Mr Takeshi Kazami; **Resolution 6**
 - (b) Mr Sio Tat Hiang; and **Resolution 7**
 - (c) Mr Tan Tong Hai. **Resolution 8**

The profile of Mr Kazami, Mr Sio and Mr Tan can be found on pages 23 and 32 of the StarHub Ltd Annual Report 2012.
- 4 To approve the sum of S\$1,696,420 as Directors' Remuneration for the financial year ended 31 December 2012 comprising:
 - (a) S\$1,237,684 to be paid in cash (2011: S\$1,165,850); and
 - (b) S\$458,736 to be paid in the form of restricted share awards pursuant to the StarHub Restricted Stock Plan (2011: S\$426,450).
- 5 To declare a final dividend of five cents per ordinary share for the financial year ended 31 December 2012. **Resolution 10**
- 6 To re-appoint KPMG LLP as Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 11**

Special Business

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

- 7 That authority be and is hereby given to the Directors to: **Resolution 12**
 - (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 13**
- 9 That approval be and is hereby given to the Directors to: **Resolution 14**
- (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, 21 March 2013

StarHub Ltd

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

Notice of Fifteenth 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 office of the Share Registrar of the Company, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 (Attn: The Share Registrar) not less than 48 hours before the time appointed for the Annual General Meeting.

Explanatory Notes :

Resolution 9

Resolution 9 is to approve the payment of an aggregate sum of S\$1,696,420 as Directors' remuneration for the non-executive Directors of the Company for the financial year ended 31 December 2012. If approved, each of the non-executive Directors will receive 70% of his Directors' remuneration in cash and (with the exception of Mr Kua Hong Pak, Mr Sadao Maki and Mr Takeshi Kazami) 30% of his Directors' remuneration in the form of a restricted share award pursuant to the StarHub Restricted Stock Plan. See the section on "2. Remuneration Matters" in the Corporate Governance section on pages 61 to 65 of the Annual Report 2012 for the rationale in relation to the shares component of the non-executive Directors' remuneration. The number of shares to be awarded will be based on the volume weighted average price of a share listed on the SGX-ST over the 14 trading days commencing on the ex-dividend date that immediately follows the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred, with cash to be paid in lieu of the remaining shares arising. The restricted share awards will consist of the grant of fully paid shares, without any performance or vesting conditions attached. However, in order to encourage alignment of the interests of the Directors with the interests of shareholders, non-executive Directors who received the aforesaid restricted share award are required to hold shares in the Company worth at least the prevailing annual basic retainer fee, or the aggregate of (a) the total number of shares awarded as part of their remuneration for the financial year ended 31 December 2011 and each subsequent financial year thereafter and (b) 50% of the total number of shares awarded from the financial year ended 31 December 2007 to the financial year ended 31 December 2010, whichever is lower. Non-Executive Directors can dispose of all their shares one year after ceasing to be a Director. Each of Mr Kua Hong Pak, Mr Sadao Maki and Mr Takeshi Kazami has declined the restricted share award grant, and will only receive the cash component of their remuneration.

Resolution 12

Resolution 12 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 12 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 12 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Resolution 13

Resolution 13 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 14

Resolution 14 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 Fifteenth Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed on 22 April 2013 ("Books Closure Date").

Duly completed registrable transfers received by the Company's share registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to the close of business at 5.00 p.m. on 19 April 2013 ("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 3 May 2013.

StarHub Ltd

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

Proxy Form

Fifteenth 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 ("AGM") of the Company to be held on 15 April 2013 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.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. 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 AGM and at any adjournment thereof.

No.	Resolutions	For*	Against*
	Ordinary Business		
1	To receive and adopt the Reports of Directors and Auditors and Audited Accounts		
2	To re-elect Mr Teo Ek Tor as Director		
3	To re-elect Mr Liu Chee Ming as Director		
4	To re-elect Mr Nihal Vijaya Devadas Kaviratne as Director		
5	To re-elect Mr Lim Ming Seong as Director		
6	To re-elect Mr Takeshi Kazami as Director		
7	To re-elect Mr Sio Tat Hiang as Director		
8	To re-elect Mr Tan Tong Hai as Director		
9	To approve the Directors' Remuneration		
10	To declare the Final Dividend		
11	To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
12	To authorise Directors to allot and issue shares		
13	To authorise Directors to allot and issue shares pursuant to exercise of options granted under the StarHub Pte Ltd Share Option Plan		
14	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		

* If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" or "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided.

Dated this _____ day of _____ 2013.

Total Number of Shares Held

Signature(s) or Common Seal of members

3rd fold here & fold flap

Affix
Postage
Stamp

STARHUB LTD
112 Robinson Road
#05-01
Singapore 068902
Attn: The Share Registrar

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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 office of the Share Registrar of the Company, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 (Attn: The Share Registrar), 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 (CEO)
KUA Hong Pak
Peter SEAH Lim Huat
Nihal Vijaya Devadas KAVIRATNE CBE
Steven Terrell CLONTZ
LIM Ming Seong
TEO Ek Tor
LIU Chee Ming
Robert J. SACHS
Nasser MARAFIH
SIO Tat Hiang
Takeshi KAZAMI

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)
LIM Ming Seong
SIO Tat Hiang

NOMINATING COMMITTEE

Peter SEAH Lim Huat (Chairman)
TEO Ek Tor
SIO Tat Hiang

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
112 Robinson Road #05-01
Singapore 068902

AUDITORS

KPMG LLP
Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Partner-in-charge: ANG Fung Fung

SUBSIDIARIES

StarHub Mobile Pte Ltd
StarHub Cable Vision Ltd.
StarHub Internet Pte Ltd
StarHub Online Pte Ltd
SHINE Systems Assets Pte. Ltd.
StarHub Shop Pte Ltd
StarHub, Inc.
StarHub (Hong Kong) Limited
StarHub (Mauritius) 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

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strategic communicator and visual creator
greymatter williams and phoa (asia)



STARHUB LTD
REG. NO: 199802208C
67 UBI AVENUE 1
#05-01 STARHUB GREEN
SINGAPORE 408942
TEL: (65) 6825 5000
FAX: (65) 6721 5000

www.starhub.com