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STARHUB LTD

Announcement of Unaudited Results for the First Quarter ended 31 March 2018

StarHub is pleased to announce the unaudited results for the first quarter ended 31 March 2018. The results and financial position are presented in accordance with the new and revised Singapore Financial Reporting Standards (International), ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which became effective from 1 January 2018.

Results for the First Quarter ended 31 March 2018

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

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Total revenue	561.0	588.7	(27.8)	(4.7)
Operating expenses	(479.5)	(495.9)	(16.5)	(3.3)
Other income	0.4	0.3	0.1	56.6
Profit from operations	81.9	93.1	(11.2)	(12.0)
Finance income	0.8	0.8	0.0	3.5
Finance expense ⁽²⁾	(7.2)	(7.1)	0.1	0.9
	75.5	86.7	(11.2)	(12.9)
Share of loss of associate (net of tax)	(0.2)	(0.2)	0.0	12.7
Profit before taxation	75.3	86.5	(11.2)	(13.0)
Taxation	(12.5)	(14.2)	(1.7)	(12.1)
Profit for the period	62.8	72.3	(9.5)	(13.1)
Attributable to:				
Equity holders of the Company	61.5	72.3	(10.8)	(14.9)
Non-controlling interests	1.3	-	1.3	-
	62.8	72.3	(9.5)	(13.1)
EBITDA	152.2	159.8	(7.7)	(4.8)
Service EBITDA ⁽³⁾	144.5	150.1	(5.6)	(3.7)
Service EBITDA as % of service revenue	32.1%	32.8%	-0.8% pts	
Free Cash Flow ⁽⁴⁾	9.9	116.5	(106.6)	(91.5)
<i>Profit from operations is arrived after charging the following:</i>				
<i>Allowance for doubtful receivables and bad debts written off</i>	1.9	6.1	(4.2)	(69.1)
<i>Depreciation and amortisation (net of asset grants)</i>	70.3	66.8	3.5	5.2
<i>Foreign exchange loss / (gain)</i>	2.4	(4.4)	6.8	nm

nm – Not meaningful

Notes:

(1) The Group has adopted the new Singapore Financial Reporting Standards (International) (“SFRS(I)”) that is mandatory for application for the annual periods beginning on or after 1 January 2018 and has applied them retrospectively. Accordingly, comparatives have been restated to take into account adjustments relating to SFRS(I) 1 First-time Adoption of SFRS(I) and SFRS(I) 15 Revenue from Contracts with Customers

(2) Finance expense includes interest and other financing charges

(3) Service EBITDA refers to EBITDA less equipment margin (sales of equipment less cost of equipment)

(4) Free Cash Flow refers to net cash from operating activities less purchase of property, plant and equipment and intangible assets in the cash flow statement

(5) Numbers include the consolidation of newly acquired subsidiaries, Accel Systems & Technologies Pte Ltd (ASTL) from July 2017 and D’Crypt Pte Ltd (D’Crypt) from January 2018

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

1.2 GROUP COMPREHENSIVE INCOME STATEMENT

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Profit for the period	62.8	72.3	(9.5)	(13.1)
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedge	(1.5)	(6.4)	(4.9)	(76.2)
Change in fair value of available-for-sale financial assets	(1.7)	1.4	(3.1)	nm
Other comprehensive income for the period (net of taxation)	(3.2)	(5.0)	(1.8)	(35.5)
Total comprehensive income for the period	59.6	67.2	(7.7)	(11.4)
Attributable to:				
Equity holders of the Company	58.3	67.2	(9.0)	(13.4)
Non-controlling interests	1.3	-	1.3	-
	59.6	67.2	(7.7)	(11.4)

nm – Not meaningful

1.3 GROUP PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 MARCH 2018

(A) Revenue

	Quarter ended 31 Mar					
	2018		2017 Restated		Incr / (Decr)	
	S\$m	% mix	S\$m	% mix	S\$m	%
Total revenue						
Mobile	205.1	36.6	220.7	37.5	(15.6)	(7.1)
Pay TV	80.7	14.4	89.6	15.2	(8.9)	(10.0)
Broadband	47.5	8.5	47.2	8.0	0.3	0.6
Enterprise Fixed	117.5	21.0	99.6	16.9	18.0	18.0
Total service revenue	450.8	80.4	457.1	77.6	(6.3)	(1.4)
Sales of equipment	110.2	19.6	131.6	22.4	(21.5)	(16.3)
Total	561.0	100.0	588.7	100.0	(27.8)	(4.7)

The Group's 1Q2018 total revenue of S\$561.0 million was S\$27.8 million or 4.7% lower YoY (year-on-year) mainly due to lower revenue from Mobile and Pay TV services, coupled with lower sales of equipment. This was partially offset by higher revenue from Enterprise Fixed and Broadband services.

Mobile service revenue for 1Q2018 decreased S\$15.6 million or 7.1%, mainly due to lower IDD, voice and excess data usage revenue, lower plan subscription revenue driven by a higher mix of SIM Only plans and lower subscriber base, coupled with higher amortisation of contract assets. This was partially mitigated by higher revenue from roaming and value-added services (VAS).

For 1Q2018, Pay TV service revenue was 10.0% lower at S\$80.7 million, mainly due to lower subscriber base. Broadband service revenue was 0.6% higher at S\$47.5 million.

Enterprise Fixed service revenue grew S\$18.0 million to S\$117.5 million as a result of the consolidation of Accel Systems & Technologies Pte Ltd (ASTL) from July 2017 and D'Crypt Pte Ltd (D'Crypt) from January 2018. Excluding ASTL and D'Crypt, Enterprise Fixed service revenue would have decreased by 0.7% primarily due to lower revenue from voice services.

Revenue from sales of equipment decreased by 16.3% YoY, primarily due to lower volume of handsets sold.

(B) Operating expenses

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	(Restated)			
Operating expenses	S\$m	S\$m	S\$m	%
Cost of sales	246.9	259.9	(13.0)	(5.0)
Other operating expenses	232.6	236.1	(3.5)	(1.5)
Total	479.5	495.9	(16.5)	(3.3)

The Group's total operating expenses of S\$479.5 million was lower by S\$16.5 million or 3.3%. The decrease was due to lower cost of sales and other operating expenses.

As a percentage of revenue, total operating expenses was higher at 85.5% in 1Q2018 when compared to 84.2% in 1Q2017.

A breakdown of total operating expenses is as follows:

(i) Cost of sales

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	(Restated)			
Cost of sales	S\$m	S\$m	S\$m	%
Cost of equipment sold	102.5	121.9	(19.4)	(15.9)
Cost of services	118.1	106.7	11.3	10.6
Traffic expenses	26.3	31.3	(4.9)	(15.8)
Total	246.9	259.9	(13.0)	(5.0)

Cost of sales in 1Q2018 of S\$246.9 million was S\$13.0 million lower YoY, attributed to lower cost of equipment sold and traffic expenses, partially offset by higher cost of services.

The cost of equipment sold was lower mainly due to lower volume of handsets sold, while cost of services was higher as a result of the consolidation of ASTL and D'Crypt.

Traffic expenses was lower mainly due to decreases in domestic and international traffic volume.

(ii) Other operating expenses

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	(Restated)			
Other operating expenses	S\$m	S\$m	S\$m	%
Staff costs	63.8	62.2	1.6	2.6
Operating leases	25.1	32.9	(7.8)	(23.7)
Marketing and promotions	25.1	23.8	1.3	5.6
Allowance for doubtful receivables	1.9	6.1	(4.2)	(69.1)
Repair and maintenance	24.4	24.4	0.0	0.1
Other expenses	22.0	19.9	2.1	10.4
Subtotal	162.3	169.3	(7.0)	(4.1)
Depreciation and amortisation (net of asset grants)	70.3	66.8	3.5	5.2
Total	232.6	236.1	(3.5)	(1.5)

Total other operating expenses for 1Q2018 was lower by S\$3.5 million or 1.5%. As a percentage of total revenue, other operating expenses increased to 41.5% in 1Q2018 when compared to 40.1% in 1Q2017.

Analysis of major variances in other operating expenses is provided below:

Staff costs

Staff costs expense was higher by 2.6%, mainly contributed by the consolidation of ASTL and D'Crypt.

Operating leases

In 1Q2018, there was a reversal of accruals no longer required. Excluding this reversal, operating leases expense was lower by 17.2%, mainly from lower duct lease rental.

Marketing and promotions

The marketing and promotions expense increased by S\$1.3 million or 5.6% to S\$25.1 million as a result of higher promotional activities in line with new partnerships and product launches.

Allowance for doubtful receivables

For 1Q2018, allowance for doubtful receivables was lower by S\$4.2 million driven by improved collections.

Repair and maintenance

Repair and maintenance expense for 1Q2018 remained stable compared to last year.

Other expenses

Other expenses in 1Q2018 included a reversal of accruals no longer required. Excluding this reversal, other expenses was higher by \$4.5 million, largely attributed to a foreign exchange loss of S\$2.4 million in 1Q2018 as compared to a foreign exchange gains of S\$4.4 million in 1Q2017, partially offset by lower licence fees.

Depreciation and amortisation

Depreciation and amortisation expense was higher mainly due the addition of 4G spectrum rights and the higher additions of intangible assets.

(C) Other income

Other income remained relatively stable YoY.

(D) Profitability

For 1Q2018, profit from operations of S\$81.9 million was S\$11.2 million lower YoY, mainly attributed to lower Mobile and Pay TV revenues. This was mitigated by the consolidation of profits from ASTL and D'Crypt and lower operating expenses.

EBITDA decreased S\$7.7 million to S\$152.2 million. After removing the effect of equipment margin, service EBITDA decreased from S\$150.1 million to S\$144.5 million. Correspondingly, service EBITDA margin as a percentage of service revenue declined 0.8% points to 32.1%, down from 32.8% in 1Q2017. Finance income, finance expenses and share of loss from associate remained relatively stable in 1Q2018.

As a result of lower profits from operations, profit before taxation for 1Q2018 at S\$75.3 million was lower by S\$11.2 million when compared to S\$86.5 million in 1Q2017. Taxation expenses for 1Q2018 was correspondingly lower at S\$12.5 million when compared to S\$14.2 million in 1Q2017.

2. BUSINESS REVIEW

Mobile Services

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Mobile revenue	205.1	220.7	(15.6)	(7.1)

Mobile operating statistics	Quarter ended / As of		
	31 Mar 2018	31 Dec 2017	31 Mar 2017
Number of registered customers (in thousands)			
Post-paid	1,365	1,368	1,392
Pre-paid	918	938	898
Total	2,283	2,307	2,291
Monthly minutes of use per registered customer			
Post-paid	183	180	188
Pre-paid	112	118	159
ARPU with IDD included (S\$ per month) ⁽¹⁾			
Post-paid	43	46	45
Pre-paid	13	14	15
Average smartphone data usage (GB)	4.9	4.6	3.9
Average monthly churn rate (post-paid) ⁽²⁾	1.0%	1.1%	0.9%
Singapore mobile penetration ⁽³⁾	150.4%	150.8%	150.9%
Market Share ⁽³⁾	27.1%	27.3%	27.1%

Note:

(1) Comparatives have been restated to take into account the retrospective adjustments relating to SFRS(I) 15

(2) Change in computation basis from end subscriber base to average end subscriber base

(3) Based on latest published statistics

Mobile service revenue of S\$205.1 million was S\$15.6 million lower YoY. The decrease was attributed to lower IDD, voice and excess data usage revenue, lower plan subscription revenue driven by a higher mix of SIM Only plans and lower subscriber base, coupled with higher amortisation of contract assets. This was partially mitigated by higher roaming usage and revenue from mobile value-added services (VAS).

Post-paid mobile services

As of 31 March 2018, post-paid mobile subscriber base stood at 1,365,000 subscribers after the quarter's net churn of 3,000 subscribers. Compared to a year ago, post-paid customer base decreased by 27,000 customers or 2.0%.

Post-paid mobile ARPU at S\$43 in 1Q2018 was lower by \$2 YoY, mainly due to lower excess data usage revenue from higher take-up of DataJump and unlimited weekend data plans, and

higher amortisation of contract assets. The overall average smartphone data usage increased to 4.9GB, up from 3.9GB in 1Q2017.

Post-paid mobile monthly average churn rate increased from 0.9% to 1.0% in 1Q2018.

Pre-paid mobile services

As of 31 March 2018, pre-paid mobile customer base was 918,000 customers after the quarter's net churn of 20,000 customers. Compared to a year ago, pre-paid customer base increased by 20,000 customers. Growth in base YoY was driven by effective channel promotions.

Pre-paid mobile ARPU was S\$2 lower at S\$13 in 1Q2018 due to lower voice and IDD usage.

Pay TV Services

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	(Restated)			
	S\$m	S\$m	S\$m	%
Pay TV revenue	80.7	89.6	(8.9)	(10.0)

Pay TV operating statistics	Quarter ended / As of		
	31 Mar 2018	31 Dec 2017	31 Mar 2017
Number of residential Pay TV customers (in thousands)	449	458	487
ARPU (S\$ per month) ⁽¹⁾	51	51	52
Average monthly churn rate ⁽²⁾	0.9%	0.9%	0.9%

Note:

(1) Comparatives have been restated to take into account the retrospective adjustments relating to SFRS(I) 15

(2) Change in computation basis from end subscriber base to average end subscriber base

Pay TV service revenue of S\$80.7 million was S\$8.9 million or 10.0% lower. The decrease was mainly due to lower subscriber base.

As of 31 March 2018, Pay TV subscriber base stood at 449,000 subscribers after the quarter's net churn of 9,000 subscribers. Compared to a year ago, Pay TV subscriber base was lower by 38,000 subscribers or 7.8%.

Pay TV ARPU at S\$51 was S\$1 lower when compared to 1Q2017.

Pay TV monthly average churn for 1Q2018 remained unchanged at 0.9% when compared to a year ago.

Broadband Services

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	(Restated)			
	S\$m	S\$m	S\$m	%
Broadband revenue	47.5	47.2	0.3	0.6

Broadband operating statistics	Quarter ended / As of		
	31 Mar 2018	31 Dec 2017	31 Mar 2017
Number of residential broadband customers - subscription-based (in thousands)	469	467	470
Number of fibre broadband customers - subscription-based (in thousands)	387	381	370
ARPU (S\$ per month) ⁽¹⁾	33	32	33
Average monthly churn rate ⁽²⁾	0.9%	0.9%	0.9%

Note:

(1) Comparatives have been restated to take into account the retrospective adjustments relating to SFRS(I) 15

(2) Change in computation basis from end subscribers base to average end subscriber base

Broadband service revenue of S\$47.5 million was S\$0.3 million higher when compared to 1Q2017, mainly due to a higher mix of fibre subscribers.

Broadband ARPU remained stable at \$33 in 1Q2018.

Broadband average monthly churn remained unchanged at 0.9% in 1Q2018.

Enterprise Fixed Services

	Quarter ended 31 Mar			
	2018	2017	Incr / (Decr)	
	(Restated)			
Enterprise Fixed revenue	S\$m	S\$m	S\$m	%
Data & Internet ⁽¹⁾	72.9	71.7	1.2	1.7
Managed services ⁽¹⁾	36.8	16.4	20.4	124.2
Voice services ⁽²⁾	7.9	11.5	(3.6)	(31.4)
Total	117.5	99.6	18.0	18.0

Note:

(1) The revenue for managed services has been excluded from Data & Internet and is shown as a separate item. Managed services include Analytics, Cloud, ICT solutions, Facility Management and Cyber Security services

(2) Comparatives for Voice services have been restated to take into account the retrospective adjustments relating to SFRS(I) 15 affecting Digital Voice which is part of the HomeHub bundle

Enterprise Fixed service revenue increased by S\$18.0 million to S\$117.5 million in 1Q2018. The growth in revenue was contributed by higher revenue from Data & Internet and Managed services, partially offset by decrease in revenue from Voice services.

The increase in Data & Internet service revenue was mainly due to higher international leased circuits and NGN revenue.

Managed services revenue grew by S\$20.4 million, largely contributed by higher demand for cyber security, cloud, cryptographic and digital security solutions. Managed services revenue includes revenue from ASTL and D'Crypt.

Voice service revenue was lower by 31.4% YoY, as a result of lower domestic and international traffic usage.

3. GROUP CASH FLOW STATEMENT

	Quarter ended 31 Mar	
	2018	2017 (Restated)
	S\$m	S\$m
Operating Activities		
Profit before taxation	75.3	86.5
Adjustments for :		
Depreciation and amortisation, net of asset grants	70.3	66.8
Income related grants	(0.4)	(0.3)
Share-based payments	(3.4)	(4.2)
Net finance costs	6.4	6.3
Share of loss of associate, net of tax	0.2	0.2
Others	0.4	0.2
Operating cash flow before working capital changes	148.7	155.6
Changes in operating assets and liabilities	(65.5)	(3.9)
Income tax paid	(5.4)	(1.4)
Net cash from operating activities	77.9	150.2
Investing Activities		
Interest received	0.6	0.7
Proceeds from disposal of property, plant and equipment and intangible assets	0.1	0.1
Purchase of property, plant and equipment and intangible assets	(68.0)	(33.7)
Acquisition of subsidiary, net of cash acquired	(56.6)	-
Repayment of loan from an associate	-	1.1
Net cash used in investing activities	(123.8)	(31.8)
Financing Activities		
Grants received	-	3.0
Interest paid	(5.4)	(5.4)
Net cash used in financing activities	(5.4)	(2.4)
Net change in cash and cash equivalents	(51.4)	116.0
Cash and cash equivalents at beginning of the period	345.2	285.2
Cash and cash equivalents at end of the period	293.9	401.2

The Group's net cash from operating activities for 1Q2018 of S\$77.9 million was S\$72.3 million lower YoY. This was largely due to lower cash flow from operations, higher working capital needs and higher income tax paid.

The negative working capital changes of S\$65.5 million in 1Q2018 was primarily attributed to lower trade and other payables and higher inventory balances.

Net cash used in investing activities increased by S\$92.0 million to S\$123.8 million, mainly due to investment made in January 2018 for D'Crypt and higher CAPEX payments. The Group's CAPEX payments amounted to S\$68.0 million in 1Q2018, representing 12.1% of total revenue. In 1Q2018, the Group acquired a building in Tai Seng for S\$31.6 million. The building houses Nucleus Connect's Central Office and StarHub's Data Centre. Excluding the purchase of this building, CAPEX payments for the quarter would have amounted to S\$36.4 million or 6.5% of total revenue.

For 1Q2018, free cash flow was lower at S\$9.9 million, compared to S\$116.5 million last year, as a result of lower cash from operating activities and higher CAPEX payments.

Net cash used in financing activities was higher at S\$5.4 million in 1Q2018 when compared to S\$2.4 million in 1Q2017, mainly due to higher grants received last year.

The resulting net cash generated was a deficit of S\$51.4 million, leading to a lower cash and cash equivalents at S\$293.9 million in 1Q2018, down from S\$401.2 million in 1Q2017.

Capital expenditure commitments

As of 31 March 2018, the Group's total outstanding capital expenditure commitments amounted to S\$510.8 million, including the outstanding commitments for 4G spectrum rights of S\$282.0 million.

4. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	31 Mar 18	31 Dec 17 (Restated)	31 Mar 18	31 Dec 17 (Restated)
	S\$m	S\$m	S\$m	S\$m
Non-current assets				
Property, plant and equipment	885.0	870.1	449.2	425.2
Intangible assets	601.4	557.6	92.9	92.3
Subsidiaries	-	-	3,169.5	3,112.1
Associate	23.5	23.7	27.8	27.8
Available-for-sale financial assets	58.3	60.0	58.3	60.0
Amount due from related parties	8.0	7.9	8.0	7.9
Contract assets	63.4	76.7	0.8	1.0
Contract costs	5.6	5.8	0.4	0.4
	1,645.2	1,601.9	3,806.9	3,726.7
Current assets				
Inventories	88.2	71.9	0.7	0.7
Contract assets	284.4	277.3	15.0	18.4
Contract costs	17.8	18.3	1.4	1.6
Trade receivables	200.7	201.5	166.6	167.7
Other receivables, deposits and prepayments	89.4	87.4	40.7	30.9
Amount due from related parties	22.4	24.9	52.8	21.6
Cash and bank balances	293.9	345.2	262.5	321.1
	996.8	1,026.5	539.7	561.9
Less:				
Current Liabilities				
Contract liabilities	75.2	78.6	21.7	21.0
Trade and other payables	560.4	625.0	272.3	313.1
Amount due to related parties	71.5	64.8	381.5	334.3
Borrowings	120.0	120.0	120.0	120.0
Provision for taxation	134.3	124.3	28.6	21.0
	961.3	1,012.7	824.0	809.4
Net current assets/(liabilities)	35.4	13.8	(284.3)	(247.5)
Non-current liabilities				
Contract liabilities	24.2	22.5	24.2	22.5
Borrowings	858.4	857.5	857.5	857.5
Deferred income	0.8	0.9	0.8	0.9
Deferred tax liabilities	133.7	135.2	72.4	73.9
	1,017.2	1,016.1	954.9	954.8
Net assets	663.5	599.6	2,567.8	2,524.4
Shareholders' equity				
Share capital	299.7	299.7	299.7	299.7
Perpetual Capital Securities	201.8	199.9	201.8	199.9
Reserves	148.8	95.6	2,066.3	2,024.8
Equity attributable to owners of the Company	650.3	595.2	2,567.8	2,524.4
Non-controlling interests	13.2	4.4	-	-
Total equity	663.5	599.6	2,567.8	2,524.4

GROUP BALANCE SHEET REVIEW

As of 31 March 2018, the Group's total non-current assets of S\$1,645.2 million was S\$43.3 million higher at S\$1,601.9 million compared to 31 December 2017. The increase was primarily due to higher property, plant and equipment and intangible assets. This was partially offset by a decrease in contract assets.

Total current assets as of 31 March 2018 decreased by S\$29.7 million to S\$996.8 million mainly from a decrease in cash and cash equivalents, partially mitigated by an increase in inventories balances and contract assets.

Total current liabilities decreased by S\$51.4 million to S\$961.3 million as of 31 March 2018. The lower current liabilities was primarily due to lower trade and other payables.

Total non-current liabilities remained relatively stable at S\$1,017.2 million as of 31 March 2018.

The Group's shareholders' equity grew by S\$55.1 million to S\$650.3 million as of 31 March 2018 (excluding non-controlling interests of S\$13.2 million). The increase was mainly due to higher retained profits of S\$61.5 million.

In January 2018, the Group acquired 65.0% of the entire issued share capital of D'Crypt. D'Crypt is a cryptography and digital security company that provides leading edge cryptographic technology for high security applications, systems and products. The non-controlling interests represent the balance of 35.0% equity in D'Crypt, in addition to the 19.6% equity in ASTL.

5. GROUP UNSECURED BORROWINGS

	31 Mar 18	31 Dec 17
	S\$m	S\$m
Unsecured borrowings		
Amount repayable in one year or less		
Bank loans	120.0	120.0
	120.0	120.0
Amount repayable after one year		
Bank loans	338.4	337.5
Medium term notes	520.0	520.0
	858.4	857.5
Total	978.4	977.5

The Group's unsecured borrowings was higher by S\$0.9 million at S\$978.4 million as of 31 March 2018.

On account of a lower cash and cash equivalent balance, net debt was S\$52.3 million higher at S\$684.6 million as of 31 March 2018 compared to S\$632.3 million as of 31 December 2017. As a ratio of the past 12 months' EBITDA, the Group's net debt was higher at 1.09 times as of 31 March 2018, up from 1.00 times (restated from 1.03 times) as of 31 December 2017.

6. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Goodwill written off S\$m	Share- based payment reserve S\$m	Fair value reserve S\$m	Hedging reserve S\$m	Translation reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Non- controlling interests S\$m	Total equity S\$m
At 1 Jan 2018 - As previously reported	299.7	199.9	(8.2)	(276.3)	13.0	18.1	(10.1)	1.4	103.0	(159.1)	4.4	344.9
Effects of the adoption of SFRS (I) 15	-	-	-	-	-	-	-	-	254.6	254.6	-	254.6
At 1 Jan 2018, restated	299.7	199.9	(8.2)	(276.3)	13.0	18.1	(10.1)	1.4	357.6	95.6	4.4	599.6
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	61.5	61.5	1.3	62.8
Other comprehensive income												
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	(1.5)	-	-	(1.5)	-	(1.5)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(1.7)	-	-	-	(1.7)	-	(1.7)
Total comprehensive income for the period	-	-	-	-	-	(1.7)	(1.5)	-	61.5	58.3	1.3	59.6
Transactions with equity holders of the Company, recognised directly in equity												
<i>Contributions by and distributions to equity holders of the Company</i>												
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	7.4	7.4
Share-based payments expenses	-	-	-	-	(3.4)	-	-	-	-	(3.4)	-	(3.4)
Accrued perpetual securities distribution	-	1.9	-	-	-	-	-	-	(1.9)	(1.9)	-	-
Perpetual securities distribution paid	-	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Transfer from treasury shares to share-based payments reserve	-	-	0.8	-	(0.8)	-	-	-	-	-	-	-
Total transactions with equity holders of the Company	-	1.9	0.8	-	(4.3)	-	-	-	(1.6)	(5.0)	7.4	4.3
At 31 Mar 2018	299.7	201.8	(7.3)	(276.3)	8.8	16.5	(11.6)	1.4	417.5	148.8	13.2	663.5
At 1 Jan 2017 - As previously reported	299.7	-	(12.3)	(276.3)	14.1	12.5	4.4	1.3	151.5	(104.8)	-	194.9
Effects of the adoption of SFRS (I) 15	-	-	-	-	-	-	-	-	237.1	237.1	-	237.1
At 1 Jan 2017, restated	299.7	-	(12.3)	(276.3)	14.1	12.5	4.4	1.3	388.5	132.3	-	431.9
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	72.3	72.3	-	72.3
Other comprehensive income												
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	(6.4)	-	-	(6.4)	-	(6.4)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	1.4	-	-	-	1.4	-	1.4
Total comprehensive income for the period	-	-	-	-	-	1.4	(6.4)	-	72.3	67.2	-	67.2
Transactions with equity holders of the Company, recognised directly in equity												
<i>Contributions by and distributions to equity holders of the Company</i>												
Share-based payments expenses	-	-	-	-	(4.2)	-	-	-	-	(4.2)	-	(4.2)
Transfer from treasury shares to share-based payments reserve	-	-	2.2	-	(2.2)	-	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.3)	-	-	-	-	(0.3)	-	(0.3)
Total transactions with equity holders of the Company	-	-	2.2	-	(6.7)	-	-	-	-	(4.5)	-	(4.5)
At 31 Mar 2017	299.7	-	(10.1)	(276.3)	7.4	13.9	(2.0)	1.3	460.8	195.1	-	494.7

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

Company	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Merger/ Capital reserve S\$m	Share- based payment reserve S\$m	Fair value reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Total equity S\$m
At 1 Jan 2018 - As previously reported	299.7	199.9	(8.2)	276.5	13.0	18.1	1,119.5	1,418.9	1,918.5
Effects of the adoption of SFRS (I) 1	-	-	-	(276.5)	-	-	880.8	604.3	604.3
Effects of the adoption of SFRS (I) 15	-	-	-	-	-	-	1.6	1.6	1.6
At 1 Jan 2018, restated	299.7	199.9	(8.2)	-	13.0	18.1	2,001.8	2,024.8	2,524.4
<u>Total comprehensive income for the period</u>									
Profit for the period	-	-	-	-	-	-	48.2	48.2	48.2
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(1.7)	-	(1.7)	(1.7)
Total comprehensive income for the period	-	-	-	-	-	(1.7)	48.2	46.5	46.5
<u>Transactions with equity holders of the Company, recognised directly in equity</u>									
<i>Contributions by and distributions to equity holders of the Company</i>									
Share-based payments expenses	-	-	-	-	(3.4)	-	-	(3.4)	(3.4)
Accrued perpetual securities distribution	-	1.9	-	-	-	-	(1.9)	(1.9)	-
Perpetual securities distribution paid	-	-	-	-	-	-	0.3	0.3	0.3
Transfer from treasury shares to share-based payments reserve	-	-	0.8	-	(0.8)	-	-	-	-
Total transactions with equity holders of the Company	-	1.9	0.8	-	(4.3)	-	(1.6)	(5.0)	(3.1)
At 31 Mar 2018	299.7	201.8	(7.3)	-	8.8	16.5	2,048.4	2,066.3	2,567.8
At 1 Jan 2017 - As previously reported	299.7	-	(12.3)	276.5	14.1	12.5	1,143.1	1,433.9	1,733.6
Effects of the adoption of SFRS (I) 1	-	-	-	(276.5)	-	-	880.8	604.3	604.3
Effects of the adoption of SFRS (I) 15	-	-	-	-	-	-	2.3	2.3	2.3
At 1 Jan 2017, restated	299.7	-	(12.3)	-	14.1	12.5	2,026.2	2,040.5	2,340.2
<u>Total comprehensive income for the period</u>									
Profit for the period	-	-	-	-	-	-	47.1	47.1	47.1
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	1.4	-	1.4	1.4
Total comprehensive income for the period	-	-	-	-	-	1.4	47.1	48.5	48.5
<u>Transactions with equity holders of the Company, recognised directly in equity</u>									
<i>Contributions by and distributions to equity holders of the Company</i>									
Share-based payments expenses	-	-	-	-	(4.2)	-	-	(4.2)	(4.2)
Transfer from treasury shares to share-based payments reserve	-	-	2.2	-	(2.2)	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.3)	-	-	(0.3)	(0.3)
Total transactions with equity holders of the Company	-	-	2.2	-	(6.7)	-	-	(4.5)	(4.5)
At 31 Mar 2017	299.7	-	(10.1)	-	7.4	13.9	2,073.3	2,084.5	2,384.2

7. CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

As of 31 March 2018, the share capital of the Company was at S\$299.7 million (31 December 2017: S\$299.7 million) comprising 1,729,331,877 (31 December 2017: 1,729,063,932) issued ordinary shares (excluding treasury shares).

Treasury Shares

For the quarter ended 31 March 2018, the Company transferred 267,945 treasury shares to participants of the Company's share plans, and there was no purchase of shares from the market.

The treasury share balance as of 31 March 2018 totaled S\$7.3 million (31 December 2017: S\$8.2 million) comprising 2,319,566 (31 December 2017: 2,587,511) ordinary shares or 0.1% of issued share capital excluding treasury shares.

Issue of new shares

For 1Q2018, there was no new issue of ordinary shares.

Subsidiary holdings

As of 31 March 2018, none of the Company's subsidiaries held any shares in the Company (31 December 2017: Nil).

Perpetual Capital Securities

In 2Q2017, the Company issued subordinated perpetual capital securities with an aggregate principal amount of S\$200.0 million. The perpetual capital securities may be redeemed at the option of the Company, in whole, but not in part, on 16 June 2022 or on any Distribution Payment Date thereafter and otherwise upon the occurrence of certain redemption events as defined in the offering circular.

Such perpetual capital securities bear distributions at a rate of 3.95% per annum, with the first distribution rate reset falling on 16 June 2027 and subsequent resets occurring every 10 years thereafter. The distribution rate will be subject to a step-up of 1% per annum from 16 June 2027.

The distribution will be payable semi-annually in arrear on a discretionary basis and will be cumulative and compounding in accordance with the terms and conditions of the offering circular.

As of 31 March 2018, the Group had an accrual of S\$1.9 million for perpetual capital securities distribution due in June 2018.

Outstanding Shares – Share-Based Plans

Performance Share Plans

As of 31 March 2018, the outstanding balance of conditional awards under the Performance Share Plans was 2,136,000 (31 December 2017: 2,245,483) ordinary shares.

Restricted Stock Plans

As of 31 March 2018, the outstanding balance of conditional awards under the Restricted Stock Plans was 3,510,575 (31 December 2017: 5,017,412) ordinary shares.

8. AUDIT

The financial statements have not been audited or reviewed.

9. AUDITORS' REPORT

Not applicable.

10. ACCOUNTING POLICIES

The Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of all applicable new and revised Singapore Financial Reporting Standards (International), ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which becomes effective from annual periods beginning on or after 1 January 2018.

The application of the new and revised standards and interpretations has no material effect on the financial statements, except as described below:

a) SFRS(I) 1 First-time Adoption of SFRS(I)

i) Investments in subsidiaries at deemed cost

The Group, through its "Hubbing" strategy, operates and delivers its Mobile, Pay TV, Broadband and Enterprise Fixed services on an operationally integrated network, customer service, sales, marketing and administration support. However, the cost of investment in subsidiaries held by the Company is not reflective of the underlying business value of the respective subsidiaries. As such, the Company adopted optional exemption under SFRS(I) 1 to use fair value of its subsidiaries as the deemed cost as of the date of transition. The Company's carrying value of investments in subsidiaries increased with a corresponding increase in retained earnings as of 1 January 2017.

ii) Merger/capital reserve

The Company's merger/capital reserve arose from the acquisition of StarHub Cable Vision Ltd. ("SCV") in 2002. The Company has transferred the merger/capital reserve to retained earnings upon adoption of SFRS(I).

b) SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 provides a five-step model for revenue recognition arising from contracts with customers which requires revenue be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Under SFRS(I) 15, the Group has identified deliverables in contracts with customers (including variable considerations and material rights) that qualify as performance obligations. Revenue is allocated to each individual element at “fair value” within a customer’s contract, including the sales of equipment. As a portion of service revenue is allocated to equipment revenue, service revenue is lower while sales of equipment revenue is higher compared to the previous accounting treatment. Total assets increased as sales of equipment revenue is recognised at the start of the contract when the equipment is transferred to the customer. In addition, certain incremental costs incurred in acquiring a contract with a customer are deferred on the balance sheet and amortised as revenue is recognised under the related contract.

SFRS(I) 15 also requires reclassification of some items previously presented as accrued revenue and unearned revenue as contract assets and contract liabilities respectively. Contract liabilities are then netted off against contract assets on a contract-by-contract basis.

This new standard has superseded all previous revenue recognition requirements under Singapore Financial Reporting Standards (FRS). A full retrospective application has been applied in alignment with SFRS(I) 1.

The effects of the transition to SFRS(I) are as follows:

Group	Quarter Ended 31 March 2017		
	As previously reported S\$m	SFRS (I) 15 Adjustments S\$m	As restated S\$m
GROUP INCOME STATEMENT			
Revenue	592.3	(3.6)	588.7
Operating expenses	(498.7)	2.7	(495.9)
Tax expense	(14.3)	0.1	(14.2)
GROUP COMPREHENSIVE INCOME STATEMENT			
Profit for the period	73.1	(0.9)	72.3
GROUP CASH FLOW STATEMENT			
Profit before taxation	87.4	(0.9)	86.5
Changes in working capital	(4.8)	0.9	(3.9)
REVENUE			
Mobile	296.2	(75.5)	220.7
Pay TV	88.4	1.2	89.6
Broadband	53.7	(6.5)	47.2
Enterprise Fixed	98.7	0.9	99.6
Sales of equipment	55.3	76.4	131.6

As at 31 December 2017	Group			Company			
	As previously reported S\$m	SFRS (I) 15 Adjustments S\$m	As restated S\$m	As previously reported S\$m	SFRS (I) 1 Adjustments S\$m	SFRS (I) 15 Adjustments S\$m	As restated S\$m
STATEMENT OF FINANCIAL POSITION							
<u>Non-current assets</u>							
Subsidiaries	-	-	-	2,507.8	604.3	-	3,112.1
Contract assets	-	76.7	76.7	-	-	1.0	1.0
Contract costs	-	5.8	5.8	-	-	0.4	0.4
<u>Current assets</u>							
Contract assets	-	277.3	277.3	-	-	18.4	18.4
Contract costs	-	18.3	18.3	-	-	1.6	1.6
Other receivables, deposits and prepayments	183.5	(96.1)	87.4	47.2	-	(16.3)	30.9
Amount due from related parties	30.6	(5.7)	24.9	24.8	-	(3.1)	21.6
<u>Current liabilities</u>							
Contract liabilities	-	78.6	78.6	-	-	21.0	21.0
Trade and other payables	736.5	(111.6)	625.0	334.2	-	(21.1)	313.1
Provision for taxation	71.6	52.7	124.3	20.7	-	0.3	21.0
<u>Non-current liabilities</u>							
Contract liabilities	-	22.5	22.5	-	-	22.5	22.5
Trade and other payables	22.4	(22.4)	-	22.5	-	(22.5)	-
Deferred tax liabilities	133.4	1.8	135.2	73.9	-	-	73.9
<u>Shareholders' equity</u>							
Reserves	(159.1)	254.6	95.6	1,418.9	604.3	1.6	2,024.8

11. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Please refer to Note 10.

12. GROUP EARNINGS PER ORDINARY SHARE

	Quarter ended 31 Mar	
	2018	2017 (Restated)
Basic		
Earnings per share	3.4 cents	4.2 cents
Weighted average number of shares ('000)	1,729,242	1,728,220
Diluted		
Earnings per share	3.4 cents	4.2 cents
Weighted average number of shares ('000)	1,734,889	1,732,149

13. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	31 Mar 2018	31 Dec 2017 (Restated)	31 Mar 2018	31 Dec 2017 (Restated)
Net asset value per share	37.6 cents	34.4 cents	148.5 cents	146.0 cents

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

For the quarter ended 31 March 2018, the Group's service revenue was lower by 1.4% YoY. This was within our guidance of full year service revenue to be 1% to 3% lower YoY.

EBITDA margin after SFRS(I) 15 adoption for the quarter was 33.8% of service revenue. This was above our full year guidance of between 28% to 32% of service revenue after SFRS(I) 15 adoption. We guided that Group EBITDA margin is expected to be between 24% to 26% (before SFRS(I) 15 adoption) and EBITDA margin is expected to increase by another 4% to 6% after SFRS(I) 15 adoption.

Total CAPEX payments in 1Q2018 amounted to S\$68.0 million or 12.1% of total revenue. Excluding the purchase of Nucleus Connect's building of S\$31.6 million, CAPEX payments for the quarter amounted to S\$36.4 million or 6.5% of total revenue. This was below our guidance for 2018 CAPEX at 11% of total revenue (excluding spectrum payments).

15. GROUP OUTLOOK

In the Mobile business, we expect voice, roaming and IDD to decline further while subscription and mobile data will contribute to revenue. We also anticipate competition to intensify as customers have more options of MNOs and MNVOs to choose from. With larger data plans available in the market, data excess monetisation will be lower. Data value-added services like DataJump and DataShare, and data roaming plans like DataTravel and HappyRoam continue to be well-received.

In Pay TV business, the focus remains on offering quality content acquired based on data analytics of customers viewership preferences. The challenges from piracy and alternative viewing options will continue to persist.

For our Broadband business, our differentiator is providing a better customer Wi-Fi experience with specific packages and bundles for different customer segments. We expect sustained competition as broadband is regarded as a necessity by customers.

For the Enterprise Fixed segment, our strategy is focused on growing the customer base through a concerted approach of competitive telco solutions, complemented by strong and deep domain in cyber security, analytics and AI, smart IoT, digital platforms, managed services, cloud and data centre services and applications. These efforts are bearing fruit in verticals such as hospitality, large enterprises, SMBs, government, healthcare and retail and F&B. Partnerships have been forged both locally and overseas to expand our offerings and capabilities.

Based on the current outlook, we expect our guidance on our Group's 2018 service revenue to be 1% to 3% lower YoY. Group's service EBITDA margin is expected to be between 27% to 29% after the adoption of SFRS(I) 15. We chose service EBITDA margin as it excludes margin on equipment sales, which better reflects the margin of our core business. In 2018, CAPEX payment, excluding spectrum payment of S\$282.0 million and building payment of S\$31.6 million, is expected to be 11% of total revenue. We intend to pay a quarterly cash dividend of 4 cents per ordinary share for FY2018.

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\$0.04 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\$0.04 per ordinary share
Tax Rate	Exempt (1-tier)

(c) Date payable

The interim dividend will be paid on 25 May 2018.

(d) Book closure date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed on 14 May 2018 ("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, 112 Robinson Road, #05-01, Singapore 068902 up to the close of the business at 5.00 p.m. on 11 May 2018 ("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 of the Company as of 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. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000) 1 January 2018 to 31 March 2018 S\$m
Transactions for the Sale of Goods & Services	
CapitaLand Limited & its associates	0.3
Singapore Airlines Limited & its associates	0.6
Singapore Technologies Engineering Ltd & its associates	0.5
Singapore Telecommunications Limited & its associates	3.8
TeleChoice International Ltd & its associates	15.9
Temasek Management Services Pte Ltd	0.4
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	0.9
	22.4
Transactions for the Purchase of Goods & Services	
CapitaLand Limited & its associates	0.3
SembCorp Industries Ltd & its associates	3.4
Singapore Telecommunications Limited & its associates	14.2
TeleChoice International Ltd & its associates	71.1
Temasek Management Services Pte Ltd	0.7
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	2.3
	91.9

19. NEGATIVE ASSURANCE CONFIRMATION

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 first quarter ended 31 March 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Steven Terrell Clontz
Director

Rachel Eng Yaag Ngee
Director

Singapore
3 May 2018

20. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS

The Company confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual of Singapore Exchange Securities Trading Limited.