

**CIRCULAR DATED 27 MARCH 2007**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold your ordinary shares in the capital of StarHub Ltd (the “**Company**”), please immediately forward this Circular and the attached Proxy Form to the purchaser or to the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.



**STARHUB LTD**

(Incorporated in the Republic of Singapore)  
Company Registration Number: 199802208C

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (1) the proposed Capital Reduction and Cash Distribution;**
- (2) the proposed renewal of the Share Purchase Mandate; and**
- (3) the proposed renewal of the Shareholders’ Mandate for Interested Person Transactions.**

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	:	16 April 2007 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	18 April 2007 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Ninth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	Ballroom III, Level 3 Singapore Marriott Hotel 320 Orchard Road Singapore 238865

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## CONTENTS

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	<b>Page</b>
<b>DEFINITIONS</b> .....	2
<b>LETTER TO SHAREHOLDERS</b> .....	6
1. Introduction .....	6
2. The Proposed Capital Reduction .....	6
3. The Proposed Renewal of the Share Purchase Mandate .....	16
4. The Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions .....	29
5. Directors' and Substantial Shareholders' Interests .....	30
6. Directors' Recommendations .....	31
7. Extraordinary General Meeting .....	32
8. Action to be taken by Shareholders .....	32
9. Inspection of Documents .....	33
10. Directors' Responsibility Statement .....	33
<b>APPENDIX 1</b>	
Proforma Balance Sheet before and after the Capital Reduction .....	34
<b>APPENDIX 2</b>	
The Shareholders' Mandate .....	35
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	44
<b>PROXY FORM</b>	

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## DEFINITIONS

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In this Circular, the following definitions apply throughout unless otherwise stated:

- “2006 EGM”** : The Extraordinary General Meeting of the Company held on 26 April 2006.
- “2006 Circular to Shareholders”** : The Company’s Circular to Shareholders dated 3 April 2006.
- “Articles”** : The Articles of Association of the Company.
- “Books Closure Date”** : A date to be announced on which the Transfer Books and the Register of Members of the Company will be closed in order to determine the entitlements of Shareholders under the Capital Reduction.
- “Broadcasting Act”** : The Broadcasting Act, Chapter 28.
- “Capital Reduction”** : The proposed capital reduction exercise to be carried out by the Company pursuant to Section 78G of the Companies Act to return to Shareholders part of the issued share capital of the Company which is in excess of the needs of the Company, details of which are set out on pages 6 to 16 of this Circular.
- “Cash Distribution”** : The proposed cash distribution by the Company to Shareholders of S\$2.86 in cash for each Share cancelled by way of the Capital Reduction.
- “CDP”** : The Central Depository (Pte) Limited.
- “Companies Act”** : The Companies Act, Chapter 50.
- “Companies (Amendment) Act”** : The Companies (Amendment) Act 2005.
- “Company” or “StarHub”** : StarHub Ltd.
- “Court”** : The High Court of the Republic of Singapore.
- “Directors”** : The directors of the Company for the time being.
- “EGM”** : The extraordinary general meeting of the Company, notice of which is given on pages 44 to 47 of this Circular.
- “EPS”** : Earnings per Share.
- “Foreign Shareholding”** : Shares held by, or in respect of which voting rights are controlled by, a foreign source.

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## DEFINITIONS

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- “Foreign Shareholding Limit”** : Subject to Article 10(G)(a) of the Articles, 49 per cent. of the issued share capital of the Company, provided always that, subject to the prior approval of any stock exchange upon which shares in the Company may be listed, the Directors may from time to time reduce the Foreign Shareholding Limit to below 49 per cent. of the issued share capital of the Company as the Directors may in their absolute discretion determine and may from time to time, following such reduction, increase the Foreign Shareholding Limit to up to 49 per cent. of the issued share capital of the Company.
- “Group” or “StarHub Group”** : The Company and its subsidiaries.
- “IDA”** : Info-communications Development Authority of Singapore.
- “Income Tax Act”** : The Income Tax Act, Chapter 134.
- “Latest Practicable Date”** : The latest practicable date prior to the printing of this Circular, being 5 March 2007.
- “Listing Manual”** : The listing manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date.
- “Market Day”** : A day on which the SGX-ST is open for trading in securities.
- “Minister”** : The Minister referred to in the Broadcasting Act and/or the Telecommunications Act, as the case may be.
- “NTA”** : Net tangible assets.
- “Performance Share Plan”** : The StarHub Performance Share Plan.
- “Prescribed Limits”** : Subject to Article 2 of the Articles, shareholding limits prescribed by the Broadcasting Act, the Telecommunications Act and/or any other legislation to which the Company is subject from time to time and/or any regulations, guidelines, notices and/or codes of conduct promulgated or issued thereunder from time to time and, unless and until approval shall have been obtained from the Minister under the Broadcasting Act, shall include the Foreign Shareholding Limit.
- “Reduction Ratio”** : The ratio to be applied for the cancellation of Shares pursuant to the Capital Reduction, being one Share cancelled for every twelve Shares held as at the Books Closure Date.
- “Restricted Stock Plan”** : The StarHub Restricted Stock Plan.
- “ROE”** : Return on equity.
- “Securities Accounts”** : Securities accounts maintained by a Depositor with CDP, but not including securities sub-accounts maintained with a Depository Agent.
- “SGX-ST”** : Singapore Exchange Securities Trading Limited.

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## DEFINITIONS

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“Share Awards”	:	Awards granted pursuant to the Performance Share Plan and the Restricted Stock Plan.
“Share Option Plans”	:	The StarHub Pte Ltd Share Option Plan and the StarHub Share Option Plan 2004.
“Share Options”	:	Options to subscribe for new Shares granted pursuant to the Share Option Plans.
“Shareholders”	:	Persons (other than CDP) who are registered as holders of Shares in the Register of Members of the Company and Depositors who have Shares entered against their names in the Depository Register.
“Shares”	:	Ordinary shares in the capital of the Company.
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers.
“Telco Competition Code”	:	Code of Practice for Competition in the Provision of Telecommunication Services 2005.
“Telecommunications Act”	:	The Telecommunications Act, Chapter 323.
“Temasek”	:	Temasek Holdings (Private) Limited.
“S\$”, “\$” and “cents”	:	Singapore dollars and cents, respectively.
“%” or “per cent.”	:	Per centum or percentage.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term “foreign source” shall have the meaning ascribed to it in Section 43 of the Broadcasting Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual, or any modification thereof and not otherwise defined in this Circular, shall have the same meaning assigned to it under the Companies Act or the Listing Manual or any modification thereof, as the case may be.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancy with the tables in this Circular between the listed amounts and the totals thereof is due to rounding.

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## INDICATIVE TIMETABLE

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The following are the indicative dates and times for the Capital Reduction<sup>(1)</sup>:

Last date and time for lodgement of Proxy Forms for the EGM <sup>(2)</sup>	:	16 April 2007 at 10.30 a.m.
Date and time of the EGM	:	18 April 2007 at 10.30 a.m.
Expected date for Court approval of the Capital Reduction	:	29 May 2007
Expected last date and time of “cum” trading of the Shares	:	19 June 2007 at 5.00 p.m.
Expected commencement of “ex” trading of the Shares	:	20 June 2007 at 9.00 a.m.
Expected Books Closure Date for the Capital Reduction	:	22 June 2007 at 5.00 p.m.
Expected Payment Date for the Cash Distribution	:	12 July 2007

**Notes:**

- <sup>(1)</sup> The above timetable is only indicative and the actual dates of the above events will be announced in due course by way of SGXNET announcement released on the SGX-ST.
- <sup>(2)</sup> All Proxy Forms must be lodged at the registered office of the Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 (Attn: Company Secretary) not less than 48 hours before the time fixed for holding the EGM. Completion and return of a Proxy Form will not preclude a Shareholder from attending and voting in person at the EGM.

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## LETTER TO SHAREHOLDERS

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### STARHUB LTD

(Incorporated in the Republic of Singapore)  
Company Registration No. 199802208C

#### Directors:

Tan Guong Ching (*Chairman*)  
Steven Terrell Clontz (*President and Chief Executive Officer*)  
Kua Hong Pak  
Peter Seah Lim Huat  
Nihal Vijaya Devadas Kaviratne CBE  
Lee Theng Kiat  
Lim Ming Seong  
Lim Chin Beng  
Osamu Inoue  
Teo Ek Tor  
Liu Chee Ming  
Robert J. Sachs  
Sio Tat Hiang (*Alternate Director*)  
Stephen Geoffrey Miller (*Alternate Director*)  
Tadashi Imachi (*Alternate Director*)

#### Registered Office:

51 Cuppage Road  
#07-00 StarHub Centre  
Singapore 229469

27 March 2007

To: The Shareholders of  
StarHub Ltd

Dear Sir/Madam

#### 1. INTRODUCTION

- 1.1 **EGM.** The Directors are convening an EGM to be held on 18 April 2007 to seek Shareholders' approval for the following proposals:
- (a) the proposed Capital Reduction and Cash Distribution;
  - (b) the proposed renewal of the Share Purchase Mandate; and
  - (c) the proposed renewal of the Shareholders' Mandate for Interested Person Transactions.
- 1.2 **Circular.** The purpose of this Circular is to provide Shareholders with information relating to the proposals to be tabled at the EGM.
- 1.3 **SGX-ST.** The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

#### 2. THE PROPOSED CAPITAL REDUCTION

- 2.1 **Announcement.** On 7 March 2007, the Directors announced the Capital Reduction involving the cancellation of approximately 155.3 million Shares representing approximately 8.3% of the issued share capital of the Company as at 5 March 2007 and a cash distribution of S\$2.86 for each Share cancelled pursuant to the Capital Reduction. The actual number of Shares to be cancelled pursuant to the Capital Reduction may be adjusted, based on the issued share capital of the Company as at the Books Closure Date.



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## LETTER TO SHAREHOLDERS

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A copy of the Company's announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

2.2 **Proposed Capital Reduction.** The Capital Reduction exercise will involve the following:

2.2.1 ***Capitalisation of Capital Reserves***

An amount of approximately S\$444 million forming part of the capital reserves of the Company will be applied in paying up for the allotment and issue of approximately 155.3 million new Shares in the issued share capital of the Company ("**Additional Shares**") in the proportion of one Additional Share for each Share which is cancelled based on the Reduction Ratio as described in sub-paragraph 2.2.2 below and as adjusted pursuant to the application of the Rounding-Up (as defined in sub-paragraph 2.2.3 below). The Additional Shares will forthwith upon being allotted and issued be cancelled in their entirety.

2.2.2 ***Cancellation of Shares based on the Reduction Ratio***

Pursuant to the Capital Reduction, the Company will, subject to the Rounding-Up, cancel one Share for every twelve Shares held by or on behalf of each of the Shareholders as at the Books Closure Date. Any fraction of a Share to be cancelled from the shareholding of each Shareholder arising from the application of the Reduction Ratio shall be disregarded for the purposes of the Capital Reduction.

Shareholders who hold or own less than twelve Shares as at the Books Closure Date will not be subject to, and their Shares will not be cancelled pursuant to, the Capital Reduction.

2.2.3 ***Rounding-Up***

The Capital Reduction is proposed to be effected such that the resultant number of Shares which would have been held by or on behalf of each Shareholder following the proposed cancellation of Shares based on the Reduction Ratio will be rounded up (where applicable) to the nearest multiple of 10 Shares (the "**Rounding-Up**"). Consequently, the number of Shares proposed to be cancelled from such Shareholder may be reduced accordingly (please refer to illustration A in paragraph 2.5 below).

However, in the event that the resultant number of Shares arising from the Rounding-Up:

- (a) is greater than that held by or on behalf of such Shareholder as at the Books Closure Date, no Rounding-Up will be applied and the number of Shares proposed to be cancelled from such Shareholder will be the number of Shares cancelled based solely on the Reduction Ratio, disregarding fractions (please refer to illustration B in paragraph 2.5 below); or
- (b) is equal to that held by or on behalf of such Shareholder as at the Books Closure Date, no Shares shall be cancelled from such Shareholder (please refer to illustration C in paragraph 2.5 below).

The Rounding-Up is intended to enable the Shareholders to own Shares in multiples of 10 Shares to facilitate the trading of Shares on the SGX-ST, after the Capital Reduction.

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## LETTER TO SHAREHOLDERS

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### 2.2.4 **Cash Distribution**

In exchange for the cancellation of Shares pursuant to the Capital Reduction, the Company will make a cash distribution of S\$2.86 for each Share held by or on behalf of the Shareholders cancelled pursuant to the Capital Reduction. The price of S\$2.86 for each Share so cancelled is based on the average of the last transacted prices of the Shares traded on the SGX-ST for the five Market Days from (and including) 27 February 2007 to (and including) 5 March 2007.

There will be no cash distribution to the Shareholders arising from the cancellation of the Additional Shares as described in sub-paragraph 2.2.1 above. The capitalisation of the capital reserves of the Company is necessary so that the Capital Reduction and Cash Distribution will be effected out of, and limited to, the amount of issued share capital of the Company arising from such capitalisation while the allotment and issue, and subsequent cancellation, of the Additional Shares, together with the cancellation of Shares pursuant to the Capital Reduction, result in the number of Shares in the issued share capital of the Company being reduced following the Capital Reduction.

Based on the issued share capital of the Company of approximately S\$239 million comprising approximately 1,853 million Shares as at the Latest Practicable Date:

- (a) an aggregate amount of approximately S\$444 million will be returned to the Shareholders pursuant to the Capital Reduction, all of which will originate from the reduction of the portion of the issued share capital of the Company created from the capitalisation of the capital reserves of the Company; and
- (b) approximately 155.3 million Shares will be cancelled under the Capital Reduction.

The actual number of Shares to be cancelled pursuant to the Capital Reduction as well as the actual amount of the capital reserves of the Company to be capitalised, and the portion of the issued share capital of the Company (created from the capitalisation of the capital reserves of the Company) to be reduced may be adjusted, based on the issued share capital of the Company as at the Books Closure Date.

- 2.3 **Share Options and Share Awards.** The Company has granted Share Options under the Share Option Plans, which are exercisable into Shares. The Company has also granted Share Awards under the Performance Share Plan and the Restricted Stock Plan, pursuant to which the Company may, subject to performance targets and/or conditions being fulfilled, deliver Shares, free of payment, to the holders of such Share Awards, either in the form of new Shares or existing Shares, upon the vesting of the Share Awards.

Accordingly, the actual number of Shares to be cancelled pursuant to the Capital Reduction may be adjusted, based on the issued share capital of the Company as at the Books Closure Date, taking into account the issue of new Shares arising from the exercise of any Share Options and any vesting of Share Awards, on or before the Books Closure Date.

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## LETTER TO SHAREHOLDERS

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- 2.4 **Legal Steps.** The Capital Reduction will involve the following steps based, for illustrative purposes only, on an assumed issued share capital of S\$239 million comprising 1,853 million Shares, as at the Latest Practicable Date:
- (a) approximately S\$444 million will be capitalised from the capital reserves of the Company to allot and issue to the Shareholders, credited as fully paid-up, up to 155.3 million Additional Shares, in the proportion of one Additional Share for each Share which is cancelled pursuant to paragraphs (c) and (d) below;
  - (b) the Additional Shares shall thereafter immediately be cancelled in their entirety;
  - (c) pursuant to the Reduction Ratio, a maximum of approximately 155.3 million Shares is proposed to be cancelled;
  - (d) the number of Shares proposed to be cancelled from each Shareholder pursuant to the Reduction Ratio may be reduced by applying (where applicable) the Rounding-Up. In the event that the resultant number of Shares arising from the Rounding-Up:
    - (i) is greater than the number of Shares held or owned by each Shareholder as at the Books Closure Date, no Rounding-Up will be applied and the number of Shares proposed to be cancelled from such Shareholder will be the number of Shares cancelled based solely on the Reduction Ratio, disregarding fractions; or
    - (ii) is equal to the number of Shares held or owned by such Shareholder as at the Books Closure Date, no Shares will be cancelled from such Shareholder; and
  - (e) the issued share capital (as enlarged following the capitalisation of the capital reserves as described in sub-paragraph (a) above) of the Company will be reduced by approximately S\$444 million (being the amount of the capital reserves of the Company which is capitalised as described in paragraph (a) above), and returned to the Shareholders on the basis of S\$2.86 per Share in cash for each Share cancelled as described in sub-paragraphs (c) and (d) above.

The end result after completion of the above steps would be an aggregate Cash Distribution of approximately S\$444 million by the Company and the return of capital to the Shareholders of an amount of S\$2.86 per Share in cash for every Share cancelled pursuant to the Capital Reduction.

The above does not take into account the issue of approximately 30.2 million new Shares, assuming the exercise of all outstanding Share Options and the early vesting of all outstanding Share Awards and all Share Awards that may be granted under the Performance Share Plan and assuming that new shares will be issued upon the vesting of all such Share Awards on or prior to the Books Closure Date, in which event the issued share capital of the Company will be further reduced by a maximum of up to S\$7.2 million. Assuming that all outstanding share options are exercised and all share awards are vested as at the Books Closure Date, an amount of up to S\$452 million will be returned to the Shareholders, and up to 157.8 million Shares will be cancelled, as reflected in the Notice of EGM set out on pages 44 to 47 of this Circular.

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## LETTER TO SHAREHOLDERS

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- 2.5 **Illustrations.** The following illustrates the position of a Shareholder who owns 1,000 Shares, 12 Shares or 50 Shares as at the Books Closure Date:

*Illustration A*

	<b>Shareholder with 1,000 Shares</b>
<b>Position pre-Capital Reduction</b>	
(1) Shares currently held	1,000
<b>Position post-Capital Reduction</b>	
(2) Shares proposed for cancellation based on the Reduction Ratio alone	83
(3) Resultant number of Shares after proposed cancellation based on the Reduction Ratio alone ((1) – (2))	917
(4) Rounding-Up of Shares held to the nearest multiple of 10	920
(5) Shares to be cancelled pursuant to the Capital Reduction ((1) – (4))	80
<b>Cash proceeds received by Shareholder</b>	<b>S\$228.80</b>

Based on illustration A above, a Shareholder who owns 1,000 Shares before the Capital Reduction will receive a Cash Distribution of S\$228.80 for the 80 Shares cancelled, while maintaining approximately the same proportionate shareholding in the Company after the Capital Reduction is effected.

*Illustration B*

	<b>Shareholder with 12 Shares</b>
<b>Position pre-Capital Reduction</b>	
(1) Shares currently held	12
<b>Position post-Capital Reduction</b>	
(2) Shares proposed for cancellation based on the Reduction Ratio alone	1
(3) Resultant number of Shares after proposed cancellation based on the Reduction Ratio alone ((1) – (2))	11
(4) Rounding-Up of Shares held to the nearest multiple of 10	20
(5) Since (4) > (1), Rounding-Up not to apply. Therefore, Shares to be cancelled pursuant to the Capital Reduction ((1) – (3))	1
<b>Cash proceeds received by Shareholder</b>	<b>S\$2.86</b>

Based on illustration B above, a Shareholder who owns 12 Shares before the Capital Reduction will receive a Cash Distribution of S\$2.86 for the one Share cancelled, while maintaining approximately the same proportionate shareholding in the Company after the Capital Reduction is effected. There will be no Rounding-Up in illustration B above.

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## LETTER TO SHAREHOLDERS

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### *Illustration C*

	<b>Shareholder with 50 Shares</b>
<b>Position pre-Capital Reduction</b>	
(1) Shares currently held	<b>50</b>
<b>Position post-Capital Reduction</b>	
(2) Shares proposed for cancellation based on the Reduction Ratio alone	<b>4</b>
(3) Resultant number of Shares after proposed cancellation based on the Reduction Ratio alone ((1) – (2))	<b>46</b>
(4) Rounding-Up of Shares held to the nearest multiple of 10	<b>50</b>
(5) Since (4) = (1), no cancellation. Therefore, Shares to be cancelled pursuant to the Capital Reduction ((1) – (4))	<b>0</b>
<b>Cash proceeds received by Shareholder</b>	<b>S\$Nil</b>

Based on illustration C above, none of the Shares of a Shareholder who owns 50 Shares before the Capital Reduction, will be cancelled and accordingly, such Shareholder will not receive Cash Distribution. Nonetheless, he will still maintain approximately the same proportionate shareholding in the Company after the Capital Reduction is effected.

- 2.6 **Funds for the Capital Reduction.** The Capital Reduction will be funded from cash and where appropriate, proceeds from drawdown of credit facilities made or to be made available to the Company.
- 2.7 **Rationale.** The Company regularly reviews its capital structure and the leverage position of its balance sheet in the context of its current strategy. To this end, the Directors of the Company are of the view that the Capital Reduction exercise will allow the Company and Group to achieve a more efficient capital structure.

On a proforma basis on the financial statements for the year ended 31 December 2006, the Capital Reduction is expected to increase the ROE of the Company from 23.7% to 26.6%, thereby increasing shareholders' value. After the Capital Reduction, the Group's financial position is expected to remain strong and cash flow generated from its operations is expected to be able to support a sustainable dividend policy, service the expanded debt level and cover its near term operating and investment needs.

- 2.8 **Taxation.** Shareholders should note that the following statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Capital Reduction. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction outside Singapore should consult their own professional advisers.

Section 10I of the Income Tax Act provides that where a Singapore resident company makes a payment to its shareholders upon a reduction of its share capital and such a capital reduction is made out of "contributed capital" of the company, the payment to the shareholders will be treated as a return of capital and not as a payment of dividend. Where the reduction of share capital is not made out of the contributed capital of the company, and a payment is made to any shareholder pursuant to such reduction, the payment to shareholder shall be deemed to be a dividend. For Singapore income tax purposes, a return of capital would generally be treated as

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## LETTER TO SHAREHOLDERS

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capital in nature and would not be taxable to the shareholders in Singapore, except in certain cases, such as shareholders who are traders in securities or who have classified their investments as trading stocks, marketable securities or short-term investments.

As to any dividend payment, as the Company is on the 1-tier tax system, such dividend is tax-exempt in the hands of the Shareholders.

In relation to the Cash Distribution to be made to Shareholders pursuant to the Capital Reduction, the amounts are to be paid to Shareholders out of the capital reserves of the Company. On the basis that the capital reserves consist of valuable consideration received by the Company for the Shares it has issued to date, the capital return will likely be regarded as a return of capital and should not be treated as a distribution of dividend to Shareholders for purposes of Singapore income tax.

### 2.9 Conditions

#### 2.9.1 **Conditions for the Capital Reduction.**

The Capital Reduction is subject to, inter alia:

- (a) the approval of the Shareholders by way of a special resolution for the Capital Reduction at the EGM;
- (b) the approval of the Court for the Capital Reduction;
- (c) the approval of the Minister pursuant to Section 35(3) of the Broadcasting Act; and
- (d) all other relevant approvals and consents being obtained.

A copy of the Order of Court approving the Capital Reduction and the other documents as prescribed under the Companies Act will subsequently be lodged with the Registrar of Companies of Singapore.

#### 2.9.2 **Payment Date.**

On the lodgement of the office copy of the Order of Court confirming the Capital Reduction together with the other documents prescribed under the Companies Act with the Registrar of Companies of Singapore, the special resolution for the Capital Reduction shall take effect, and the Cash Distribution will be made thereafter. Subject to the conditions in paragraph 2.9.1 above being satisfied, it is currently expected that the amounts arising from the Capital Reduction will be paid to Shareholders by 12 July 2007.

2.10 **No Adjustments in Share Options and Share Awards.** The Executive Resource and Compensation Committee of the Company, has deliberated and determined that, in its opinion, no adjustments are required to be made to the terms of the outstanding Share Options and Share Awards consequent upon the Capital Reduction, under the respective rules of the Share Option Plans, the Performance Share Plan and the Restricted Stock Plan.

2.11 **Financial Effects.** For illustrative purposes only, assuming the Capital Reduction had been implemented in 2006 according to a similar indicative timetable as set out in page 5 of this Circular, the *proforma* financial effects of the Capital Reduction based on the audited financial statements of the Company as at 31 December 2006 are set out in paragraphs 2.11.1 to 2.11.6 below.

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## LETTER TO SHAREHOLDERS

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### 2.11.1 *Share Capital*

As the proposed Capital Reduction will be effected by cancelling the portion of the issued share capital of the Company arising from the capitalisation of the Company's capital reserves, there will be no change to the issued share capital of the Company as at 31 December 2006.

### 2.11.2 *Shareholders' Funds*

The *proforma* financial effect on the shareholders' funds of the Company as at 31 December 2006 based on the audited financial statements of the Company for the year ended 31 December 2006, are as follows:

(S\$ million)	Company	
	As at 31 December 2006	<i>Proforma</i> after the Capital Reduction
Share capital	236	236
Capital reserves	719	275
Revenue and other reserves	623	615
Shareholders' funds	1,578	1,126

### 2.11.3 *Net Assets*

The *proforma* financial effects on the net assets of the Company as at 31 December 2006 based on the audited financial statements of the Company for the year ended 31 December 2006, are as follows:

	Company	
	As at 31 December 2006	<i>Proforma</i> after the Capital Reduction
Net assets (S\$ million)	1,578	1,126
Number of issued Shares (million)	1,850	1,695
Net assets per Share (cents)	85.30	66.43

### 2.11.4 *Earnings*

The *proforma* financial effects on the earnings of the Company for the financial year 2006 based on the audited financial statements of the Company for the year ended 31 December 2006, are as follows:

	Company	
	As at 31 December 2006	<i>Proforma</i> after the Capital Reduction
Profit after taxation and minority interests (S\$ million)	424	416
Weighted number of issued Shares (million)	2,067	1,912
Diluted EPS (cents)	20.51	21.76

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## LETTER TO SHAREHOLDERS

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### 2.11.5 **Leverage Ratios**

The *proforma* financial effects on the leverage ratios of the Company as at 31 December 2006 based on the audited financial statements of the Company for the year ended 31 December 2006, are as follows:

	Company	
	As at 31 December 2006	<i>Proforma</i> after the Capital Reduction
Total net borrowings (S\$ million)	593	1,047
Net Debt/Average Equity (%)	33%	67%

The total net borrowings ratio expressed on the Group's EBITDA for 2006, on a *proforma* basis, increased from 1.03 times to 1.82 times after the Capital Reduction.

2.11.6 **Appendix 1.** The *proforma* balance sheet of the Company before and after the Capital Reduction, based on the audited balance sheet as at 31 December 2006, is set out in Appendix 1 to this Circular.

### 2.12 **Administrative Procedures**

#### 2.12.1 **Books Closure Date**

Persons registered in the Register of Members of the Company and Depositors whose Securities Accounts are credited with Shares as at the Books Closure Date will be entitled to receive a Cash Distribution of S\$2.86 for each Share cancelled, based on the Shares held as at the Books Closure Date.

Persons registered in the Register of Members of the Company and Depositors whose Securities Accounts are credited with Shares as at the Books Closure Date will be considered for purposes of the Capital Reduction on the basis of the number of such Shares registered in their names or standing to the credit of their Securities Accounts as at the Books Closure Date.

The number of Shares which will be cancelled pursuant to the Capital Reduction will be based on the Reduction Ratio as described in sub-paragraph 2.2.2 above, subject to the Rounding-Up as described in sub-paragraph 2.2.3 above.

The Company will announce the Books Closure Date as soon as practicable after the EGM.

#### 2.12.2 **Transfer of Shares to CDP by Shareholders holding Scrip Shares**

Shareholders who hold Shares registered in their own names in the Register of Members of the Company and who wish to deposit their Shares with CDP prior to the Books Closure Date must deliver their existing share certificates in respect of their Shares, together with the duly executed instruments of transfer in favour of CDP, tentatively by 14 June 2007 in order for their Securities Accounts maintained with CDP to be credited with the relevant Shares prior to the Books Closure Date. CDP will not accept any further deposit of share certificates in respect of Shares from 15 June 2007 to the Books Closure Date (both dates inclusive) for the purpose of the Capital Reduction.



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## LETTER TO SHAREHOLDERS

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### 2.12.3 *Issue of New Share Certificates*

The following sets out the administrative procedures which the Company proposes to adopt to facilitate the issue of new share certificates arising from the Capital Reduction:

- (a) The Company will cancel all old share certificates relating to the Shares in issue as at the Books Closure Date. The cancellation of the old share certificates will be made on the date on which the Capital Reduction takes effect.
- (b) Upon the cancellation of the old share certificates as described in sub-paragraph (a) above, the Company will issue to Shareholders with Shares registered in their names in the Register of Members of the Company new share certificates in respect of the number of Shares to be held by such Shareholders consequent upon the Capital Reduction.
- (c) In respect of Shareholders with Shares standing to the credit of their Securities Accounts as at the Books Closure Date, no further action needs to be taken as arrangements will be made by the Company with CDP for all the old share certificates issued in the name of CDP or its nominee as at the Books Closure Date to be cancelled and for the new share certificates in respect of the Shares attributable to such Shareholders consequent upon the Capital Reduction to be issued to CDP or its nominee and deposited with CDP.
- (d) Upon cancellation, the old share certificates shall be void and will cease to have any effect or be valid for any purpose.
- (e) To facilitate the destruction of the old share certificates, Shareholders with Shares registered in their names in the Register of Members of the Company as at the Books Closure Date are encouraged to return to the Company's Share Registrar, M & C Services Private Limited ("**Share Registrar**") their old share certificates in respect of such Shares.

However, whether or not the old share certificates in respect of such Shares are delivered to the Share Registrar, the old share certificates shall be cancelled and new share certificates will be issued to such Shareholders in respect of the Shares attributable to such Shareholders consequent upon the Capital Reduction. The new share certificates will be sent to them at their own risk by ordinary post within 10 Market Days from the Books Closure Date.

- (f) Where the Shares are registered jointly in the names of several persons, the new share certificates in respect of the Shares attributable to such persons consequent upon the Capital Reduction shall be sent to the person whose name stands first in the Register of Members of the Company. Shareholders who wish to record any change in their registered address should notify the Share Registrar of such change before the Books Closure Date.

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## LETTER TO SHAREHOLDERS

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### 2.12.4 **Payment of the Cash Distribution**

Payment of the Cash Distribution pursuant to the Capital Reduction will be made in the following manner:

#### (a) **Shareholders holding Scrip Shares**

Shareholders whose Shares are registered in the Register of Members of the Company as at the Books Closure Date will have the cheques for payment of their entitlements to the Cash Distribution under the Capital Reduction despatched to them by ordinary post at their own risk by, tentatively, 12 July 2007.

#### (b) **Shareholders holding Scripless Shares**

Shareholders who are Depositors and who have Shares standing to the credit of their Securities Accounts as at the Books Closure Date will have the cheques for payment of their respective entitlements to the Cash Distribution under the Capital Reduction despatched to them by CDP by ordinary post at their own risk by, tentatively, 12 July 2007. Alternatively, such Shareholders will have payment of their respective entitlements to the Cash Distribution under the Capital Reduction made in such other manner as they may have agreed with CDP for the payment of dividends or other distributions by, tentatively, 12 July 2007.

On or after the date on which the Capital Reduction takes effect, CDP will debit Shares from the Securities Accounts of the Depositors based on the Shares standing to the credit of the Securities Accounts of the Depositors as at the Books Closure Date. The number of Shares which will be debited from the Securities Account of each Depositor will be based on the Reduction Ratio as described in sub-paragraph 2.2.2 above, subject to the Rounding-Up as described in sub-paragraph 2.2.3 above.

### 2.12.5 **Odd Lots**

To minimise the problems arising from odd-lots as a result of the Capital Reduction, an application was made to the SGX-ST to include a new trading board lot size of 10 Shares per board lot. The SGX-ST has approved the listing and quotation for the Shares in board lots of 10 Shares for a period of one month starting from 9.00 a.m. on the first Market Day on which the Shares trade ex-entitlement to the Capital Reduction. After such period of one month, the Shares will resume trading in board lots of 1,000 Shares only. The approval of the SGX-ST referred to in this paragraph is not to be taken as an indication of the merits of the Capital Reduction.

## 3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 3.1 **Background.** At the 2006 EGM, Shareholders had approved, *inter alia*, a mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire the Shares in accordance with, and in the manner prescribed by, the Companies Act and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable. The authority and limitations on the Share Purchase Mandate were set out in the 2006 Circular to Shareholders and Ordinary Resolution 2 set out in the Notice of the 2006 EGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 2 at the 2006 EGM and will expire on the date of the forthcoming Ninth Annual General Meeting (the “**AGM**”) which will also be held on 18 April 2007 immediately

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## LETTER TO SHAREHOLDERS

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preceding the EGM to be held on the same date. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the EGM immediately following the Ninth AGM.

- 3.2 **Rationale for Share Purchase Mandate.** The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire the Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 10 per cent. limit described in paragraph 3.3.1 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its Shares, as previously stated in the 2006 Circular to Shareholders, is as follows:

- (a) In managing the business of the Group, management will strive to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, share purchases at the appropriate price levels may be considered as one of the ways through which the return on equity of the Group may be enhanced.
- (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its possible financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner. A share repurchase programme will also allow management to effectively manage and minimise the dilution impact (if any) associated with the Company's share plans.
- (c) Share repurchase programmes help buffer short-term share price volatility and off-set the effects of short-term speculation by investors and, in turn, bolster shareholder confidence and employee morale.
- (d) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.3.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and no purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position or financial position of the Company or the Group as a whole.

- 3.3 **Authority and Limits of the Share Purchase Mandate.** The authority relating to, and limitations placed on, the purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if renewed at the EGM, are substantially the same as previously approved by Shareholders at the 2006 EGM, and are summarised below:

3.3.1 **Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the issued Shares of the Company as at the date of the EGM. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

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## LETTER TO SHAREHOLDERS

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### 3.3.2 *Duration of authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the EGM, at which the Share Purchase Mandate is approved, up to:

- (a) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied,

whichever is the earlier.

### 3.3.3 *Manner of purchases or acquisitions of Shares*

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through the SGX-ST’s trading system or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchases**”) effected, otherwise than on a securities exchange, in accordance with an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4) and (5) of the Listing Manual.

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## LETTER TO SHAREHOLDERS

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### 3.3.4 *Purchase price*

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors pursuant to the Share Purchase Mandate must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five Market Days, on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, for any corporate action that occurs after the relevant five Market Day period; and

**“date of the making of the offer”** means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.4 **Status of Purchased Shares.** A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 **Treasury Shares.** Under the Companies Act, as amended by the Companies (Amendment) Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act, as amended by the Companies (Amendment) Act, are summarised below:

#### 3.5.1 *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

#### 3.5.2 *Voting and Other Rights*

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

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## LETTER TO SHAREHOLDERS

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In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

### 3.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

- 3.6 **Source of Funds.** In accordance with the current requirements of the Companies Act, any payment made by the Company in consideration of the purchase or acquisition of its own Shares may be made out of the Company's distributable profits as well as capital.

The Company may use internal sources of funds of the Group or external borrowings or a combination of both to fund the Company's purchases or acquisitions of Shares pursuant to the Share Purchase Mandate.

- 3.7 **Financial Effects.** The financial effects on the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. The financial effects on the Company, based on the audited financial statements of the Company for the financial year ended 31 December 2006, are based on the assumptions set out below.

#### 3.7.1 **Purchase or Acquisition out of Capital or Profits**

Under the Companies Act, as amended by the Companies (Amendment) Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

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## LETTER TO SHAREHOLDERS

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### 3.7.2 ***Number of Shares Purchased or Acquired***

As at the Latest Practicable Date, the issued capital of the Company comprised 1,853 million Shares. In addition, as at the Latest Practicable Date, there was an aggregate of 30.2 million Shares in respect of outstanding and unexercised Share options granted pursuant to the StarHub Option Plans, and unvested conditional awards granted pursuant to the Performance Share Plan and the Restricted Stock Plan. Except in respect of Shares which are issuable on exercise of the outstanding Share options or pursuant to the terms of the conditional awards of Shares under the Performance Share Plan and the Restricted Stock Plan, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Purely for illustrative purposes, on the basis of 1,853 million Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the EGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 185.3 million Shares.

### 3.7.3 ***Maximum Price Paid for Shares Acquired or Purchased***

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 185.3 million Shares at the maximum price of S\$3.00 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 185.3 million Shares is S\$555.7 million.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 185.3 million Shares at the maximum price of S\$3.14 for one Share (being the price equivalent to 110% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 185.3 million Shares is S\$582.1 million.

### 3.7.4 ***Illustrative Financial Effects***

For illustrative purposes only and on the basis of the assumptions set out in paragraph 3.7.2 and paragraph 3.7.3 above, the financial effects of the:

- (a) purchase or acquisition of 185.3 million Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases made wholly out of profits and held as treasury shares or cancelled; and
- (b) purchase or acquisition of 185.3 million Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases made wholly out of profits and held as treasury shares or cancelled,

on the audited financial statements of the Company for the financial year ended 31 December 2006 are set out below.

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## LETTER TO SHAREHOLDERS

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### Scenario 1(A)

*Market Purchases made wholly out of profits and held as treasury shares.*

	Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b><u>As at 31 December 2006</u></b>		
Share Capital and Reserves	1,578,246	1,578,246
Treasury Shares	–	(555,651)
Shareholders' Funds	1,578,246	1,022,595
Net Tangible Assets	1,578,246	1,022,595
Current Assets	1,148,691	1,148,691
Current Liabilities	508,701	508,701
Total Borrowings	633,000	1,188,651
Cash and Cash Equivalents	39,777	39,777
Number of Shares ('000)	1,852,914	1,852,914 <sup>(1)</sup>
<b><u>Financial Ratios</u></b>		
Net Tangible Assets per Share (cents)	85.3	61.3
Earnings per Share (cents)	20.5	22.7
Net Gearing <sup>(2)</sup> (%)	33%	76%
Current Ratio (times)	2.26	2.26

**Notes:**

<sup>(1)</sup> Includes 185.3 million Shares that are held as treasury shares and is computed based on 1,853 million Shares in issue as at the Latest Practicable Date.

<sup>(2)</sup> "Net Gearing" means the ratio of the total net borrowings to average shareholders' funds.



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## LETTER TO SHAREHOLDERS

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### Scenario 1(B)

*Market Purchases made wholly out of profits and cancelled.*

	Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b><u>As at 31 December 2006</u></b>		
Share Capital and Reserves	1,578,246	1,022,595
Treasury Shares	-	-
Shareholders' Funds	1,578,246	1,022,595
Net Tangible Assets	1,578,246	1,022,595
Current Assets	1,148,691	1,148,691
Current Liabilities	508,701	508,701
Total Borrowings	633,000	1,188,651
Cash and Cash Equivalents	39,777	39,777
Number of Shares ('000)	1,852,914	1,667,622 <sup>(1)</sup>
<b><u>Financial Ratios</u></b>		
Net Tangible Assets per Share (cents)	85.3	61.3
Earnings per Share (cents)	20.5	22.7
Net Gearing <sup>(2)</sup> (%)	33%	76%
Current Ratio (times)	2.26	2.26

**Notes:**

<sup>(1)</sup> Denotes the resultant number of shares after 185.3 million Shares are cancelled and is computed based on 1,853 million Shares in issue as at the Latest Practicable Date.

<sup>(2)</sup> "Net Gearing" means the ratio of the total net borrowings to average shareholders' funds.

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## LETTER TO SHAREHOLDERS

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### Scenario 2(A)

*Off-Market Purchases made wholly out of profits and held as treasury shares.*

	Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b><u>As at 31 December 2006</u></b>		
Share Capital and Reserves	1,578,246	1,578,246
Treasury Shares	–	(582,111)
Shareholders' Funds	1,578,246	996,135
Net Tangible Assets	1,578,246	996,135
Current Assets	1,148,691	1,148,691
Current Liabilities	508,701	508,701
Total Borrowings	633,000	1,215,111
Cash and Cash Equivalents	39,777	39,777
Number of Shares ('000)	1,852,914	1,852,914 <sup>(1)</sup>
<b><u>Financial Ratios</u></b>		
Net Tangible Assets per Share (cents)	85.3	59.7
Earnings per Share (cents)	20.5	22.7
Net Gearing <sup>(2)</sup> (%)	33%	78%
Current Ratio (times)	2.26	2.26

**Notes:**

<sup>(1)</sup> Includes 185.3 million Shares that are held as treasury shares and is computed based on 1,853 million Shares in issue as at the Latest Practicable Date.

<sup>(2)</sup> "Net Gearing" means the ratio of the total net borrowings to average shareholders' funds.

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## LETTER TO SHAREHOLDERS

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### Scenario 2(B)

*Off-Market Purchases made wholly out of profits and cancelled.*

	Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b><u>As at 31 December 2006</u></b>		
Share Capital and Reserves	1,578,246	996,135
Treasury Shares	-	-
Shareholders' Funds	1,578,246	996,135
Net Tangible Assets	1,578,246	996,135
Current Assets	1,148,691	1,148,691
Current Liabilities	508,701	508,701
Total Borrowings	633,000	1,215,111
Cash and Cash Equivalents	39,777	39,777
Number of Shares ('000)	1,852,914	1,667,622 <sup>(1)</sup>
<b><u>Financial Ratios</u></b>		
Net Tangible Assets per Share (cents)	85.3	59.7
Earnings per Share (cents)	20.5	22.7
Net Gearing <sup>(2)</sup> (%)	33%	78%
Current Ratio (times)	2.26	2.26

**Notes:**

<sup>(1)</sup> Denotes the resultant number of shares after 185.3 million Shares are cancelled and is computed based on 1,853 million Shares in issue as at the Latest Practicable Date.

<sup>(2)</sup> "Net Gearing" means the ratio of the total net borrowings to average shareholders' funds.

**SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE PURELY FOR ILLUSTRATIVE PURPOSES ONLY.**

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares.

**IN PARTICULAR, THE DIRECTORS DO NOT INTEND TO EXERCISE THE SHARE PURCHASE MANDATE UP TO THE MAXIMUM LIMIT AND TO SUCH AN EXTENT IF SUCH EXERCISE WOULD MATERIALLY AND ADVERSELY AFFECT THE FINANCIAL POSITION OF THE COMPANY.**

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## LETTER TO SHAREHOLDERS

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- 3.8 **Listing Rules.** The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In addition, in line with the best practices set out in the Listing Manual, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company’s quarterly and full-year results.

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 32.7% of the issued Shares are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

- 3.9 **Shareholding Limits.** The Articles provide that no person shall, whether alone or together with his associates (as defined in the Broadcasting Act or otherwise as applicable), hold or control shares in the Company in excess of any of the Prescribed Limits without first obtaining the approval of the Minister or the applicable regulatory authority.

The Broadcasting Act provides that no person may become:

- (a) a substantial shareholder (as defined under the Companies Act);
- (b) a 12% controller (as defined under the Broadcasting Act); or
- (c) an indirect controller (as defined under the Broadcasting Act),

of the Company without first obtaining the approval of the Minister.

The Telco Competition Code provides that upon completion of any purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate, the Company must calculate the Ownership Interest (both direct and indirect) for each Shareholder following such purchase or acquisition and, if as a result of such purchase or acquisition, a Shareholder’s Ownership Interest:

- (i) increases to 12% or more but remains less than 30%, the Company and that Shareholder must seek the approval of the IDA for the deemed purchase or acquisition by such Shareholder of an additional Ownership Interest equivalent to the percentage increase of that Shareholder’s Ownership Interest within 30 days of the completion of such purchase or acquisition;

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## LETTER TO SHAREHOLDERS

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- (ii) increases to 12% or more but remains less than 30% and the Shareholder is able to exercise Effective Control (as defined in the Telco Competition Code), the Company and that Shareholder must seek the approval of the IDA for the deemed purchase or acquisition by such Shareholder of an additional Ownership Interest equivalent to the percentage increase of that Shareholder's Ownership Interest within 30 days of the completion of such purchase or acquisition; or
- (iii) increases to 30% or more, the Company and that Shareholder must seek the approval of the IDA for the deemed purchase or acquisition by such Shareholder of an additional Ownership Interest equivalent to the percentage increase of that Shareholder's Ownership Interest within 30 days of the completion of such purchase or acquisition unless the Company can show that the acquiring party is unable to exercise Effective Control over the Company.

For the purposes of the Telco Competition Code, "Ownership Interest" means Direct Ownership Interest or Indirect Ownership Interest where "Direct Ownership Interest" means the percentage of the Company's voting shares in which the Shareholder has a legal or equitable interest and "Indirect Ownership Interest" is determined using the "sum-the-percentages" methodology.

The Articles empower the Directors, if it shall come to their notice that, *inter alia*, (a) any person or, as the case may be, any person together with his associates hold or control shares of the Company in excess of any of the Prescribed Limits without first obtaining the approval of the Minister or the applicable regulatory authority or (b) any change in the nationality of an individual or in the constitution or the ownership of the share capital of a corporation has caused the Foreign Shareholding to exceed the Foreign Shareholding Limit, to take all steps and do all acts or things as they may in their absolute discretion deem necessary to ensure that the provisions of the Broadcasting Act (including the Foreign Shareholding Limit), the Telecommunications Act and/or any other legislation to which the Company is subject from time to time and/or any regulations, guidelines, notices and/or codes of conduct promulgated or issued thereunder are or will be complied with, and require the Directors to take such action as may be directed by the Minister or the applicable regulatory authority, including but not limited to requiring such person or persons or the holder or holders of the shares concerned (as the case may be) to dispose such number of his shares within such period of time as may be specified by the Minister. Article 10(C) of the Articles also provides that the Directors shall take such remedial action if directed to do so by the Minister or the applicable regulatory authority, including those provided for under the Telco Competition Code and the Telecommunications Act.

As the number of issued Shares in the capital of the Company may be diminished by the number of Shares purchased or acquired by the Company, the shareholding percentage of a holder of Shares (whose Shares were not the subject of a share purchase or acquisition by the Company) in the issued Shares in the capital of the Company immediately following any purchase or acquisition of Shares by the Company will increase correspondingly.

StarHub wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by StarHub pursuant to the Share Purchase Mandate, if the proposed Share Purchase Mandate is approved by Shareholders:

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## LETTER TO SHAREHOLDERS

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A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY MAY INADVERTENTLY CAUSE THE INTEREST IN THE SHARES OF ANY PERSON TO REACH OR EXCEED THE PRESCRIBED LIMITS (IN PARTICULAR, A PERSON WHOSE INTEREST IN SHARES IS CURRENTLY CLOSE TO ANY PRESCRIBED LIMIT). SHAREHOLDERS WHOSE CURRENT SHAREHOLDINGS ARE CLOSE TO ANY OF THE PRESCRIBED LIMITS AND WHOSE SHAREHOLDINGS MAY EXCEED ANY SUCH LIMITS BY REASON OF A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY ARE ADVISED TO CONSIDER SEEKING THE PRIOR APPROVAL OF THE MINISTER (OR, AS THE CASE MAY BE, THE APPLICABLE REGULATORY AUTHORITY) TO CONTINUE TO HOLD, ON SUCH TERMS AS MAY BE IMPOSED BY THE MINISTER (OR, AS THE CASE MAY BE, THE APPLICABLE REGULATORY AUTHORITY), THE SHARES WHICH THEY MAY HOLD IN EXCESS OF THE PRESCRIBED LIMITS AS A CONSEQUENCE OF ANY PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY.

3.10 **Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.10.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

3.10.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

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## LETTER TO SHAREHOLDERS

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### 3.10.3 *Effect of Rule 14 and Appendix 2*

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of Resolution 2 authorising the Share Purchase Mandate.

Based on substantial shareholder notifications received by the Company under Division 4, Part IV of the Companies Act as at the Latest Practicable Date as set out in paragraph 5.2 below, none of the substantial shareholders of the Company would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date.

**Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.**

- 3.11 **Details of Previous Share Purchases.** The Company has not undertaken any purchase or acquisition of its own Shares pursuant to the Share Purchase Mandate approved by the Shareholders at the 2006 EGM.

## 4. THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

- 4.1 **Shareholders' Mandate.** At the 2006 EGM, approval of the Shareholders was obtained for the renewal of a Shareholders' Mandate (the "**Shareholders' Mandate**") to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual) to enter into certain interested person transactions ("**Interested Person Transactions**") with the classes of interested persons as set out in the Shareholders' Mandate. Particulars of the Shareholders' Mandate were set out in Appendix 2 to the 2006 Circular to Shareholders.

- 4.2 **Proposed Renewal of the Shareholders' Mandate.** The Shareholders' Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the Ninth Annual General Meeting which is scheduled to be held on 18 April 2007. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the EGM, to take effect until the Tenth Annual General Meeting of the Company.

## LETTER TO SHAREHOLDERS

The particulars of the Interested Person Transactions in respect of which the Shareholders' Mandate is sought to be renewed remain unchanged.

- 4.3 **Appendix 2.** The Shareholders' Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix 2 to this Circular.
- 4.4 **Audit Committee Statement.** The Audit Committee of the Company, comprising Messrs Kua Hong Pak, Nihal Vijaya Devadas Kaviratne CBE, Lim Ming Seong and Teo Ek Tor, confirms that:
- (a) the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the 2006 EGM; and
  - (b) the methods or procedures referred to in paragraph 4.4(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

### 5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

- 5.1 **Directors' Interests.** As at the Latest Practicable Date, the Directors' interests in Shares as recorded in the Register of Directors' Shareholdings are as follows:

Director	Number of Shares				Number of Shares comprised in outstanding Share Options/Awards
	Direct Interest	%	Deemed Interest	%	
Tan Guong Ching	–	–	–	–	–
Steven Terrell Clontz	6,401,450 <sup>(5)</sup>	0.35	–	–	1,175,000 <sup>(2)</sup> 180,000 <sup>(3)</sup>
Kua Hong Pak	–	–	–	–	–
Peter Seah Lim Huat	133,720	nm <sup>(4)</sup>	–	–	42,000 <sup>(1)</sup>
Nihal Vijaya Devadas Kaviratne CBE	64,080	nm <sup>(4)</sup>	–	–	29,500 <sup>(1)</sup>
Lee Theng Kiat	125,150	nm <sup>(4)</sup>	–	–	42,000 <sup>(1)</sup>
Lim Ming Seong	108,000	nm <sup>(4)</sup>	–	–	97,000 <sup>(1)</sup>
Lim Chin Beng	125,150 <sup>(5)</sup>	nm <sup>(4)</sup>	–	–	42,000 <sup>(1)</sup>
Osamu Inoue	–	–	–	–	–
Teo Ek Tor	–	–	–	–	44,250 <sup>(1)</sup>
Liu Chee Ming	51,430 <sup>(5)</sup>	nm <sup>(4)</sup>	–	–	44,250 <sup>(1)</sup>
Robert J. Sachs	–	–	–	–	25,500 <sup>(1)</sup>
Sio Tat Hiang	–	–	–	–	–
Stephen Geoffrey Miller	–	–	–	–	–
Tadashi Imachi	–	–	–	–	–

**Notes:**

- <sup>(1)</sup> Shares which are issuable on exercise of the outstanding Share Options granted pursuant to the Share Option Plans.



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## LETTER TO SHAREHOLDERS

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- (2) As at the Latest Practicable Date, an aggregate conditional award of 1,175,000 Shares under the Performance Share Plan was granted. The actual number of Shares to be delivered under the Share Awards will depend on the level of achievement of set performance targets in the Company over a three-year period. 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 Share Awards will be delivered if the stretched threshold performance targets are exceeded.
- (3) As at the Latest Practicable Date, an aggregate conditional award of 180,000 Shares under the Restricted Stock Plan was granted. The actual number of Shares to be delivered could range up to 1.3 times the Shares that are the subject of the award, depending on the level of attainment of the performance targets over a two-year performance period. Shares will be delivered in phases according to the stipulated vesting periods.
- (4) Percentage not meaningful.
- (5) Held (partly or wholly) by a nominee on behalf of the Director.

5.2 **Substantial Shareholders' Interests.** As at the Latest Practicable Date, the interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders are as follows:

Substantial Shareholder	Number of Shares			
	Direct Interest	%	Deemed Interest	%
Asia Mobile Holdings Pte. Ltd. <sup>(1)</sup>	911,944,420	49.22	–	–
NTT Communications Corporation <sup>(2)</sup>	187,080,560	10.10	–	–
MediaCorp Pte. Ltd. <sup>(3)</sup>	139,491,380	7.53	–	–

**Notes:**

- (1) Asia Mobile Holdings Pte. Ltd. ("AMH") is a wholly-owned subsidiary of Asia Mobile Holding Company Pte. Ltd. ("AMHC"), whereby (a) STT Communications Ltd ("STTC") holds approximately 75% of the total issued share capital of AMHC; and (b) Qtel Investment Holdings BSC ("QIH") holds approximately 25% of the total issued share capital of AMHC. STTC is a wholly-owned subsidiary of Singapore Technologies Telemedia Pte Ltd ("ST Telemedia"), which in turn is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). QIH is a wholly-owned subsidiary of Qatar Telecom (Qtel) Q.S.C. ("Qtel"). Accordingly, AMHC, STTC, ST Telemedia, QIH, Qtel and Temasek are deemed to be interested in the Shares held by AMH.
- (2) NTT Communications Corporation ("NTTCom") is a wholly-owned subsidiary of Nippon Telegraph and Telephone Corporation. Accordingly, Nippon Telegraph and Telephone Corporation is deemed to be interested in the Shares held by NTTCom.
- (3) MediaCorp Pte. Ltd. ("MediaCorp") is a wholly-owned subsidiary of Temasek. Accordingly, Temasek is deemed to be interested in the Shares held by MediaCorp.

5.3 **Abstention from voting.** Messrs Tan Guong Ching, Steven Terrell Clontz, Kua Hong Pak, Peter Seah Lim Huat, Lee Theng Kiat, Lim Ming Seong, Sio Tat Hiang and Stephen Geoffrey Miller, who hold directorships and/or executive positions in the Temasek Group of companies, will abstain from voting their shareholdings, if any, in respect of Resolution 3, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the EGM. Temasek and Asia Mobile Holdings Pte. Ltd., being Mandated Interested Persons (as described in paragraph 3 of Appendix 2 to this Circular), will also abstain from voting, and will procure that their respective associates will abstain from voting, their respective shareholdings, if any, in respect of Resolution 3.

## 6. DIRECTORS' RECOMMENDATIONS

6.1 **Proposed Capital Reduction and Cash Distribution.** The Directors are of the opinion that the proposed Capital Reduction and Cash Distribution are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 1, being the Special Resolution relating to the proposed Capital Reduction and Cash Distribution, at the EGM.

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## LETTER TO SHAREHOLDERS

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- 6.2 **Proposed Renewal of the Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 2, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate, at the EGM.
- 6.3 **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions.** The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Messrs Nihal Vijaya Devadas Kaviratne CBE, Lim Chin Beng, Teo Ek Tor, Liu Chee Ming and Robert J. Sachs (the "**Independent Directors**"). The Independent Directors are of the opinion that the entry into of the Interested Person Transactions between the EAR Group (as described in paragraph 2 of Appendix 2 to this Circular) and the Mandated Interested Persons (as described in paragraph 3 of Appendix 2 to this Circular) in the ordinary course of its business will enhance the efficiency of the EAR Group and is in the best interests of the Company.

For the reasons set out in paragraphs 4 and 5 of Appendix 2 to this Circular, the Independent Directors recommend that Shareholders vote in favour of Resolution 3, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate, at the EGM.

### 7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 44 to 47 of this Circular, will be held at Ballroom III, Level 3, Singapore Marriott Hotel, 320 Orchard Road, Singapore 238865 on 18 April 2007 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Ninth AGM of the Company to be held at 10.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications the Special and Ordinary Resolutions set out in the Notice of EGM.

### 8. ACTION TO BE TAKEN BY SHAREHOLDERS

- 8.1 **Appointment of Proxies.** Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 (Attn: Company Secretary), not less than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
- 8.2 **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the time fixed for the EGM, as certified by CDP to the Company.

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## LETTER TO SHAREHOLDERS

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### 9. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the Annual Report of the Company for the financial year ended 31 December 2006;
- (b) the 2006 Circular to Shareholders; and
- (c) the Memorandum and Articles of Association of the Company.

### 10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully  
for and on behalf of  
the Board of Directors of  
StarHub Ltd

**Tan Guong Ching**  
Chairman

## APPENDIX 1

### PROFORMA BALANCE SHEET BEFORE AND AFTER THE CAPITAL REDUCTION

	<b>Before Capital Reduction 31 Dec 2006</b>	<b><i>Proforma After Capital Reduction</i> 31 Dec 2006</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Share capital	236,403	236,403
Capital reserve	718,822	274,822
Equity compensation reserve	13,973	13,973
Revenue reserves	609,048	600,878
<b>Total Shareholders' Funds</b>	<b>1,578,246</b>	<b>1,126,077</b>
<b><u>Non-Current Assets</u></b>		
Fixed assets	273,696	273,696
Intangible assets	36,278	36,278
Net investment	1,161,968	1,161,968
Other non-current assets (including deferred tax assets)	99,315	101,357
<b>Total Non-Current Assets</b>	<b>1,571,257</b>	<b>1,573,299</b>
<b><u>Current Assets</u></b>		
Inventory	3,800	3,800
Trade receivables	78,119	78,119
Other receivable, deposits and prepayments	42,080	42,080
Balances with related parties	984,916	984,916
Cash and short term deposits	39,777	29,565
<b>Total Current Assets</b>	<b>1,148,692</b>	<b>1,138,480</b>
<b><u>Current Liabilities</u></b>		
Trade payables and accruals	(184,484)	(184,484)
Other payables and provisions	(48,171)	(48,171)
Balances with related parties	(276,048)	(276,048)
<b>Total Current Liabilities</b>	<b>(508,703)</b>	<b>(508,703)</b>
<b>Net Current Assets</b>	<b>639,989</b>	<b>629,777</b>
<b><u>Non-Current Liabilities</u></b>		
Interest-bearing borrowings	(633,000)	(1,077,000)
<b>Total Net Assets</b>	<b>1,578,246</b>	<b>1,126,077</b>

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## APPENDIX 2

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### THE SHAREHOLDERS' MANDATE

#### 1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and therefore are excluded from the ambit of Chapter 9, immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated net tangible assets (“**NTA**”) are reached or exceeded. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or which exceeds:
- (i) 5% of the listed company’s latest audited consolidated NTA; or
  - (ii) 5% of the listed company’s latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3 Based on the latest audited consolidated accounts of StarHub Ltd (“**StarHub**”) and its subsidiaries (the “**StarHub Group**”) for the financial year ended 31 December 2006, the consolidated NTA of the StarHub Group was S\$267,193,000. In relation to StarHub, for the purposes of Chapter 9, in the current financial year and until such time that the consolidated audited accounts of the StarHub Group for the year ending 31 December 2007 are published, 5% of the latest audited consolidated NTA of the StarHub Group would be S\$13,360,000.
- 1.4 Chapter 9 of the Listing Manual permits a listed company (for example, StarHub), however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of its day-to-day operations) which may be carried out with the listed company’s interested persons.
- 1.5 Under the Listing Manual:
- (i) an “**entity at risk**” means:
    - (a) the listed company;
    - (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
    - (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;

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## APPENDIX 2

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- (ii) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (iii) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (iv) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9; and
- (v) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

### 2. Entities At Risk

For the purposes of the Shareholders’ Mandate, an “entity at risk” means:

- StarHub;
- a subsidiary of StarHub that is not listed on the SGX-ST or an approved exchange; or
- an associated company of StarHub that is not listed on the SGX-ST or an approved exchange, provided that the StarHub Group and its interested person(s), have control over the associated company. (Currently, StarHub does not have any such associated companies),

(together, the “**EAR Group**”).

### 3. Classes of Mandated Interested Persons

The Shareholders’ Mandate will apply to the EAR Group’s transactions with Temasek Holdings (Private) Limited (“**Temasek**”) and its associates (the “**Mandated Interested Persons**” or the “**Temasek Group**” and each, a “**Mandated Interested Person**”).

Transactions with Mandated Interested Persons which do not fall within the ambit of the Shareholders’ Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

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## APPENDIX 2

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### 4. Categories of Interested Person Transactions

The transactions with the Mandated Interested Persons which will be covered by the Shareholders' Mandate and the benefits to be derived therefrom are as follows:

#### (a) General Transactions

This category relates to general transactions (“**General Transactions**”) by the EAR Group relating to the provision to, or obtaining from, Mandated Interested Persons of products and services in the normal course of business of the EAR Group or which are necessary for the day-to-day operations of the EAR Group (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of the EAR Group's day-to-day operations) comprising the following:

- (1) provision and obtaining of info-communications, broadcasting and fixed network services (including mobile, cable TV and broadband Internet), equipment, infrastructure, network, applications, products and content;
- (2) sale and procurement of info-communications and broadcasting devices, accessories and pre-paid cards for distribution and trade;
- (3) provision and obtaining of professional, consultancy, sub-contracting or outsourcing services;
- (4) provision and obtaining of after-sales services;
- (5) provision and obtaining of warehousing, logistics, packing, handling, transportation and freight services;
- (6) obtaining licences to provide or resell info-communications and broadcasting services;
- (7) provision, obtaining, repair, maintenance and operation of info-communications and broadcasting equipment, infrastructure, network and applications;
- (8) provision and obtaining of bill collection services;
- (9) engaging dealers to sell info-communications and broadcasting products (including pre-paid cards, SIM cards, calling cards and mobile handsets) and services;
- (10) provision and obtaining of printing, advertisement and marketing related services;
- (11) provision and obtaining of lease and/or rental of properties and equipment;
- (12) obtaining of utilities services;
- (13) obtaining of insurance and insurance related services;
- (14) obtaining of professional, administrative and support services including finance and treasury, business development, management information systems, human resource, corporate communications (including investor relations), taxation, internal audit, legal, corporate secretarial services and any other professional services; and
- (15) provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (14) above.

The transactions set out in sub-paragraphs (1) to (14) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (15) will be those which are necessary for the day-to-day operations of the EAR Group.

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## APPENDIX 2

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The EAR Group will benefit from having access to competitive quotes from the different companies in the different industries within the Temasek Group in addition to obtaining quotes from, or transacting with, non-interested persons.

### (b) Treasury Transactions

Treasury transactions (“**Treasury Transactions**”) comprise:

- (1) the placement of funds with any Mandated Interested Person;
- (2) the borrowing of funds from any Mandated Interested Person;
- (3) the entry into with any Mandated Interested Person of forex, swaps and options transactions for hedging purpose; and
- (4) the subscription of debt securities and/or preference shares issued by any Mandated Interested Person and the issue of debt securities and/or preference shares to any Mandated Interested Person and the buying from, or the selling to, any Mandated Interested Person of debt securities and/or preference shares.

The EAR Group can benefit from obtaining competitive rates or quotes from Mandated Interested Persons in an expedient manner in addition to third party financial institutions. By transacting directly with a Mandated Interested Person, the EAR Group may also eliminate margins which third party intermediaries might ordinarily be expected to earn.

## 5. Rationale for and Benefits of the Shareholders’ Mandate

- 5.1 The transactions with Mandated Interested Persons are entered into or to be entered into by the EAR Group in its ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. The Directors of the Company (“**Directors**”) are of the view that it will be beneficial to the EAR Group to transact or continue to transact with the Mandated Interested Persons.
- 5.2 The Directors believe that the EAR Group will be able to benefit from its transactions with the Temasek Group. The Shareholders’ Mandate and the renewal of the Shareholders’ Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek shareholders’ approval as and when potential interested person transactions with the Mandated Interested Persons arise, thereby reducing substantially the administrative time and expenses incurred in convening such meetings, without compromising the corporate objectives or adversely affecting the business opportunities available to the EAR Group.
- 5.3 The Shareholders’ Mandate is intended to facilitate transactions in the EAR Group’s normal course of business which are transacted from time to time with the Mandated Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of StarHub and its minority shareholders.
- 5.4 Disclosure will be made, in the format required by the Listing Manual, of the aggregate value of interested person transactions conducted pursuant to the Shareholders’ Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders’ Mandate is in force.



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## APPENDIX 2

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### 6. Review Procedures for Transactions with the Mandated Interested Persons

The EAR Group has established the following procedures to ensure that the interested person transactions are undertaken on an arm's length basis and on normal commercial terms.

#### General Transactions

##### *Review Procedures*

In general, there are procedures established by the EAR Group to ensure that the General Transactions with Mandated Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Mandated Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been implemented.

##### *(i) Provision of services or the sale of products*

The review procedures are:

- (1) all contracts entered into or transactions with Mandated Interested Persons are to be carried out at the prevailing market rates or prices of the services or products to be provided, on terms which are no more favourable to the Mandated Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/process/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (2) where the prevailing market rates or prices are not available due to the nature of services to be provided or the products to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Mandated Interested Persons will be determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Mandated Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account. A senior officer authorised by the EAR Group's management who does not have any conflict of interests, whether direct or indirect, in relation to the transaction, will determine whether the price and terms offered by the Mandated Interested Person are fair and reasonable.

##### *(ii) Obtaining of services or purchasing of products*

The review procedures are:

- (1) all purchases made by the EAR Group, including purchases from Mandated Interested Persons, will be governed by internal control procedures which detail matters such as the constitution of internal approving authorities, their approval limits, the number of vendors from whom bids are to be obtained and the review procedures. The guiding principle is to objectively obtain the best goods and/or services on the best terms through competitive quotations, if appropriate. In determining whether the price and terms offered by the Mandated Interested Persons are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or

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## APPENDIX 2

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discounts accorded for bulk purchases, will also be taken into account. A senior officer authorised by the EAR Group's management who does not have any conflict of interests, whether direct or indirect, in relation to the transaction, will determine whether the price and terms offered by the Mandated Interested Person are fair and reasonable; and

- (2) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), a senior officer authorised by the EAR Group's management who does not have any conflict of interests, whether direct or indirect, in relation to the transaction, will determine whether the price and terms offered by the Mandated Interested Person are fair and reasonable.

### ***Threshold limits***

In addition to the review procedures, General Transactions entered into by the EAR Group are monitored as individual transactions equal to or exceeding S\$100,000 in value will require the prior approval of the relevant approving authority in the EAR Group who does not have any conflict of interests, whether direct or indirect, in relation to the transaction to be approved. In particular:

- (i) individual transactions equal to or exceeding 3% but less than 5% of the StarHub Group's consolidated NTA in value (based on the latest audited consolidated accounts of the StarHub Group) will be reviewed and approved by any two of the Directors; and
- (ii) individual transactions equal to or exceeding 5% of the StarHub Group's consolidated NTA in value (based on the latest audited consolidated accounts of the StarHub Group) will be reviewed and approved by StarHub's audit committee (the "**Audit Committee**").

### **Treasury Transactions**

#### ***Review Procedures***

*Placements.* Prior to the placement with any Mandated Interested Person by the EAR Group of its funds, StarHub will require that quotations be obtained from such company and at least two of the principal bankers of the EAR Group for rates for deposits with such bankers of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with such company, provided that the interest rate quoted is not less than the highest of the rates quoted by such principal bankers.

*Borrowings.* Prior to borrowing funds from any Mandated Interested Person by the EAR Group, StarHub will require that quotations be obtained from such company and at least two of the principal bankers of the EAR Group for rates of loans from such bankers of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will borrow funds from such company, provided that the interest rate quoted is not more than the lowest of the rates quoted by such principal bankers.

*Forex, Swaps and Options.* Prior to entering into forex, swaps and options transactions with any Mandated Interested Person by the EAR Group, StarHub will require that rate quotations be obtained from such company and at least two of the principal bankers of the EAR Group. The EAR Group will only enter into such forex, swaps and options transactions with such company, provided that such rates quoted are no less favourable than the rates quoted by such bankers.

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## APPENDIX 2

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*Debt Securities and Preference Shares.* Prior to the subscription of debt securities and preference shares issued by, or purchase of debt securities or preference shares from, Mandated Interested Persons, the EAR Group will only enter into the subscription or purchase of such debt securities or preference shares, provided that the price(s) at which the EAR Group subscribes for or purchases such debt securities or preference shares will not be higher than the price(s) at which such debt securities or preference shares are subscribed for or purchased by third parties.

Prior to the issue or sale to Mandated Interested Persons of debt securities or preference shares, the EAR Group will only issue or sell such debt securities or preference shares to Mandated Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares will not be lower than the price(s) at which such debt securities or preference shares are issued or sold to third parties. The EAR Group will also comply with all applicable laws and regulations in connection with the issue or sale of such debt securities or preference shares to Mandated Interested Persons.

For the purpose of the Shareholders' Mandate, any preference shares to be subscribed or purchased from Mandated Interested Persons, or to be issued or sold to Mandated Interested Persons, will not carry any voting rights, except in the circumstances set out in Sections 180(2)(a), (b) and (c) of the Companies Act, Chapter 50 of Singapore.

### ***Threshold limits***

In addition to the review procedures, the EAR Group will monitor the Treasury Transactions entered into by the EAR Group as follows:

*Placement and Debt Securities and Preference Shares.* Where the aggregate value of funds placed with, and debt securities or preference shares subscribed which are issued by, or purchased from, the same Mandated Interested Person shall at any time exceed an amount equivalent to 25% of the consolidated shareholders' funds of the StarHub Group (based on the StarHub Group's latest audited accounts), each subsequent placement of funds with, or subscription or purchase of debt securities or preference shares issued by, the same Mandated Interested Person shall require the prior approval of the Audit Committee.

Placements of funds with, and subscription of debt securities issued by, or purchased from, the same Mandated Interested Person which do not in the aggregate exceed the respective limits set out above will not require the prior approval of the Audit Committee and shall be reviewed on a quarterly basis by the Audit Committee.

*Borrowings and Debt Securities and Preference Shares.* Where the aggregate value of funds borrowed from, and debt securities or preference shares issued or sold to, the same Mandated Interested Person shall at any time exceed an amount equivalent to 25% of the consolidated shareholders' funds of the StarHub Group (based on the StarHub Group's latest audited accounts), each subsequent borrowing of funds from and debt securities or preference shares issued or sold to, the same Mandated Interested Person shall require the prior approval of the Audit Committee.

Borrowing of funds from and debt securities or preference shares issued or sold to, the same Mandated Interested Person which do not in the aggregate exceed the respective limits set out above will not require the prior approval of the Audit Committee and shall be reviewed on a quarterly basis by the Audit Committee.

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## APPENDIX 2

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*Forex, Swaps and Options.* Where the aggregate of the principal amount of all forex, swaps and options transactions entered into with the same Mandated Interested Person exceeds at any one time the equivalent of 25% of the consolidated shareholders' funds of the StarHub Group (based on the StarHub Group's latest audited accounts), each subsequent forex, swap and options transaction entered into with the same Mandated Interested Person shall require the prior approval of the Audit Committee.

Entry into of forex, swaps and options transactions with the same Mandated Interested Person where the principal amounts thereof do not in the aggregate exceed the limit set out above will not require the prior approval of the Audit Committee and shall be reviewed on a quarterly basis by the Audit Committee.

Transactions falling within the above categories, if any, will be reviewed at least quarterly by the Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account.

### ***Other Review Procedures***

The EAR Group has also implemented the following procedures for the identification of Mandated Interested Persons and the recording of all the EAR Group's interested person transactions:

- (i) StarHub will maintain a register of all transactions carried out with Mandated Interested Persons, whether mandated or non-mandated. StarHub's internal audit plan will incorporate a review of all interested person transactions whether mandated or non-mandated; and
- (ii) on a quarterly basis, StarHub's internal auditors will submit a report to the Audit Committee of all recorded interested person transactions, and the basis of such transactions, entered into by the EAR Group.

In addition, the Audit Committee will include the review of the EAR Group's interested person transactions as part of its standard procedures while examining the adequacy of the EAR Group's internal controls.

In the event that a member of StarHub's Board of Directors, a member of the Audit Committee or an authorised reviewing officer (where applicable) has a conflict of interests in relation to any interested person transaction, he will abstain from reviewing that particular transaction. In such instances, an alternative approving authority will be responsible for reviewing the transaction. StarHub's Board of Directors will also ensure that all disclosure requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into pursuant to the Shareholders' Mandate.

The Audit Committee shall review the internal audit reports to ascertain whether the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, the Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the EAR Group and the Mandated Interested Persons are conducted on normal commercial terms. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are not sufficient to ensure that these interested person transactions will be on normal commercial terms and will not be prejudicial to StarHub and its minority shareholders, StarHub will (pursuant to Rule

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## APPENDIX 2

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920(1)(b)(iv) and (vii) of the Listing Manual) revert to shareholders for a fresh mandate based on new guidelines and procedures for transactions with Mandated Interested Persons.

StarHub's Board of Directors shall have overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within StarHub as they deem appropriate.

### **7. Audit Committee's Statements**

The Audit Committee (currently comprising Messrs Kua Hong Pak, Nihal Vijaya Devadas Kaviratne CBE, Lim Ming Seong and Teo Ek Tor) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for interested person transactions with the EAR Group, as well as the reviews to be made periodically by the Audit Committee (with internal audit assistance) in relation thereto, are sufficient to ensure that such interested person transactions will be made with the relevant class of Mandated Interested Persons in accordance with normal commercial terms, and are hence not prejudicial to StarHub and its minority shareholders.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### STARHUB LTD

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of StarHub Ltd (the “**Company**”) will be held at Ballroom III, Level 3, Singapore Marriott Hotel, 320 Orchard Road, Singapore 238865 on 18 April 2007 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Ninth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions, of which Resolution 1 will be proposed as a Special Resolution, and Resolution 2 and Resolution 3 will be proposed as Ordinary Resolutions:

#### **Resolution 1: Special Resolution**

#### **The Proposed Capital Reduction and Cash Distribution**

That, pursuant to Article 11(A) of the Articles of Association of the Company and subject to the confirmation of the High Court of the Republic of Singapore:

#### **(1) Reduction of Issued Share Capital**

- (a) a sum of up to S\$452 million (the “**Capitalised Amount**”) forming part of the capital reserves of the Company be capitalised and applied in paying up in full for a maximum of 157.8 million new ordinary shares in the capital of the Company (the “**Additional Shares**”, each an “**Additional Share**”), and the Additional Shares be allotted and issued credited as fully paid up to the Shareholders in the proportion of one Additional Share for each ordinary share in the capital of the Company (the “**Share**”) held by them which is cancelled pursuant to sub-paragraphs (b) and (c) below;
- (b) the issued share capital of the Company (as enlarged following the capitalisation of the Capitalised Amount) be reduced by the Capitalised Amount and such reduction be effected by (i) cancelling the Additional Shares forthwith upon the allotment and issue of the Additional Shares, (ii) cancelling, subject to the Rounding-Up (as defined in sub-paragraph (c) below), one Share for every twelve Shares (the “**Reduction Ratio**”) held by or on behalf of the shareholders of the Company (the “**Shareholders**”) as at a books closure date to be determined by the Directors (the “**Books Closure Date**”), and (iii) returning to each Shareholder the amount of S\$2.86 in cash (the “**Cash Distribution**”) for each Share held by or on behalf of such Shareholder so cancelled pursuant to sub-paragraph (b)(ii) above.

Any fraction of a Share to be cancelled from the shareholding of each Shareholder arising from the application of the Reduction Ratio shall be disregarded for the purposes of the Capital Reduction; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (c) the number of Shares proposed to be cancelled from each Shareholder under subparagraph (b)(ii) above pursuant to the Reduction Ratio be reduced by rounding-up (where applicable) to the nearest multiple of 10 Shares (the “**Rounding-Up**”) the resultant number of Shares that would have been held by or on behalf of each Shareholder following the proposed cancellation of Shares pursuant to the Reduction Ratio. In the event that the resultant number of Shares arising from the Rounding-Up:
- (i) is greater than the number of Shares held by or on behalf of such Shareholder as at the Books Closure Date, no Rounding-Up will be applied and the number of Shares proposed to be cancelled from such Shareholder shall be the number of Shares cancelled based solely on the Reduction Ratio; or
  - (ii) is equal to the number of Shares held by or on behalf of such Shareholder as at the Books Closure Date, no Shares shall be cancelled from such Shareholder; and

### (2) **Authority to Directors**

The Directors and each of them be and are hereby authorised to do all acts and things and to execute all such documents as they or he may consider necessary or expedient to give effect to the preceding paragraph (1).

### **Resolution 2: Ordinary Resolution** **The Proposed Renewal of the Share Purchase Mandate**

That:

- (1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (a) market purchase(s) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) transacted through the SGX-ST’s trading system and/or any other securities exchange on which the Shares may for the time being be listed and quoted (“**Other Exchange**”); and/or
  - (b) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,
- and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);
- (2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
- (a) the date on which the next Annual General Meeting of the Company is held; and
  - (b) the date by which the next Annual General Meeting of the Company is required by law to be held;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(3) in this Resolution:

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five Market Days, on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the rules of the SGX-ST or, as the case may be, Other Exchange for any corporate action which occurs after the relevant five Market Day period;

**“date of the making of the offer”** means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

**“Market Day”** means a day on which the SGX-ST or, as the case may be, Other Exchange is open for trading in securities;

**“Maximum Limit”** means that number of issued Shares representing 10% of the issued ordinary shares of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

**“Maximum Price”**, in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

- (a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and
  - (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and
- (4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

### **Resolution 3: Ordinary Resolution**

#### **The Proposed Renewal of the Shareholders’ Mandate for Interested Person Transactions**

That:

- (1) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (**“Chapter 9”**) of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix 2 to the Circular with any party who is of the class of interested persons described in Appendix 2 to the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (2) the approval given in paragraph (1) above (the **“Shareholders’ Mandate”**) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (3) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider, expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

By Order Of The Board

**Veronica Lai**  
Company Secretary

Singapore  
27 March 2007

**Notes:**

- (1) A member of the Company entitled to attend and vote at the Extraordinary 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 deposited at the registered office of the Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 (Attn: Company Secretary), not less than 48 hours before the time of the Extraordinary General Meeting.
- (3) The Company may use its internal sources of funds of the Group or external borrowings or a combination of both to finance the purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued ordinary shares of the Company as at 5 March 2007 (the "**Latest Practicable Date**"), the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 185.3 million Shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires the 185.3 million Shares at the Maximum Price of S\$3.00 for one Share (being the price equivalent to 105% of the average of the closing market prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 185.3 million Shares is S\$555.7 million.

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the 185.3 million Shares at the Maximum Price of S\$3.14 for one Share (being the price equivalent to 110% of the average of the closing market prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 185.3 million Shares is S\$582.1 million.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed renewal of the Share Purchase Mandate on the audited financial statements of the Company for the financial year ended 31 December 2006 based on these assumptions are set out in paragraph 3.7.4 of the Circular.

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# STARHUB LTD

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

## IMPORTANT

1. For investors who have used their CPF moneys to buy shares in the capital of StarHub Ltd, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent for information only.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

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 Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at Ballroom III, Level 3, Singapore Marriott Hotel, 320 Orchard Road, Singapore 238865 on 18 April 2007 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Ninth Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) and at any adjournment thereof.

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

	For	Against
<u>Resolution 1: Special Resolution</u> To approve the proposed Capital Reduction and Cash Distribution.		
<u>Resolution 2: Ordinary Resolution</u> To approve the proposed renewal of the Share Purchase Mandate.		
<u>Resolution 3: Ordinary Resolution</u> To approve the proposed renewal of the Shareholders’ Mandate for Interested Person Transactions.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

Total Number of Shares held

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

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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, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 51 Cuppage Road, #07-00 StarHub Centre, Singapore 229469 (Attn: Company Secretary), not less than 48 hours before the time appointed for the Extraordinary 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.
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 Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 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 Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Affix  
Postage  
Stamp

**STARHUB LTD**  
51 Cuppage Road  
#07-00 StarHub Centre  
Singapore 229469  
Attn: Company Secretary

Seal here

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