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## **STARHUB LTD**

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### **Announcement of Unaudited Results for the Second Quarter and Half Year ended 30 June 2011**

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StarHub is pleased to announce our unaudited results for the second quarter and half year ended 30 June 2011.

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**Results for the Second Quarter and Half Year ended 30 June 2011**


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**1. GROUP INCOME AND COMPREHENSIVE INCOME STATEMENTS****1.1 GROUP INCOME STATEMENT**

	Quarter ended 30 Jun			Half Year ended 30 Jun		
	2011 S\$m	2010 S\$m	Incr/(Decr) %	2011 S\$m	2010 S\$m	Incr/(Decr) %
Operating revenue	568.6	569.3	(0.1)	1,127.1	1,126.5	0.1
Operating expenses	(477.2)	(492.3)	(3.1)	(948.1)	(991.7)	(4.4)
Other income	4.2	0.9	nm	7.2	0.9	nm
<b>Profit from operations</b>	<b>95.6</b>	<b>77.9</b>	<b>22.6</b>	<b>186.2</b>	<b>135.7</b>	<b>37.3</b>
Finance income	1.0	0.8	29.5	1.2	1.0	18.1
Finance expenses <sup>(1)</sup>	(4.9)	(7.2)	(32.2)	(9.9)	(12.7)	(21.9)
<b>Profit before taxation</b>	<b>91.7</b>	<b>71.5</b>	<b>28.2</b>	<b>177.5</b>	<b>124.0</b>	<b>43.2</b>
Taxation	(13.7)	(13.5)	1.9	(30.4)	(23.3)	30.7
<b>Profit for the period</b>	<b>78.0</b>	<b>58.1</b>	<b>34.3</b>	<b>147.1</b>	<b>100.7</b>	<b>46.0</b>
Attributable to:						
Equity holders of the Company	78.0	58.1	34.3	147.1	100.7	46.0
	<b>78.0</b>	<b>58.1</b>	<b>34.3</b>	<b>147.1</b>	<b>100.7</b>	<b>46.0</b>
<b>EBITDA</b>	<b>163.7</b>	<b>141.1</b>	<b>16.0</b>	<b>323.5</b>	<b>259.5</b>	<b>24.6</b>
<b>EBITDA as a % of service revenue</b>	<b>30.4%</b>	<b>25.9%</b>	<b>4.4 %pts</b>	<b>30.2%</b>	<b>24.2%</b>	<b>6.0 %pts</b>
<b>Free Cash Flow <sup>(2)</sup></b>	<b>139.5</b>	<b>109.8</b>	<b>27.0</b>	<b>271.9</b>	<b>229.8</b>	<b>18.4</b>
<i>Profit from operations is arrived after charging the following:</i>						
<i>Allowance for doubtful receivables and bad debts written off</i>	5.0	4.7	5.8	10.0	8.8	13.9
<i>Depreciation and amortisation (net of asset grants)</i>	68.1	63.2	7.8	137.2	123.9	10.8

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

**Notes:**

(1) Finance expenses include interest and other financing charges

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

(3) Numbers in all tables may not exactly add due to rounding

1.2 GROUP COMPREHENSIVE INCOME STATEMENT

	Quarter ended 30 Jun			Half Year ended 30 Jun		
	2011 S\$m	2010 S\$m	Incr/(Decr) %	2011 S\$m	2010 S\$m	Incr/(Decr) %
<b>Profit for the period</b>	<b>78.0</b>	<b>58.1</b>	<b>34.3</b>	<b>147.1</b>	<b>100.7</b>	<b>46.0</b>
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedge (net of tax)	(0.7)	(1.9)	(61.7)	(0.6)	(1.8)	(66.1)
Other comprehensive income for the period, net of tax	(0.7)	(1.9)	(61.7)	(0.6)	(1.8)	(66.1)
<b>Total comprehensive income for the period</b>	<b>77.3</b>	<b>56.2</b>	<b>37.5</b>	<b>146.5</b>	<b>98.9</b>	<b>48.1</b>
Attributable to:						
Equity holders of the Company	77.3	56.2	37.5	146.5	98.9	48.1
	<b>77.3</b>	<b>56.2</b>	<b>37.5</b>	<b>146.5</b>	<b>98.9</b>	<b>48.1</b>

2. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Jun 11 S\$m	31 Dec 10 S\$m	30 Jun 11 S\$m	31 Dec 10 S\$m
<b>Non-current assets</b>				
Property, plant and equipment	734.1	776.0	321.0	328.8
Intangible assets	435.6	451.6	141.1	154.7
Subsidiaries	-	-	1,202.1	1,202.1
Deferred tax assets	8.8	4.5	-	-
	<b>1,178.5</b>	<b>1,232.1</b>	<b>1,664.2</b>	<b>1,685.6</b>
<b>Current assets</b>				
Inventories	23.3	31.8	17.8	25.2
Trade receivables	147.4	173.9	137.3	164.4
Other receivables, deposits and prepayments	102.0	101.7	19.6	18.1
Balances with related parties	19.5	16.5	624.6	614.7
Cash and bank balances	270.1	237.5	231.0	180.2
	<b>562.2</b>	<b>561.4</b>	<b>1,030.3</b>	<b>1,002.6</b>
Less:				
<b>Current liabilities</b>				
Trade payables and accruals	435.5	437.7	259.1	274.3
Other payables	235.4	237.4	70.9	78.6
Balances with related parties	50.3	41.8	300.1	187.3
Bank loans	301.8	330.4	301.8	330.4
Provision for taxation	64.0	25.8	57.9	25.2
	<b>1,087.0</b>	<b>1,073.1</b>	<b>989.9</b>	<b>895.8</b>
<b>Net current (liabilities)/assets</b>	<b>(524.8)</b>	<b>(511.7)</b>	<b>40.4</b>	<b>106.8</b>
<b>Non-current liabilities</b>				
Bank loans	450.0	475.0	450.0	475.0
Other payables	36.9	38.2	36.9	38.2
Deferred income	38.1	45.1	-	-
Deferred tax liabilities	104.3	108.1	63.2	71.4
	<b>629.3</b>	<b>666.4</b>	<b>550.1</b>	<b>584.6</b>
<b>Net assets</b>	<b>24.4</b>	<b>54.0</b>	<b>1,154.5</b>	<b>1,207.8</b>
<b>Shareholders' equity</b>				
Share capital	262.8	260.3	262.8	260.3
Reserves	(238.4)	(206.3)	891.7	947.5
<b>Total equity</b>	<b>24.4</b>	<b>54.0</b>	<b>1,154.5</b>	<b>1,207.8</b>

3. GROUP CASH FLOW STATEMENT

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2011 S\$m	2010 S\$m	2011 S\$m	2010 S\$m
<b>Operating Activities</b>				
Profit before taxation	91.7	71.5	177.5	124.0
Adjustments for :				
Depreciation and amortisation (net of asset grants)	68.1	63.2	137.2	123.9
Fixed assets written off	0.3	0.1	1.6	1.2
Share-based payments expenses	(2.0)	1.3	(0.5)	2.7
Changes in fair value of financial instruments	0.0	(0.2)	(1.9)	(0.1)
Net finance expenses	3.9	6.4	8.7	11.7
Income related grants	(4.2)	(0.9)	(7.2)	(0.9)
Other non-cash items	0.2	0.1	0.5	0.2
Operating cash flow before working capital changes	158.1	141.5	316.0	262.6
Changes in working capital	23.7	13.0	39.6	60.4
<b>Net cash from operating activities</b>	<b>181.7</b>	<b>154.5</b>	<b>355.6</b>	<b>323.0</b>
<b>Investing Activities</b>				
Proceeds from disposal of fixed assets	0.1	0.2	0.1	1.9
Purchase of fixed assets	(42.2)	(44.7)	(83.7)	(93.3)
Interest received	0.9	0.6	1.1	0.9
<b>Net cash used in investing activities</b>	<b>(41.2)</b>	<b>(43.9)</b>	<b>(82.5)</b>	<b>(90.4)</b>
<b>Financing Activities</b>				
Proceeds from exercise of share options	0.4	1.1	1.0	1.5
Finance expenses paid	(2.2)	(3.3)	(11.2)	(12.6)
Grants received	-	25.0	-	25.0
Proceeds from loans	-	-	-	200.0
Repayment of loans	-	-	(53.6)	(230.4)
Dividends paid	(171.6)	(171.5)	(171.6)	(171.5)
Purchase of treasury shares	-	-	(5.2)	-
<b>Net cash used in financing activities</b>	<b>(173.4)</b>	<b>(148.7)</b>	<b>(240.6)</b>	<b>(187.9)</b>
<b>Net change in cash and cash equivalents</b>	<b>(32.8)</b>	<b>(38.1)</b>	<b>32.6</b>	<b>44.6</b>
Cash and cash equivalents at beginning of the period	303.0	316.9	237.5	234.2
<b>Cash and cash equivalents at end of the period</b>	<b>270.1</b>	<b>278.8</b>	<b>270.1</b>	<b>278.8</b>

4. GROUP UNSECURED BORROWINGS

	30 Jun 11 S\$m	31 Dec 10 S\$m
<b>Unsecured borrowings</b>		
Amount repayable in one year or less	301.8	330.4
Amount repayable after one year	450.0	475.0
<b>Total</b>	<b>751.8</b>	<b>805.4</b>

5. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$m	Goodwill written off S\$m	Share- based payment reserve S\$m	Hedging reserve S\$m	Treasury shares S\$m	Retained profits S\$m	Total reserves S\$m	Total equity S\$m
At 1 Jan 2011	260.3	(276.3)	15.7	(7.7)	(0.1)	62.1	(206.3)	54.0
Issue of shares pursuant to share option, performance shares & restricted stock plans	2.3	-	(1.7)	-	-	-	(1.7)	0.6
Share-based payments expenses	-	-	1.5	-	-	-	1.5	1.5
Purchase of treasury shares	-	-	-	-	(5.2)	-	(5.2)	(5.2)
Transfer from treasury shares to share-based payment reserve	-	-	0.1	-	-	-	0.1	0.1
Total comprehensive income for the period (net of tax)	-	-	-	0.1	-	69.1	69.2	69.2
<b>At 31 Mar 2011</b>	<b>262.6</b>	<b>(276.3)</b>	<b>15.5</b>	<b>(7.6)</b>	<b>(5.3)</b>	<b>131.2</b>	<b>(142.4)</b>	<b>120.2</b>
<b>Issue of shares pursuant to share option, performance shares &amp; restricted stock plans</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.2</b>
<b>Share-based payments expenses</b>	<b>-</b>	<b>-</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.0)</b>	<b>(2.0)</b>
<b>Transfer from treasury shares to share-based payment reserve</b>	<b>-</b>	<b>-</b>	<b>(2.3)</b>	<b>-</b>	<b>2.6</b>	<b>-</b>	<b>0.3</b>	<b>0.3</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(171.6)</b>	<b>(171.6)</b>	<b>(171.6)</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>-</b>	<b>78.0</b>	<b>77.3</b>	<b>77.3</b>
<b>At 30 Jun 2011</b>	<b>262.8</b>	<b>(276.3)</b>	<b>11.3</b>	<b>(8.3)</b>	<b>(2.7)</b>	<b>37.6</b>	<b>(238.4)</b>	<b>24.4</b>
At 1 Jan 2010	257.5	(276.3)	13.0	(7.4)	(3.0)	142.0	(131.7)	125.8
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	(0.7)	-	-	-	(0.7)	0.4
Share-based payments expenses	-	-	1.4	-	-	-	1.4	1.4
Transfer from treasury shares to share-based payment reserve	-	-	(2.9)	-	2.9	-	-	-
Total comprehensive income for the period (net of tax)	-	-	-	0.1	-	42.7	42.7	42.7
At 31 Mar 2010	258.6	(276.3)	10.8	(7.3)	(0.0)	184.6	(88.2)	170.4
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	-	-	-	-	-	1.1
Share-based payments expenses	-	-	1.3	-	-	-	1.3	1.3
Dividends paid	-	-	-	-	-	(171.5)	(171.5)	(171.5)
Total comprehensive income for the period (net of tax)	-	-	-	(1.9)	-	58.1	56.2	56.2
At 30 Jun 2010	259.7	(276.3)	12.1	(9.2)	(0.0)	71.2	(202.2)	57.5

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

Company	Share capital S\$m	Merger/ Capital reserve S\$m	Share- based payment reserve S\$m	Hedging reserve S\$m	Treasury shares S\$m	Retained profits S\$m	Total reserves S\$m	Total equity S\$m
At 1 Jan 2011	260.3	276.5	15.7	(7.7)	(0.1)	663.1	947.5	1,207.8
Issue of shares pursuant to share option, performance shares & restricted stock plans	2.3	-	(1.7)	-	-	-	(1.7)	0.6
Share-based payments expenses	-	-	1.5	-	-	-	1.5	1.5
Purchase of treasury shares	-	-	-	-	(5.2)	-	(5.2)	(5.2)
Transfer from treasury shares to share-based payment reserve	-	-	0.1	-	-	-	0.1	0.1
Total comprehensive income for the period (net of tax)	-	-	-	0.1	-	61.3	61.5	61.5
<b>At 31 Mar 2011</b>	<b>262.6</b>	<b>276.5</b>	<b>15.5</b>	<b>(7.6)</b>	<b>(5.3)</b>	<b>724.4</b>	<b>1,003.6</b>	<b>1,266.3</b>
Issue of shares pursuant to share option, performance shares & restricted stock plans	0.2	-	-	-	-	-	-	0.2
Share-based payments expenses	-	-	(2.0)	-	-	-	(2.0)	(2.0)
Transfer from treasury shares to share-based payment reserve	-	-	(2.3)	-	2.6	-	0.3	0.3
Dividends paid	-	-	-	-	-	(171.6)	(171.6)	(171.6)
Total comprehensive income for the period (net of tax)	-	-	-	(0.7)	-	62.0	61.3	61.3
<b>At 30 Jun 2011</b>	<b>262.8</b>	<b>276.5</b>	<b>11.3</b>	<b>(8.3)</b>	<b>(2.7)</b>	<b>614.8</b>	<b>891.7</b>	<b>1,154.5</b>
At 1 Jan 2010	257.5	276.5	13.0	(7.3)	(3.0)	705.1	984.3	1,241.8
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	(0.7)	-	-	-	(0.7)	0.4
Share-based payments expenses	-	-	1.4	-	-	-	1.4	1.4
Transfer from treasury shares to share-based payment reserve	-	-	(2.9)	-	2.9	-	-	-
Total comprehensive income for the period (net of tax)	-	-	-	0.0	-	51.1	51.2	51.2
<b>At 31 Mar 2010</b>	<b>258.6</b>	<b>276.5</b>	<b>10.8</b>	<b>(7.3)</b>	<b>(0.0)</b>	<b>756.2</b>	<b>1,036.2</b>	<b>1,294.8</b>
Issue of shares pursuant to share option, performance shares & restricted stock plans	1.1	-	-	-	-	-	-	1.1
Share-based payments expenses	-	-	1.3	-	-	-	1.3	1.3
Dividends paid	-	-	-	-	-	(171.5)	(171.5)	(171.5)
Total comprehensive income for the period (net of tax)	-	-	-	(1.9)	-	61.8	59.9	59.9
<b>At 30 Jun 2010</b>	<b>259.7</b>	<b>276.5</b>	<b>12.1</b>	<b>(9.2)</b>	<b>(0.0)</b>	<b>646.5</b>	<b>925.9</b>	<b>1,185.6</b>

## 6. CHANGES IN COMPANY'S SHARE CAPITAL

### Share Capital

As at 30 June 2011, the share capital of the Company totaled S\$262.8 million comprising 1,716,296,813 issued ordinary shares (excluding treasury shares). Compared to 31 December 2010, this was S\$260.3 million or 1,715,967,205 ordinary shares (excluding treasury shares).

#### Issue of new shares

For the quarter ended 30 June 2011, the Company issued 133,525 ordinary shares to participants who exercised the Company's share option plans. The exercise prices ranged from S\$0.88 to S\$1.52 per ordinary shares.

For the half year ended 30 June 2011, a total of 1,324,657 shares were issued to employees pursuant to the Company's obligations under its share-based plans:

- a) 576,343 ordinary shares upon the exercise of options by participants pursuant to the Company's share option plans at exercise prices ranging from S\$0.88 to S\$1.52 per ordinary share;
- b) 748,314 ordinary shares were issued as fully paid shares via the transfer from the Company's share-based payment reserve to participants to satisfy the payout under the Company's Performance and Restricted Share Plans.

#### Treasury Shares

For the quarter and half year, the Company transferred a total of 1,004,951 ordinary shares to participants of the Company's share plans. After the transfer, the treasury share balance was S\$2.7 million or 1,077,789 ordinary shares as at 30 June 2011 (30 June 2010: 12,740 ordinary shares).

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

#### Share Option Plans

As at 30 June 2011, the outstanding balance of unexercised options under the Company's share option plans totaled 3,152,206 (30 June 2010: 4,555,527) or 0.2% of total issued shares in the capital of the Company.

#### Performance Share Plan

As at 30 June 2011, the outstanding balance of conditional awards under the Performance Share Plan was 1,955,150 ordinary shares (30 June 2010: 1,243,750).

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

#### Restricted Stock Plan

As at 30 June 2011, the outstanding balance of conditional awards under the Restricted Stock Plan was 5,329,372 ordinary shares (30 June 2010: 4,950,643).



Under the StarHub's Restricted Stock Plan, there are two types of awards:

- 1) For performance-based awards, the outstanding number of shares reported for such grants which have not fulfilled the performance period is assumed to be at "Target" performance level of the various key performance indicators as set out over a 2-year period. The payout will be over a 2-year period after this performance period.
- 2) For time-based awards, it is based on the outstanding number of shares to be delivered when the time-based service conditions are fulfilled.

**7. AUDIT**

The financial statements have not been audited or reviewed.

**8. AUDITORS' REPORT**

Not applicable

**9. ACCOUNTING POLICIES**

The Group and the Company have applied the same accounting policies and method of computation as in the most recent audited financial statements for the year ended 31 December 2010.

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and effective for annual periods beginning on 1 January 2011. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior periods.

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

Not applicable.

**11. GROUP EARNINGS PER ORDINARY SHARE**

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2011	2010	2011	2010
<b>Basic</b>				
Earnings per share	4.54 cents	3.39 cents	8.57 cents	5.87 cents
Weighted average number of shares ('000)	1,716,138	1,715,310	1,716,083	1,714,734
<b>Diluted</b>				
Earnings per share	4.52 cents	3.37 cents	8.53 cents	5.85 cents
Weighted average number of shares ('000)	1,725,224	1,723,611	1,725,248	1,723,221

12. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	30 Jun 2011	31 Dec 2010	30 Jun 2011	31 Dec 2010
Net asset value per share	1.4 cents	3.1 cents	67.3 cents	70.4 cents

13. REVIEW OF GROUP PERFORMANCE

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m	%	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m	%
Operating revenue	568.6	569.3	(0.7)	(0.1)	1,127.1	1,126.5	0.7	0.1
Operating expenses	(477.2)	(492.3)	(15.0)	(3.1)	(948.1)	(991.7)	(43.6)	(4.4)
Other income	4.2	0.9	3.3	nm	7.2	0.9	6.3	nm
<b>Profit from operations</b>	<b>95.6</b>	<b>77.9</b>	<b>17.6</b>	<b>22.6</b>	<b>186.2</b>	<b>135.7</b>	<b>50.6</b>	<b>37.3</b>
Finance income	1.0	0.8	0.2	29.5	1.2	1.0	0.2	18.1
Finance expenses	(4.9)	(7.2)	(2.3)	(32.2)	(9.9)	(12.7)	(2.8)	(21.9)
<b>Profit before taxation</b>	<b>91.7</b>	<b>71.5</b>	<b>20.2</b>	<b>28.2</b>	<b>177.5</b>	<b>124.0</b>	<b>53.5</b>	<b>43.2</b>
Taxation	(13.7)	(13.5)	0.3	1.9	(30.4)	(23.3)	7.2	30.7
<b>Profit for the period</b>	<b>78.0</b>	<b>58.1</b>	<b>19.9</b>	<b>34.3</b>	<b>147.1</b>	<b>100.7</b>	<b>46.4</b>	<b>46.0</b>
<b>EBITDA</b>	<b>163.7</b>	<b>141.1</b>	<b>22.6</b>	<b>16.0</b>	<b>323.5</b>	<b>259.5</b>	<b>63.9</b>	<b>24.6</b>
<b>Service revenue</b>	<b>539.2</b>	<b>544.4</b>	<b>(5.2)</b>	<b>(1.0)</b>	<b>1,069.9</b>	<b>1,071.7</b>	<b>(1.9)</b>	<b>(0.2)</b>
<b>EBITDA as a % of service revenue</b>	<b>30.4%</b>	<b>25.9%</b>	<b>4.4 %pts</b>		<b>30.2%</b>	<b>24.2%</b>	<b>6.0 %pts</b>	

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

Results for the period ended 30 June 2011

For the quarter ended 30 June 2011, the Group's operating revenue at S\$568.6 million was S\$0.7 million lower year-on-year. The lower operating revenue was impacted by lower service revenue of S\$5.2 million but mitigated by higher revenue from sale of equipment of S\$4.5 million. For the half-year period, total operating revenue was marginally higher at S\$1,127.1 million when compared to S\$1,126.5 million in 1H-2010.

Service revenue was S\$5.2 million or 1% lower at S\$539.2 million for the quarter, and for the half-year period, was down marginally by 0.2% to S\$1,069.9 million. Mobile, Broadband and Fixed services revenue grew year-on-year while Pay TV service revenue was comparatively lower for both the quarter and half-year periods. Pay TV service revenue for the quarter and half-year periods decreased 16% and 13% year-on-year respectively, attributed to the reduction in Sports Group's subscription price from S\$25/month to S\$12/month (from June 2010) and the non-recurrence of the 2010 World Cup event, which revenue was included in June last year. Mobile services revenue was up 3% year-on-year to S\$302.5 million in 2Q-2011 and S\$598.1 million in 1H-2011, driven by higher revenue from Post-paid mobile service. Broadband services revenue for the quarter grew 3% year-

on-year to S\$61.0 million and for the half year, was 2% higher at S\$120.9 million on the back of a higher subscriber base. Fixed Network services revenue at S\$83.4 million in 2Q-2011 was 2% higher year-on-year and for the half-year period grew 3% year-on-year to S\$167.0 million, with both Data & Internet and Voice services contributing to the increases in both periods.

Against 2Q-2010, this quarter's revenue from sales of equipment was S\$4.5 million or 18% higher at S\$29.4 million, and for the half year, was up S\$2.5 million or 5% to S\$57.2 million when compared to 1H-2010. The increase was contributed by higher mix of smart phones and tablets sold.

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

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m	%	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m	%
<b>Operating revenue</b>								
Mobile revenue	302.5	294.0	8.4	2.9	598.1	580.3	17.8	3.1
Pay TV revenue	92.3	109.6	(17.2)	(15.7)	183.9	211.2	(27.3)	(12.9)
Broadband revenue	61.0	59.2	1.8	3.0	120.9	118.7	2.1	1.8
Fixed network services revenue	83.4	81.6	1.8	2.2	167.0	161.5	5.5	3.4
Total service revenue	539.2	544.4	(5.2)	(1.0)	1,069.9	1,071.7	(1.9)	(0.2)
Sale of equipment	29.4	24.9	4.5	18.2	57.2	54.7	2.5	4.6
Total	568.6	569.3	(0.7)	(0.1)	1,127.1	1,126.5	0.7	0.1

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2011 Mix %	2010 Mix %	2011 Mix %	2010 Mix %
<b>Operating revenue mix</b>				
Mobile revenue	53.2	51.7	53.1	51.5
Pay TV revenue	16.2	19.2	16.3	18.7
Broadband revenue	10.7	10.4	10.7	10.5
Fixed network services revenue	14.7	14.3	14.8	14.3
Sale of equipment	5.2	4.4	5.1	4.9
Total	100.0	100.0	100.0	100.0

### Profitability

Profit from operations for the quarter grew 23% to S\$95.6 million, and for the half year, increased 37% to S\$186.2 million when compared to the same periods last year. Returns from investments in users of smart phones and devices in the Mobile business and lower costs of services, particularly in the Pay TV business without the Barclays Premier League ("BPL") sports content, have contributed to the higher operational profits in the quarter and first half of 2011. In addition, other income for government grant receipts was also higher at S\$4.2 million in the quarter, and for the half-year period was S\$7.2 million compared to S\$0.9 million last year.

Against the same periods last year, total operating expenses fell 3% for the quarter and 4% for the half year as cost of sales decreased but partially offset by increase in other operating

expenses. For the quarter, cost of sales decreased S\$29.8 million or 12% year-on-year to S\$221.5 million, and for the half year, was S\$62.6 million or 13% lower at S\$437.9 million. The year-on-year decreases were attributable to lower cost of services arising from the non-carriage of the BPL sports content and the 2010 World Cup event as well as lower traffic expenses. For the quarter, other operating expenses were up S\$14.8 million or 6% to S\$255.7 million and increased S\$19.0 million or 4% to S\$510.2 million for the half year when compared to the same periods last year. The year-on-year increase in other operating expenses was due to higher staff costs, depreciation and amortisation expenses, which were partially lowered by lower operating lease expenses.

For the quarter, the Group EBITDA increased S\$22.6 million or 16% year-on-year to S\$163.7 million and for the half year, was up 25% year-on-year to S\$323.5 million. As a percentage of service revenue, EBITDA margin trended higher at 30.4% for the quarter and 30.2% for the half-year period, up from 25.9% in 2Q-2010 and 24.2% in 1H-2010.

Year-on-year, finance income increased S\$0.2 million to S\$1.0 million in 2Q-2011 and S\$1.2 million in 1H-2011.

Finance expenses for the quarter amounted to S\$4.9 million, 32% lower when compared to 2Q-2010. For the half year, finance expenses decreased S\$2.8 million or 22% year-on-year to S\$9.9 million. The low interest rates and lower average outstanding loan balances in 2Q-2011 and 1H-2011 were the main contributing factors to the lower finance expenses. Also included in the 2Q-2010 finance expenses were facility fees paid for the establishment of new bank loan facilities secured.

As a result, Group's profit before taxation at S\$91.7 million for the quarter was S\$20.2 million or 28% higher year-on-year, and for the half year, increased S\$53.5 million or 43% year-on-year to S\$177.5 million in 1H-2011.

On account of higher profits, taxation expense was 2% higher at S\$13.7 million for the quarter and increased 31% to S\$30.4 million for the half year when compared to the same periods last year.

As such, the Group's profit for the period was up S\$19.9 million or 34% year-on-year to S\$78.0 million in 2Q-2011, and for the half year, was S\$46.4 million or 46% higher at S\$147.1 million in 1H-2011.

**Mobile Service Revenue**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m	%	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m	%
Mobile revenue								
Post-paid	239.2	229.1	10.1	4.4	470.7	449.3	21.4	4.8
Pre-paid	63.3	65.0	(1.7)	(2.6)	127.4	131.0	(3.6)	(2.8)
Total	302.5	294.0	8.4	2.9	598.1	580.3	17.8	3.1

Mobile operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun 2011	31 Mar 2011	30 Jun 2010	30 Jun 2011	2010	Incr/(Decr) %
Number of registered customers (in thousands)						
Post-paid	1,051	1,031	994	1,051	994	5.7
Pre-paid	1,102	1,114	1,062	1,102	1,062	3.8
Total	2,153	2,145	2,056	2,153	2,056	4.7
Monthly minutes of use per registered customer						
Post-paid	341	341	381	341	384	(11.2)
Pre-paid	488	493	544	491	551	(11.0)
Average monthly SMS per registered user (originating)						
Post-paid	250	256	255	253	255	(0.8)
Pre-paid	129	133	147	131	150	(12.8)
Mobile Data Traffic (in GBytes)						
Post-paid	3,577,678	3,511,887	3,352,043	7,089,565	6,281,989	12.9
Pre-paid	77,572	57,484	21,690	135,056	43,884	207.8
ARPU with IDD included (S\$ per month)						
Post-paid	73	72	72	72	72	1.1
Pre-paid	20	20	21	20	22	(10.5)
Non-voice service as a contribution to ARPU						
Post-paid	37.5%	36.8%	35.1%	37.1%	35.2%	-
Pre-paid	17.0%	16.0%	13.4%	16.5%	13.0%	-
Average monthly churn rate (post-paid)	1.0%	1.1%	1.1%	1.0%	1.1%	-
Singapore mobile penetration <sup>(1)</sup>	147.1%	145.5%	140.7%	147.1%	140.7%	-
Market Share <sup>(1)</sup>	28.7%	29.0%	29.3%	28.7%	29.3%	-

*Note:*

(1) Source : IDA (As at May 2011)

**Total mobile services**

For the quarter and half year ended 30 June 2011, total mobile services revenue was up 3% year-on-year to S\$302.5 million in 2Q-2011 and S\$598.1 million in 1H-2011. The higher revenue was attributed to Post-paid mobile services revenue, which increased 4.4% for the quarter and 4.8% for the half-year period compared to Pre-paid mobile services which decreased 2.6% for the quarter and 2.8% for the half-year period. As a percentage of overall revenue mix, total mobile services revenue continued to account the largest share at 53.2% for the quarter and 53.1% for the half year ended 30 June 2011.

Post-paid mobile services

Post-paid mobile services revenue for the quarter grew S\$10.1 million or 4% year-on-year to S\$239.2 million, and for the half year, increased S\$21.4 million or 5% year-on-year to S\$470.7 million as subscribers grew and ARPU were higher.

As at 30 June 2011, Post-paid mobile customer base was 1,051K after the quarter's net add of 20K. Compared to a year ago, this was 57K or 6% higher.

For the first half, we continued to see good take-up of "SmartSurf" and data SIM plans as more smart devices, phones and tablets became commercially available in the market. This resulted in higher monthly recurring subscription fees year-on-year, which helped to mitigate the lower chargeable voice and data usage revenue as many of the "SmartSurf" and data subscription plans are bundled with free minutes and data. Post-paid mobile ARPU for the quarter was S\$1 higher at S\$73, and for the half year, was S\$72. Overall data traffic continues to increase and total 3.6 million Gigabytes in 2Q-2011, and for the half year, was up 13% year-on-year to 7.1 million Gigabytes. As a percentage of Post-paid ARPU, Post-paid non-voice rose to 37.5% in 2Q-2011 from 35.1% in 2Q-2010, and was up 1.9 percentage points to 37.1% in 1H-2011 when compared to 1H-2010.

For the quarter and half year, Post-paid mobile monthly average churn was down to 1.0% compared to 1.1% last year.

Pre-paid mobile services

Pre-paid mobile services revenue for the quarter and half year totaled S\$63.3 million and S\$127.4 million respectively, down 3% when compared to last year.

In 2Q-2011, there was a net churn of 12K registered customers due mainly to the expiry of certain promotional cards and a clean-up of the registered base to conform to the prescribed regulatory requirements. Despite this, the Pre-paid mobile customer base was 40K or 4% higher at 1,102K as at 30 June 2011 when compared to a year ago.

Pre-paid mobile ARPU for the quarter and half year was lower at S\$20 when compared to S\$21 in 2Q-2010 and S\$22 in 1H-2010 due to declining voice usage. Pre-paid voice minutes of use per customer for the quarter was lower at 488 minutes compared to 544 minutes in 2Q-2010, and for the half year, voice usage dropped 11% year-on-year to 491 minutes per customer per month. We continue to see good take-up of our Pre-paid MaxMobile and BlackBerry data subscription packages which resulted in Pre-paid data traffic expanding 3.6 times year-on-year to 78K Gigabytes this quarter, and was 208% higher year-on-year at 135K Gigabytes for 1H-2011. As a result, Pre-paid non-voice as a ratio of Pre-paid ARPU was higher at 17.0% in 2Q-2011 and 16.5% in 1H-2011 as compared to 13.4% in 2Q-2010 and 13.0% in 1H-2010.

**Pay TV Revenue**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011	2010	Incr / (Decr)		2011	2010	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Pay TV revenue	92.3	109.6	(17.2)	(15.7)	183.9	211.2	(27.3)	(12.9)

Pay TV operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun	31 Mar	30 Jun	30 Jun		Incr/(Decr)
	2011	2011	2010	2011	2010	%
Number of residential Pay TV customers (in thousands)	544	542	541	544	541	0.6
ARPU (S\$ per month)	49	49	56	49	56	(12.3)
Average monthly churn rate	1.1%	1.1%	1.2%	1.1%	1.1%	-
StarHub's penetration	45.7%	45.9%	46.5%	45.7%	46.5%	-

Pay TV revenue for the quarter was 16% lower year-on-year at S\$92.3 million. For the half year, Pay TV revenue was S\$27.3 million or 13% lower at S\$183.9 million when compared to 1H-2010. The comparatively lower revenue was due mainly to the reduction in the subscription price of our Sports group package since June 2010 and the non-recurrence of FIFA World Cup 2010 event which occurred in June/July 2010.

Consequently, ARPU for the Pay TV service this quarter and the half-year period was S\$49. This was 9% lower for the quarter and 10% lower for the half year when compared to the ARPU of S\$54 last year (which excluded additional ARPU from the World Cup event).

In the quarter, we continue to see higher take-up of our Basic, HD and add-on channels as new programmes were added and promotional offers were introduced to encourage hubbing of our services. This led to a 1.5K net add for the quarter, bringing the Pay TV subscriber base to 544K customers as at 30 June 2011. This was 3K or 1% more than the 541K subscribers registered a year ago.

For the quarter and half-year periods, Pay TV monthly average churn was maintained at 1.1%.

**Broadband Revenue**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011	2010	Incr / (Decr)		2011	2010	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Broadband revenue	61.0	59.2	1.8	3.0	120.9	118.7	2.1	1.8

Broadband operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun	31 Mar	30 Jun	30 Jun		Incr/(Decr)
	2011	2011	2010	2011	2010	%
Number of residential broadband customers - subscription-based (in thousands)	431	425	408	431	408	5.8
ARPU (S\$ per month)	45	45	48	45	48	(5.1)
Average monthly churn rate	1.1%	1.3%	1.6%	1.2%	1.4%	-

Year-on-year, this quarter’s Broadband revenue rose S\$1.8 million or 3% to S\$61.0 million, and for the half year, was up 2% to S\$120.9 million on the back of a higher subscriber base.

Total broadband customer base was 431K as at 30 June 2011, after a net add of 7K for the quarter. Compared to a year ago, broadband customer base expanded 24K or 6%. Many of the net-adds and recontract customers took up the lower speed price plans and the hubbing promotional packages which led to ARPU dropping to S\$45 for the quarter and half year, compared to S\$48 ARPU for both periods last year.

Broadband average monthly churn for the quarter was 1.1%, down from 1.6% in 2Q-2010. The higher churn recorded a year ago was a result of the expiration of a certain group of customers on promotional 24-months contracts. For the half year, average monthly churn was reduced to 1.2% in 1H-2011 from 1.4% in 1H-2010.

**Fixed Network Services Revenue**

Fixed Network Services Revenue	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011	2010	Incr / (Decr)		2011	2010	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Data & internet	68.8	68.2	0.6	0.9	139.0	136.4	2.6	1.9
Voice services	14.6	13.4	1.2	9.2	28.1	25.1	3.0	11.8
Total	83.4	81.6	1.8	2.2	167.0	161.5	5.5	3.4

For the quarter, Fixed Network services revenue increased S\$1.8 million or 2% year-on-year to S\$83.4 million, and for the half year, was S\$5.5 million or 3% higher at S\$167.0 million when compared to the same periods last year.

Against 2Q-2010, this quarter’s Data & Internet revenue was marginally higher at S\$68.8 million. We continue to see higher subscription for our Next Gen NBN services by retail service providers, local and international leased circuit services. For the half year, Data & Internet revenue grew S\$2.6 million or 2% year-on-year to S\$139.0 million.



Voice services revenue for the quarter increased S\$1.2 million or 9% year-on-year to S\$14.6 million, and for the half year, was up S\$3.0 million or 12% to S\$28.1 million as against 1H-2010. This was due to higher subscription of local voice services and higher interconnection revenue from international carriers.

**Hubbing (Multi-Service Households)**

Hubbing Metrics	As at			YoY Incr/(Decr) %
	30 Jun 2011	31 Mar 2011	30 Jun 2010	
Total Singapore occupied homes (in thousands, estimated) <sup>(1)</sup>	1,175	1,175	1,165	0.9
Total hubbing households with at least one service of post-paid mobile, pay TV and/or broadband services (in thousands)	791	788	789	0.2
Percentage of total hubbing households which subscribe to any two services	30.6%	30.3%	30.7%	(0.1)% pts
Percentage of total hubbing households which subscribe to all three services	26.1%	25.7%	24.2%	1.9% pts
Total hubbing households which subscribe to two or more services	56.7%	56.0%	54.9%	1.8% pts

*Note:*

*(1) Source: Nielsen Media Research for 2010 estimates*

Driven by various marketing promotions for multi-services take up, hubbing households with at least one StarHub service totaled 791K as at 30 June 2011, after a net add of 3K households in the quarter. Compared to a year ago, this was 2K higher. Of this, households subscribing to more than one StarHub service grew to 56.7% as at end of June 2011 compared to 54.9% last year. Our Hub Club customer base (households with all 3 hubbing services) totaled 207K as at 30 June 2011, which was 8% higher than the base in 30 June 2010. As a percentage of hubbing households, Hub Club was 26.1% as at June 2011, up from 24.2% last year.

**Operating expenses**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m %		2011 S\$m	2010 S\$m	Incr / (Decr) S\$m %	
<b>Operating expenses</b>								
Cost of sales	221.5	251.3	(29.8)	(11.9)	437.9	500.5	(62.6)	(12.5)
Other operating expenses	255.7	240.9	14.8	6.1	510.2	491.2	19.0	3.9
Total	477.2	492.3	(15.0)	(3.1)	948.1	991.7	(43.6)	(4.4)

Total operating expenses for the quarter decreased 3% year-on-year to S\$477.2 million, and for the half year, was 4% lower at S\$948.1 million when compared to 1H-2010. The decrease was mainly due to lower cost of sales offset by higher other operating expenses.

As a percentage of operating revenue, total operating expenses was 83.9% in 2Q-2011 and 84.1% in 1H-2011, down from 86.5% in 2Q-2010 and 88.0% in 1H-2010.

Details of total operating expenses are as follows:

**(A) Cost of sales**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011 S\$m	2010 S\$m	Incr / (Decr) S\$m %		2011 S\$m	2010 S\$m	Incr / (Decr) S\$m %	
<b>Cost of sales</b>								
Cost of equipment sold	87.9	81.4	6.5	8.0	171.6	175.2	(3.6)	(2.0)
Cost of services	72.3	102.9	(30.6)	(29.7)	143.1	191.3	(48.2)	(25.2)
Traffic expenses	61.3	67.1	(5.8)	(8.6)	123.2	134.0	(10.8)	(8.1)
Total	221.5	251.3	(29.8)	(11.9)	437.9	500.5	(62.6)	(12.5)

Total cost of sales at S\$221.5 million for the quarter was S\$29.8 million or 12% lower compared to 2Q-2010, and for the half year, decreased 13% year-on-year to S\$437.9 million. As a percentage of operating revenue, cost of sales was lower at 39.0% in 2Q-2011 and 38.9% in 1H-2011, as compared to 44.1% in 2Q-2010 and 44.4% in 1H-2010.

Cost of equipment sold for the quarter was S\$6.5 million or 8% higher at S\$87.9 million as compared to S\$81.4 million in 2Q-2010. The higher cost was primarily due to higher average cost per unit of higher-end smart phones and tablets sold this quarter, compared to 2Q-2010. For the half year, cost of equipment was 2% lower year-on-year at S\$171.6 million, due to lower quantity sold this year. As a percentage of operating revenue, cost of equipment rose to 15.5% in 2Q-2011, compared to 14.3% in 2Q-2010. For the half-year period, cost of equipment ratio was lower at 15.2% in 1H-2011 as against 15.6% in 1H-2010.

Against the same periods last year, this quarter's cost of services was S\$30.6 million or 30% lower at S\$72.3 million, and for the half year, was S\$48.2 million or 25% lower at S\$143.1 million. The lower cost was mainly due to reduced costs without the 2010 World Cup costs and the BPL content, offset by higher content costs from new and renewed programming contracts. As a percentage of operating revenue, cost of services mix was 12.7% for the quarter and half-year periods, down from 18.1% in 2Q-2010 and 17.0% in 1H-2010.

On account of lower interconnection rates negotiated with our carrier partners, our traffic expenses for the quarter and half-year periods were down 9% and 8% year-on-year respectively to S\$61.3 million in 2Q-2011 and S\$123.2 million in 1H-2011. As a percentage of operating revenue, traffic expenses ratio was 10.8% for the quarter and 10.9% for the half year, compared to 11.8% in 2Q-2010 and 11.9% in 1H-2010.

**(B) Other operating expenses**

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2011	2010	Incr / (Decr)		2011	2010	Incr / (Decr)	
Other operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Staff costs	68.4	57.1	11.3	19.8	134.3	124.9	9.5	7.6
Operating lease	34.2	36.5	(2.2)	(6.1)	68.6	73.0	(4.4)	(6.0)
Marketing and promotion	44.1	44.3	(0.2)	(0.4)	86.6	84.9	1.8	2.1
Allowance for doubtful receivables	5.0	4.7	0.3	5.8	10.0	8.8	1.2	13.9
Repair and maintenance	17.7	17.7	(0.0)	(0.3)	35.7	35.6	0.1	0.3
Other expenses	18.2	17.4	0.8	4.3	37.7	40.3	(2.6)	(6.4)
Sub total	187.7	177.8	9.9	5.5	373.0	367.3	5.6	1.5
Depreciation and amortisation	68.1	63.2	4.9	7.8	137.2	123.9	13.4	10.8
Total	255.7	240.9	14.8	6.1	510.2	491.2	19.0	3.9

Compared to 2Q-2010, this quarter's total operating expenses was up S\$14.8 million or 6% to S\$255.7 million, mainly attributed to higher staff costs, depreciation and amortisation and other expenses. This was mitigated by lower operating lease. For the half-year period, other operating expenses increased S\$19.0 million or 4% year-on-year to S\$510.2 million. The higher other operating expenses were contributed by higher staff costs, depreciation and amortisation, marketing and promotion and allowance for doubtful receivables, and partially reduced by lower operating lease and other expenses.

As a percentage of operating revenue, other operating expenses ratio was higher at 45.0% for the quarter and 45.3% for the half year, up from 42.3% in 2Q-2010 and 43.6% in 1H-2010.

Staff costs

Staff costs for the quarter increased S\$11.3 million or 20% to S\$68.4 million as compared to S\$57.1 million in 2Q-2010. The higher expenses were due to higher salaries, variable bonuses, temporary staff expenses and commission, driven by salary increment and a higher headcount. For the half year, staff costs were S\$134.3 million, compared to S\$124.9 million in 1H-2010. If without the one-time S\$12 million charge for 2009 bonus payment in 1H-2010, the half-year staff costs increase was effectively 19% year-on-year. As a percentage of operating revenue, staff costs ratio for the quarter and half year was higher at 12.0% and 11.9% respectively, compared to 10.0% in 2Q-2010 and 11.1% in 1H-2010.

Operating lease

Against the same periods last year, operating lease was 6% lower at S\$34.2 million in 2Q-2011 due to a decrease in domestic and international lease capacity expenses, offset by higher rental on new retail shop space, which was increased since 4Q-2010 and increased network sites' rental. For the half year, operating leases totaled S\$68.6 million in 1H-2011, compared to S\$73.0 million last year. As a percentage of operating revenue, operating

lease ratio was 6.0% for the quarter and 6.1% for the half-year period, down from 6.4% in 2Q-2010 and 6.5% in 1H-2010.

Marketing and promotion

Year-on-year, this quarter's marketing and promotion expenses decreased S\$0.2 million to S\$44.1 million, and for the half year, was 2% higher at S\$86.6 million. The higher expenses for the half-year period were a result of brand marketing and drive take-up of our multi-services hubbing packs. As a percentage of operating revenue, marketing and promotion was 7.8% for the quarter comparable to that in 2Q-2010, but was higher at 7.7% in 1H-2011 when compared to 7.5% last year.

Allowance for doubtful receivables

Allowance for doubtful receivables increased from S\$4.7 million in 2Q-2010 to S\$5.0 million in 2Q-2011, and for the half-year period, was S\$1.2 million or 14% higher year-on-year at S\$10.0 million. As a percentage of service revenue, allowance for doubtful receivables at 0.9% for the quarter and half year was comparable to 2Q-2010, but was higher when compared to 0.8% in 1H-2010.

Other expenses

Other expenses for the quarter was S\$0.8 million or 4% higher year-on-year at S\$18.2 million, due to higher professional fees, allowance for stock obsolescence, utilities and billing costs. The increase was mitigated by higher exchange gain and lower license fees. For the half year, other expenses at S\$37.7 million was S\$2.6 million or 6% lower year-on-year, primarily due to higher exchange gain and lower license fees, and offset by higher professional fees, utilities and billing costs. As a percentage of operating revenue, other expenses ratio was 3.2% for the quarter and 3.3% for the half year.

Depreciation and amortisation

On the back of a 6% year-on-year increase in the Group's gross fixed asset base, depreciation and amortisation expenses for the quarter increased S\$4.9 million or 8% to S\$68.1 million as compared to 2Q-2010, and for the half year, at S\$137.2 million was up 11% year-on-year. As a percentage of operating revenue, depreciation and amortisation expenses was higher at 12.0% in 2Q-2011 and 12.2% in 1H-2011, up from 11.1% and 11.0% in the same periods last year.

**Liquidity and Capital Resources**

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2011 S\$m	2010 S\$m	2011 S\$m	2010 S\$m
<b>Operating Activities</b>				
Profit before taxation	91.7	71.5	177.5	124.0
Non-cash items & net finance expenses adjustments	66.4	70.0	138.5	138.6
Net change in working capital	23.7	13.0	39.6	60.4
<b>Net cash from operating activities</b>	<b>181.7</b>	<b>154.5</b>	<b>355.6</b>	<b>323.0</b>
<b>Investing Activities</b>				
Proceeds from disposal of fixed assets	0.1	0.2	0.1	1.9
Purchase of fixed assets	(42.2)	(44.7)	(83.7)	(93.3)
Interest received	0.9	0.6	1.1	0.9
<b>Net cash used in investing activities</b>	<b>(41.2)</b>	<b>(43.9)</b>	<b>(82.5)</b>	<b>(90.4)</b>
<b>Financing Activities</b>				
Proceeds from exercise of share options	0.4	1.1	1.0	1.5
Finance expenses paid	(2.2)	(3.3)	(11.2)	(12.6)
Grants received	-	25.0	-	25.0
Proceeds from loans	-	-	-	200.0
Repayment of loans	-	-	(53.6)	(230.4)
Dividends paid	(171.6)	(171.5)	(171.6)	(171.5)
Purchase of treasury shares	-	-	(5.2)	-
<b>Net cash used in financing activities</b>	<b>(173.4)</b>	<b>(148.7)</b>	<b>(240.6)</b>	<b>(187.9)</b>
<b>Net change in cash and cash equivalents</b>	<b>(32.8)</b>	<b>(38.1)</b>	<b>32.6</b>	<b>44.6</b>
Cash and cash equivalents at beginning of the period	303.0	316.9	237.5	234.2
<b>Cash and cash equivalents at end of the period</b>	<b>270.1</b>	<b>278.8</b>	<b>270.1</b>	<b>278.8</b>
<b>Free Cash Flow <sup>(1)</sup></b>	<b>139.5</b>	<b>109.8</b>	<b>271.9</b>	<b>229.8</b>

Note:

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

Net cash from operating activities in 2Q-2011 at S\$181.7 million was S\$27.2 million higher than 2Q-2010 from higher operating profits and higher positive change in working capital this quarter. This quarter's positive change in working capital of S\$23.7 million was attributed to lower other receivables, deposits and prepayments, trade receivables and inventories balance. This was coupled with higher trade payables and accruals, and other payables. For the half year, total net cash from operating activities amounted to S\$355.6 million, S\$32.6 million higher compared to 1H-2010. The higher cash inflow was attributed to higher profits from operation and a lower positive change in working capital this year.

Capex payment for the quarter was lower at S\$42.2 million, compared to S\$44.7 million spent last year. Total net cash outlay for investing activities was lower at S\$41.2 million in 2Q-2011, compared to S\$43.9 million in 2Q-2010. For the half year, net cash outflow from investing activities totaled S\$82.5 million, down from S\$90.4 million in 1H-2010. For the quarter and half-year periods, total capex payment was 7.4% of operating revenue.

Free cash flow for the quarter rose 27% year-on-year to S\$139.5 million, and for the half year, was S\$42.1 million or 18% higher year-on-year at S\$271.9 million fueled by the improved cash generated from operations and a lower capex payment this year.

This quarter's total cash outflow from financing activities at S\$173.4 million was S\$24.7 million or 17% higher when compared to 2Q-2010 where the cash outflow was offset by S\$25.0 million of government grant receipts. For the half year, total net cash used in financing activities was higher at S\$240.6 million in 1H-2011 due to higher net repayment of bank loans of S\$53.6 million in 1H-2011, compared to S\$30.4 million in 1H-2010.

As at 30 June 2011, the Group's cash and cash equivalents totaled S\$270.1 million, down from S\$278.8 million a year ago.

Group's total outstanding capital expenditure commitments as at 30 June 2011 totaled S\$164.9 million, down from S\$191.6 million a year ago as last year's capex programs for the customer management information system and network central offices for the Next Gen NBN infrastructure were completed. The current outstanding capital expenditure commitments of S\$164.9 million comprised commitments for our fixed and mobile network infrastructure expansion, investment in set-tops for the Pay TV business and capex for the progressive roll out of Next Gen NBN infrastructure.

### Gearing

As at 30 June 2011, the Group's overall gross debts was at S\$751.8 million, after scheduled repayment of bank loans totaling S\$53.6 million in 1H-2011. Netting the cash balance of S\$270.1 million as at 30 June 2011, net debt amounted to S\$481.7 million, 18% lower compared to a year ago. As a ratio of 2010 EBITDA, the Group's net debt to EBITDA ratio was 0.8 times as at 30 June 2011, compared to 1.0 times a year ago.

### **Statement of Financial Position**

The Group's non-current assets totaled S\$1,178.5 million as at 30 June 2011, down from S\$1,232.1 million as at 31 December 2010. The reduction was largely due to lower net books values for fixed assets.

Total current assets as at 30 June 2011 totaled S\$562.2 million, an increase of S\$0.8 million from 31 December 2010, mainly attributed to higher balance due from related parties, cash and bank balances, and offset by lower trade receivables and inventories balance.

Compared to 31 December 2010, the total current liabilities increased S\$13.9 million to S\$1,087.0 million as at 30 June 2011. The increase was due to higher provision for taxation and balance due to related parties, lessened by lower current portion of bank loans, trade payables and accruals.

Total non-current liabilities decreased from S\$666.4 million as at 31 December 2010 to S\$629.3 million as at 30 June 2011, primarily due to lower outstanding bank loans, deferred income and deferred tax liabilities

As at 30 June 2011, the Group's shareholders' equity totaled S\$24.4 million. This was S\$29.6 million lower compared to 31 December 2010, mainly due to lower retained profits after distribution of dividends.

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

For the half year ended 30 June 2011, the Group's overall operating revenue was flat compared to 1H-2010. This was lower than our earlier guidance of single digit revenue growth for 2011.

As a percentage of service revenue, 1H-2011's EBITDA margin was 30.2%, in line with our expectation of 2011 EBITDA margin to be about 30% of service revenue.

The Group's total capex payments in 1H-2011 amounted to 7% of operating revenue, which is below our earlier guidance of full year capex not exceeding 13% of operating revenue for 2011.

#### 15. GROUP OUTLOOK

In Mobile, we expect to see new smart phones and tablets being introduced into the market, especially in the second half of the year, together with more downloadable applications and social networking tools. These will continue to drive mobile data traffic.

In Pay TV, our recently announced price increase of S\$2 on our Pay TV monthly subscription will take effect from 1 August 2011. The Media Development Authority (MDA) cross-carriage measure is also expected to be implemented from 1 August 2011 for exclusive content acquired on or after 12 March 2010.

Increasing demand for fibre broadband will continue as the Next Gen NGN coverage increases. This will drive price competition in the consumer broadband market as well as generate new opportunities in the corporate market segment.

Based on the current outlook, we are revising our year-on-year growth of the Group's 2011 operating revenue to be in the low single digit range. Group EBITDA margin is expected to maintain at about 30% of service revenue. The total capex payments for the year are now expected not to exceed 12% of operating revenue. In view of the projected profitability and cash flow in FY2011, we maintain our cash dividend payout at 5 cents per ordinary share per quarter.

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

**16. DIVIDENDS**

(a) Current financial period reported on

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

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

(b) Corresponding period of the immediately preceding financial year

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

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

(c) Date payable

The interim dividend will be paid on 2 September 2011.

(d) Book closure date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed on 23 August 2011 ("Book Closure Date") for the purpose of determining members' entitlement to the interim dividend.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906 up to the close of business at 5.00 p.m. on 22 August 2011 ("Entitlement Date") will be registered to determine members' entitlement to the interim dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Entitlement Date will be entitled to the interim dividend.

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

Not applicable.



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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the above unaudited financial results for the second quarter and half year ended 30 June 2011 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Tan Guong Ching  
Director

Neil Montefiore  
Director

Singapore  
4 August 2011

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**INTERESTED PERSON TRANSACTIONS**


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	<b>Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000) 1 April to 30 June 2011 S\$m</b>
<b>Transactions for the Sale of Goods &amp; Services</b>	
Singapore Telecommunications Limited & its associates	17.8
TeleChoice International Ltd & its associates	1.6
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	0.3
	19.7
<b>Transactions for the Purchase of Goods &amp; Services</b>	
Capitaland Limited & its associates	0.2
Singapore Power Limited & its associates	6.4
Singapore Telecommunications Limited & its associates	30.6
STT Communications Ltd and its associates	0.5
TeleChoice International Ltd & its associates	20.0
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	1.2
	58.9

There are no interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) entered into by StarHub Ltd and its subsidiaries for the period 1 April to 30 June 2011.