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STARHUB LTD

Announcement of Unaudited Results for the First Quarter ended 31 March 2019

StarHub is pleased to announce the unaudited results for the first quarter ended 31 March 2019.

Results for the First Quarter ended 31 March 2019

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

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	S\$m	S\$m (Restated ⁽¹⁾)	S\$m	%
Total revenue	596.8	563.0	33.8	6.0
Operating expenses	(524.7)	(479.6)	45.1	9.4
Other income	0.1	0.4	(0.3)	(78.3)
Profit from operations	72.1	83.8	(11.6)	(13.9)
Finance income	0.4	0.8	(0.4)	(53.8)
Finance expense ⁽²⁾	(9.8)	(7.2)	2.6	36.4
	62.7	77.4	(14.7)	(19.0)
Share of gain/ (loss) of associate, net of tax	0.4	(0.2)	0.7	nm
Profit before taxation	63.1	77.1	(14.0)	(18.2)
Taxation	(13.8)	(12.8)	1.0	7.4
Profit for the period	49.3	64.3	(15.0)	(23.3)
Attributable to:				
Equity holders of the Company	54.0	63.0	(9.0)	(14.2)
Non-controlling interests	(4.7)	1.3	(6.0)	nm
	49.3	64.3	(15.0)	(23.3)
EBITDA	161.9	154.0	7.9	5.1
Service EBITDA ⁽³⁾	149.7	142.0	7.6	5.4
Service EBITDA as % of service revenue	33.7%	31.7%	2.0% pts	
Free Cash Flow ⁽⁴⁾	21.3	9.9	11.4	115.3
<i>Profit from operations is arrived after charging the following:</i>				
<i>Loss allowances of trade receivables</i>	<i>5.3</i>	<i>1.9</i>	<i>3.4</i>	<i>182.1</i>
<i>Depreciation and amortisation</i>	<i>89.8</i>	<i>70.3</i>	<i>19.5</i>	<i>27.7</i>
<i>Foreign exchange (gain) / loss</i>	<i>(1.1)</i>	<i>2.4</i>	<i>(3.5)</i>	<i>nm</i>

nm – Not meaningful

Notes:

(1) Comparatives have been restated to take into account certain adjustments relating to SFRS(I) 15 Revenue from Contracts with Customers

(2) Finance expense includes interest on borrowings and lease liabilities 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) The financial statements include the consolidation of newly acquired subsidiaries, Ensign InfoSecurity (Systems) Pte. Ltd. (formerly known as Accel Systems & Technologies Pte. Ltd.) ("Ensign (Systems)") from July 2017, D'Crypt Pte Ltd ("D'Crypt") from January 2018 and Ensign InfoSecurity Pte. Ltd. ("Ensign") from October 2018 from the merger of the Group's Cyber Security Centre of Excellence (COE), Ensign (Systems) and Ensign InfoSecurity (Cybersecurity) Pte. Ltd. (formerly known as Quann World Pte. Ltd.).

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

1.2 GROUP COMPREHENSIVE INCOME STATEMENT

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Profit for the period	49.3	64.3	(15.0)	(23.3)
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Net change in fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of taxation	(1.1)	(1.7)	(0.6)	(33.3)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	0.1	0.0	0.0	120.3
Effective portion of changes in fair value of cash flow hedges, net of taxation	(0.2)	(1.5)	(1.3)	(87.9)
Other comprehensive loss for the period, net of taxation	(1.2)	(3.2)	(2.0)	(61.0)
Total comprehensive income for the period	48.1	61.1	(13.0)	(21.3)
Attributable to:				
Equity holders of the Company	52.8	59.8	(7.0)	(11.7)
Non-controlling interests	(4.7)	1.3	(6.0)	nm
Total comprehensive income for the period	48.1	61.1	(13.0)	(21.3)

nm – Not meaningful

1.3 GROUP PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 MARCH 2019

(A) Revenue

Revenue	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	S\$m	(Restated) S\$m	S\$m	%
Mobile	192.3	203.0	(10.7)	(5.3)
Pay TV	70.7	80.7	(10.0)	(12.4)
Broadband	47.1	47.2	(0.1)	(0.3)
Enterprise Business	134.1	117.5	16.6	14.1
- Network solutions ⁽¹⁾	107.8	98.9	8.9	9.0
- Cyber security services ⁽²⁾	26.4	18.6	7.7	41.4
Service revenue	444.3	448.5	(4.2)	(0.9)
Sales of equipment	152.5	114.5	38.0	33.2
Total revenue	596.8	563.0	33.8	6.0

⁽¹⁾ Includes Data & Internet, Managed services and Voice services

⁽²⁾ Includes service revenue from Ensign and D'Crypt

The Group's 1Q2019 total revenue of S\$596.8 million was S\$33.8 million or 6.0% higher YoY (year-on-year). The higher revenue was mainly due to higher revenue from Enterprise Business and Sales of equipment, partially offset by lower revenue from Mobile, Pay TV and Broadband.

Against the corresponding period last year, Mobile service revenue in 1Q2019 was lower by S\$10.7 million or 5.3%. The decrease was attributed to lower IDD, voice and excess data usage revenue and lower data subscription and VAS (value-added services) revenue, partially offset by the increase in plan subscription and enterprise SMS revenue.

Pay TV service revenue decreased YoY by S\$10.0 million or 12.4% in 1Q2019. The decrease was mainly due to lower subscriber base.

Broadband service revenue of S\$47.1 million in 1Q2019 was stable compared to the corresponding period last year.

Enterprise Business service revenue for 1Q2019 grew S\$16.6 million or 14.1% mainly due to higher revenue from managed services, voice services and cyber security services.

Revenue from sales of equipment increased YoY by 33.2% in 1Q2019 primarily due to higher handset revenue and sales of smart home equipment.

(B) Operating expenses

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
Operating expenses	S\$m	S\$m	S\$m	%
Cost of sales	269.1	236.4	32.7	13.8
Other operating expenses	217.9	229.7	(11.8)	(5.1)
Cyber security services ⁽¹⁾	37.8	13.5	24.2	178.8
Total	524.7	479.6	45.1	9.4

⁽¹⁾ includes cost of sales and other operating expenses from Ensign and D'Crypt

The Group's total operating expenses for 1Q2019 was higher by S\$45.1 million or 9.4% YoY. The increase was due to higher cost of sales and cyber security services, partially offset by the decrease in other operating expenses.

As a percentage of revenue, total operating expenses for 1Q2019 was at 87.9%, compared to 85.2% in the corresponding period last year.

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
Cyber security services⁽¹⁾	S\$m	S\$m	S\$m	%
Cost of sales	13.7	10.5	3.2	30.7
Other operating expenses	24.1	3.1	21.0	nm
Total	37.8	13.5	24.2	178.8

⁽¹⁾ includes cost of sales and other operating expenses from Ensign and D'Crypt

A breakdown of total operating expenses is as follows:

(i) Cost of sales

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
Cost of sales	S\$m	S\$m	S\$m	%
Cost of equipment sold	140.2	102.5	37.8	36.8
Cost of services	105.3	107.6	(2.4)	(2.2)
Traffic expenses	23.6	26.3	(2.7)	(10.4)
Cost of sales (excluding Ensign and D'Crypt)	269.1	236.4	32.7	13.8
Cost of sales (Cyber security services)	13.7	10.5	3.2	30.7
Total	282.7	246.9	35.9	14.5

Cost of Sales (excluding Ensign and D'Crypt)

Cost of sales for 1Q2019 increased by S\$32.7 million YoY, mainly due to higher cost of equipment sold, partially offset by lower cost of services and traffic expenses.

The increase of S\$37.8 million or 36.8% YoY in 1Q2019 for cost of equipment sold was primarily due to higher volume of handsets sold and the increase in sales of smart home equipment.

The decrease of S\$2.4 million or 2.2% for cost of services in 1Q2019 was due to lower TV content cost, partially offset by higher cost of services for pre-paid mobile, post-paid mobile, broadband and network solutions business.

The decrease of S\$2.7 million or 10.4% for traffic expenses in 1Q2019 was mainly due to lower domestic and international traffic volume.

Cost of Sales (Cyber security services)

The increase of S\$3.2 million or 30.7% YoY in 1Q2019 for cost of sales was primarily due to higher cyber security services revenue generated.

(ii) Other operating expenses

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
Other operating expenses	S\$m	S\$m	S\$m	%
Staff costs	54.4	61.9	(7.4)	(12.0)
Operating leases	8.5	25.1	(16.6)	(66.0)
Marketing and promotions	20.8	25.1	(4.3)	(17.1)
Loss of allowance of trade receivables	5.3	1.9	3.4	182.1
Repairs and maintenance	24.8	24.4	0.3	1.4
Other expenses	20.5	21.7	(1.2)	(5.6)
Depreciation and amortisation	83.5	69.6	13.9	20.0
Other operating expenses (excluding Ensign and D'Crypt)	217.9	229.7	(11.8)	(5.1)
Other operating expenses (Cyber security services)	24.1	3.1	21.0	nm
Total	242.0	232.7	9.2	4.0

The Group's other operating expenses for 1Q2019 was lower by S\$9.2 million YoY. As a percentage of total revenue, other operating expenses were 40.5% in 1Q2019, compared to 41.3% in the corresponding period last year.

Other operating expenses (excluding Ensign and D'Crypt)

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

Staff costs

Staff costs was 12.0% lower YoY for 1Q2019 due to lower headcounts.

Operating leases

Operating leases in 1Q2019 was lower by 66.0% YoY due to adoption of *SFRS(I) 16 Leases* effective 1 January 2019 where operating leases are capitalised as right-of-use ("ROU") assets and depreciated over the useful life of the ROU assets. Excluding the effect of *SFRS(I) 16*, operating leases would have been \$24.6 million, a YoY reduction of \$0.5 million or 2.0%.

Marketing and promotions

Marketing and promotions expenses was lower by S\$4.3 million in 1Q2019, mainly attributable to lower promotional activities.

Loss allowances of trade receivables

Loss allowances of trade receivables was higher by S\$3.4 million in 1Q2019, mainly driven by the increase in aged trade receivables.

Repairs and maintenance

Repairs and maintenance expense was stable compared to the corresponding period last year.

Other expenses

Other expenses for 1Q2019 was lower by S\$1.2 million, due to foreign exchange gain of S\$1.1 million compared to a foreign exchange loss of S\$2.4 million in the same period last year, partially offset by higher licence fees, higher outsourcing costs and lower miscellaneous income.

Depreciation and amortisation

Depreciation and amortisation expense was higher by S\$13.9 million for 1Q2019 mainly due to higher additions of intangible assets and the amortisation of ROU assets.

Other operating expenses (Cyber security services)

The increase of S\$21.0 million YoY in 1Q2019 for other operating expenses was primarily due to the increase in staff costs, depreciation and amortisation and other expenses from Cyber security services.

(C) Other income

Other income decreased for 1Q2019 due to lower grant income in 2019.

(D) Profitability

Profit from operations of S\$72.1 million in 1Q2019 was S\$11.6 million lower YoY. Losses from Cyber security services was S\$11.4 million in 1Q2019 compared to a profit of S\$5.1 million in the same period last year. Excluding Cyber security services, profit from operations would have been S\$83.5 million, \$4.9 million higher YoY due to higher revenue from Enterprise Business and lower staff cost, partially offset by lower revenue from Mobile, Pay TV and Broadband.

Service EBITDA margin for 1Q2019 at 33.7% was 2.0% points higher YoY, mainly due to the impact from *SFRS(I) 16 Leases* where operating leases are capitalized as ROU assets and amortised over the asset life. Excluding the impact of *SFRS(I) 16*, service EBITDA margin for 1Q2019 would have been 30.0%, 1.7% points lower YoY compared to 31.7% for 1Q2018 (restated).

Finance income was lower YoY in 1Q2019 whilst finance expenses was higher in 1Q2019 due to the adoption of *SFRS(I) 16 Leases* which resulted in higher interest expense due to higher lease liabilities coupled with higher loan interest due to higher borrowings.

Share of results of associate was a gain for 1Q2019 compared to a loss in the corresponding period last year.

As a result of lower profit from operations, profit before taxation of S\$63.1 million in 1Q2019 was lower by S\$14.0 million YoY. Taxation expenses for 1Q2019 was higher at S\$13.8 million YoY due to deferred tax asset on tax losses of Ensign in 1Q2019 not recognised.

Profit for the period in 1Q2019 was S\$49.3 million.

2. BUSINESS REVIEW

Mobile Services

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Mobile revenue	192.3	203.0	(10.7)	(5.3)

	Quarter ended / As of		
	31 Mar 2019	31 Dec 2018	31 Mar 2018
Mobile operating statistics			
Number of registered customers (in thousands)			
Post-paid	1,438	1,402	1,365
Pre-paid	789	788	918
Total	2,228	2,191	2,283
Monthly minutes of use per registered customer ⁽¹⁾			
Post-paid	140	167	183
Pre-paid	103	113	112
ARPU with IDD included (S\$ per month)			
Post-paid	39	41	43
Pre-paid	13	14	13
Average smartphone data usage (GB)	6.3	6.1	4.9
Average monthly churn rate (post-paid)	1.1%	1.1%	1.0%
Singapore mobile penetration ⁽²⁾	149.6%	148.8%	149.3%
Market Share ⁽²⁾	26.4%	26.1%	27.2%

Note:

(1) Monthly minutes of usage statistics will not be published with effect from 2Q2019

(2) Based on latest published statistics

Overall Mobile service revenue in 1Q2019 was lower by S\$10.7 million or 5.3%, mainly due to lower IDD, voice and excess data usage revenue and lower data subscription and VAS (value-added services) revenue, partially offset by the increase in plan subscription and enterprise SMS revenue.

Post-paid mobile services

As of 31 March 2019, post-paid mobile subscriber base stood at 1,438,000 after the quarter's net add of 36,000 subscribers. Compared to a year ago, post-paid customer base increased by 74,000 customers or 5.4%.

Post-paid mobile ARPU at S\$39 in 1Q2019 was lower by S\$4 compared to the corresponding period last year, mainly due to lower voice and data usage revenue. The overall average smartphone data usage increased YoY for 1Q2019 to 6.3 GB.

Post-paid mobile monthly average churn rate increased YoY from 1.0% in 1Q2018 to 1.1% in 1Q2019.

Pre-paid mobile services

As of 31 March 2019, pre-paid mobile customer base was 789,000 after the quarter's net add of 1,000 customers. Compared to a year ago, pre-paid customer base decreased by 129,000 customers. The decline was due to higher expiry of tourist SIM cards.

Pre-paid mobile ARPU remained stable at S\$13 in 1Q2019 compared to a year ago.

Pay TV Services

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Pay TV revenue	70.7	80.7	(10.0)	(12.4)

	Quarter ended / As of		
	31 Mar 2019	31 Dec 2018	31 Mar 2018
Pay TV operating statistics			
Number of residential Pay TV customers (in thousands)	394	409	449
ARPU (S\$ per month)	48	48	51
Average monthly churn rate	1.5%	1.4%	0.9%

Pay TV service revenue of S\$70.7 million in 1Q2019 was S\$10.0 million or 12.4% lower. The decrease was mainly due to lower subscriber base.

As of 31 March 2019, Pay TV households stood at 394,000 after the quarter's net churn of 15,000 households. Compared to a year ago, Pay TV households were lower by 55,000.

Monthly average churn increased from 0.9% to 1.5% in 1Q2019.

Pay TV ARPU at S\$48 in 1Q2019 was S\$3 lower when compared to 1Q2018, mainly due to promotional offers to drive migration of existing cable subscribers to IPTV.

Broadband Services

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	S\$m	S\$m	S\$m	%
Broadband revenue	47.1	47.2	(0.1)	(0.3)

	Quarter ended / As of		
	31 Mar 2019	31 Dec 2018	31 Mar 2018
Broadband operating statistics			
Number of residential broadband customers - subscription-based (in thousands)	495	482	468
Number of fibre broadband customers - subscription-based (in thousands) ⁽¹⁾	449	425	387
ARPU (S\$ per month)	31	32	33
Average monthly churn rate	0.8%	0.8%	0.8%

Note:

(1) Number of fibre broadband customers statistics will not be published with effect from 2Q2019. Migration from cable to fibre broadband is expected to complete by 2Q2019.

Broadband service revenue of S\$47.1 million in 1Q2019 was stable compared to the corresponding period last year.

Broadband ARPU of S\$31 in 1Q2019 was S\$2 lower when compared to the corresponding period last year, mainly due promotional offers to drive higher gross adds and migration of existing cable subscribers to fibre broadband.

Broadband average monthly churn remained unchanged at 0.8% in 1Q2019.

Enterprise Business

	Quarter ended 31 Mar			
	2019	2018	Incr / (Decr)	
	(Restated)			
Enterprise Business revenue	S\$m	S\$m	S\$m	%
Data & Internet	70.0	71.3	(1.3)	(1.8)
Managed services ⁽¹⁾	26.1	18.1	8.0	44.1
Voice services	11.6	9.5	2.2	22.9
Network solutions	107.8	98.9	8.9	9.0
Cyber security services ⁽²⁾	26.4	18.6	7.7	41.4
Total	134.1	117.5	16.6	14.1

⁽¹⁾ Managed services include Analytics, Cloud, ICT solutions and Facility Management

⁽²⁾ Includes service revenue from Ensign and D'Crypt

Enterprise Business revenue increased by S\$16.6 million to S\$134.1 million in 1Q2019. The overall growth in revenue was contributed by higher revenue from managed services, higher domestic and international voice revenue and higher cyber security services, partially offset by the decrease in revenue from domestic leased circuits.

Data & Internet service revenue in 1Q2019 was lower due to renewal of domestic leased circuits at lower market rate.

The growth in Managed services revenue was largely contributed by higher demand for cloud, cryptographic and digital security solutions.

Voice services revenue in 1Q2019 was higher mainly due to higher domestic and international voice traffic usage and higher smart messaging revenue.

The growth in Cyber security services in 1Q2019 was largely contributed by higher demand for these services.

3. GROUP CASH FLOW STATEMENT

	Quarter ended 31 Mar	
	2019	2018 (Restated)
	S\$m	S\$m
Operating Activities		
Profit before taxation	63.1	77.1
Adjustments for :		
Depreciation and amortisation	89.8	70.3
Income related grants	(0.1)	(0.4)
Share-based payments	1.1	(3.4)
Net finance costs	9.4	6.4
Share of (gain)/loss of associate, net of tax	(0.4)	0.2
Others	0.1	0.4
Operating cash flow before working capital changes	163.1	150.6
Changes in operating assets and liabilities	(95.4)	(67.4)
Income taxes paid	(1.0)	(5.4)
Net cash from operating activities	66.7	77.9
Investing Activities		
Interest received	0.2	0.6
Proceeds from disposal of property, plant and equipment and intangible assets	0.1	0.1
Purchase of property, plant and equipment and intangible assets	(45.4)	(68.0)
Acquisition of subsidiary, net of cash acquired	-	(56.6)
Net cash used in investing activities	(45.1)	(123.8)
Financing Activities		
Repayment of lease liabilities	(9.2)	-
Grants received	0.2	-
Interest paid	(5.6)	(5.4)
Purchase of Treasury Share	(1.5)	-
Net cash used in financing activities	(16.1)	(5.4)
Net change in cash and cash equivalents	5.5	(51.4)
Cash and cash equivalents at beginning of the period	165.4	345.2
Cash and cash equivalents at end of the period	170.9	293.9
Cash and cash equivalents comprise:		
Cash and bank balances	171.5	293.9
Restricted cash	(0.6)	-
	170.9	293.9

The Group's net cash from operating activities of S\$66.7 million in 1Q2019 was S\$11.2 million lower YoY. The decrease was largely due to higher working capital needs, partially offset by higher cash flow from operations and lower income tax paid.

The negative working capital changes of S\$95.4 million in 1Q2019 was primarily attributed to higher inventory, higher contract assets and higher net balances due from related parties and lower trade payables and accruals, partially offset by lower trade receivables and lower other receivables, deposits and prepayments.

Net cash used in investing activities decreased by S\$78.7 million to S\$45.1 million in 1Q2019, mainly due to no acquisition in 1Q2019 compared to the corresponding period last year where D'Crypt was acquired in January 2018 and lower CAPEX payments.

The Group's CAPEX payments amounted to S\$45.4 million in 1Q2019, representing 7.6% of total revenue. CAPEX payments were lower YoY by S\$22.6 million for 1Q2019 as the Group acquired a building in Tai Seng for S\$31.6 million in 1Q2018.

Free cash flow of S\$21.3 million in 1Q2019 was higher by S\$11.4 million primarily due to lower CAPEX payments partially offset by lower cash from operating activities.

Net cash used in financing activities was higher YoY at S\$16.1 million in 1Q2019 due to repayment of lease liabilities and purchase of treasury shares.

Despite a surplus of S\$5.5 million generated from the resulting net cash in 1Q2019, the Group's cash and cash equivalents balance (excluding restricted cash) in 1Q2019 was lower at S\$170.9 million after payment of dividends, down from S\$293.9 million in 1Q2018.

Capital expenditure commitments

As of 31 March 2019, the Group's total outstanding capital expenditure commitments amounted to S\$459.2 million, including the outstanding commitments for 4G spectrum rights of S\$282.0 million.

4. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	31 Mar 19 S\$m	31 Dec 18 S\$m	31 Mar 19 S\$m	31 Dec 18 S\$m
Non-current assets				
Property, plant and equipment	864.5	893.2	456.8	465.1
Intangible assets	664.1	670.0	102.8	102.1
Right-of-use assets	207.4	-	148.7	-
Subsidiaries	-	-	3,304.4	3,304.4
Associate	23.2	22.7	27.8	27.8
Investment in fair value through other comprehensive income	34.9	36.0	34.9	36.0
Amount due from related parties	8.3	8.2	8.3	8.2
Deferred tax assets	1.5	1.5	-	-
Contract assets	83.8	67.4	0.9	0.1
Contract costs	6.0	5.6	0.5	0.5
	1,893.7	1,704.7	4,085.1	3,944.3
Current assets				
Inventories	87.9	75.2	0.6	0.6
Contract assets	289.5	277.0	21.3	18.7
Contract costs	17.7	17.3	1.5	1.4
Trade receivables	269.6	282.8	178.4	183.1
Other receivables, deposits and prepayments	82.3	94.2	39.9	33.9
Amount due from related parties	32.6	18.3	47.1	14.1
Cash and bank balances	171.5	166.0	133.2	117.6
	951.2	930.7	422.0	369.5
Less:				
Current Liabilities				
Contract liabilities	70.5	70.2	20.3	23.4
Trade and other payables	511.4	574.5	247.3	270.6
Amount due to related parties	55.5	57.5	258.0	235.8
Borrowings	50.0	50.1	50.0	50.0
Lease liabilities	63.1	-	22.2	-
Provision for taxation	127.6	119.5	31.0	23.7
	878.2	871.7	628.7	603.4
Net current assets/ (liabilities)	73.0	59.0	(206.8)	(233.9)
Non-current liabilities				
Contract liabilities	31.4	32.5	31.4	32.5
Other payables	33.0	33.0	7.0	7.0
Borrowings	978.3	978.4	977.5	977.5
Lease liabilities	152.0	-	122.8	-
Deferred income	0.2	0.3	0.2	0.3
Deferred tax liabilities	135.7	131.5	77.5	75.6
	1,330.6	1,175.7	1,216.3	1,093.0
Net assets	636.1	588.1	2,662.0	2,617.4
Shareholders' equity				
Share capital	299.7	299.7	299.7	299.7
Perpetual Capital Securities	201.8	199.9	201.8	199.9
Reserves	79.4	28.6	2,160.5	2,117.9
Equity attributable to owners of the Company	580.9	528.2	2,662.0	2,617.4
Non-controlling interests	55.2	59.9	-	-
Total equity	636.1	588.1	2,662.0	2,617.4

GROUP BALANCE SHEET REVIEW

As of 31 March 2019, the Group's total non-current assets of S\$1,893.7 million was S\$189.0 million higher when compared to S\$1,704.7 million as of 31 December 2018. The increase was primarily due to higher ROU assets from the impact of *SFRS(I) 16 Leases* adoption and contract assets. This was partially offset by a decrease in property, plant and equipment, intangible assets and investment in fair value through other comprehensive income.

Total current assets as of 31 March 2019 increased by S\$20.5 million to S\$951.2 million mainly from an increase in inventories, contract assets, amount due from related parties and cash and cash equivalents, partially offset by the decrease in trade receivables and other receivables, deposits and prepayments.

Total current liabilities increased by S\$6.5 million to S\$878.2 million as of 31 March 2019. This is due to an increase in lease liabilities due to the adoption of *SFRS(I) 16 Leases* and provision for taxation, partially offset by the decrease in trade and other payables and amount due to related parties.

The increase in total non-current liabilities by S\$154.9 million to S\$1,330.6 million as of 31 March 2019 was primarily due to the higher lease liabilities as explained above.

The Group's shareholders' equity increased by S\$52.7 million to S\$580.9 million as of 31 March 2019 (excluding non-controlling interests of S\$55.2 million). The increase was mainly due to higher retained profits.

The non-controlling interests represent the balance of 35.0% equity in D'Crypt and 40% effective economic interest in Ensign attributable to minority shareholders.

5. GROUP UNSECURED BORROWINGS

	31 Mar 19	31 Dec 18
	S\$m	S\$m
Unsecured borrowings		
Amount repayable in one year or less		
Bank loans	50.0	50.1
Medium term notes	-	-
	50.0	50.1
Amount repayable after one year		
Bank loans	458.3	458.4
Medium term notes	520.0	520.0
	978.3	978.4
Total	1,028.4	1,028.4

The Group's unsecured borrowings remained constant as of 31 March 2019.

On account of a higher cash and cash equivalent balance, net debt was S\$5.6 million lower at S\$856.9 million as of 31 March 2019 compared to S\$862.4 million as of 31 December 2018. As a ratio of the past 12 months' EBITDA, the Group's net debt was lower at 1.49 times as of 31 March 2019 compared to 1.52 times as of 31 December 2018.

6. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Capital reserve 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 interest S\$m	Total equity S\$m
At 1 Jan 2019	299.7	199.9	(3.0)	21.7	(276.3)	8.8	(5.8)	(0.2)	1.3	282.1	28.6	59.9	588.1
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	54.0	54.0	(4.7)	49.3
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1
Effective portion of changes in fair value of cash flow hedges, net of taxation	-	-	-	-	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	-	(1.1)	-	-	-	(1.1)	-	(1.1)
Total comprehensive income for the period	-	-	-	-	-	-	(1.1)	(0.2)	0.1	54.0	52.8	(4.7)	48.1
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	-	-	-	-	-	1.1	-	-	-	-	1.1	-	1.1
Accrued perpetual securities distribution	-	1.9	-	-	-	-	-	-	-	(1.6)	(1.6)	-	0.3
Purchase of treasury shares	-	-	(1.5)	-	-	-	-	-	-	-	(1.5)	-	(1.5)
Disposal of Treasury Shares	-	-	1.5	-	-	(1.5)	-	-	-	-	(0.0)	-	(0.0)
Total transactions with equity holders of the Company	-	1.9	(0.0)	-	-	(0.3)	-	-	-	(1.6)	(2.0)	-	(0.1)
At 31 Mar 2019	299.7	201.8	(3.1)	21.7	(276.3)	8.4	(7.0)	(0.4)	1.4	334.6	79.4	55.2	636.1
At 1 Jan 2018	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 adoption of SFRS(I) 1 and SFRS(I) 15	-	-	-	-	-	-	-	-	-	261.0	261.0	-	261.0
At 1 Jan 2018, restated	299.7	199.9	(8.2)	-	(276.3)	13.0	18.1	(10.1)	1.4	364.0	102.0	4.4	606.0
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	63.0	63.0	1.3	64.3
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)	-	63.0	59.8	1.3	61.1
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	425.4	156.8	13.2	671.4

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

Company	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	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 2019	299.7	199.9	(3.0)	-	8.8	(5.8)	2,117.9	2,117.9	2,617.4
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	45.8	45.8	45.8
Other comprehensive income									
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	(1.1)	-	(1.1)	(1.1)
Total comprehensive income for the period	-	-	-	-	-	(1.1)	45.8	44.6	44.6
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	-	-	-	-	1.1	-	-	1.1	1.1
Accrued perpetual securities distribution	-	1.9	-	-	-	-	(1.6)	(1.6)	0.3
Purchase of treasury shares	-	-	(1.5)	-	-	-	-	(1.5)	(1.5)
Disposal of treasury shares	-	-	1.5	-	(1.5)	-	-	-	-
Total transactions with equity holders of the Company	-	1.9	(0.0)	-	(0.3)	-	(1.6)	(2.0)	(0.1)
At 31 Mar 2019	299.7	201.8	(3.1)	-	8.4	(7.0)	2,162.1	2,160.5	2,662.0
At 1 Jan 2018	299.7	199.9	(8.2)	276.5	13.0	18.2	1,119.5	1,419.1	1,918.6
Effects of adoption of SFRS(I) 1 and SFRS(I) 15	-	-	-	(276.5)	-	-	882.3	605.8	605.8
At 1 Jan 2018, restated	299.7	199.9	(8.2)	-	13.0	18.2	2,001.8	2,024.8	2,524.4
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	45.6	45.6	45.6
Other comprehensive income									
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	(1.7)	-	(1.7)	(1.7)
Total comprehensive income for the period	-	-	-	-	-	(1.7)	45.6	43.9	43.9
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	-	-	-	-	(3.4)	-	-	(3.4)	(3.4)
Accrued perpetual securities distribution	-	1.9	-	-	-	-	(1.6)	(1.6)	0.3
Transfer from treasury shares to share-based	-	-	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	2,045.8	2,063.7	2,565.2

7. CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

As of 31 March 2019, the share capital of the Company was at S\$299.7 million (31 December 2018: S\$299.7 million) comprising 1,730,220,090 (31 December 2018: 1,730,698,702) issued ordinary shares (excluding treasury shares).

Treasury Shares

For the quarter ended 31 March 2019, the Company transferred 461,388 treasury shares to participants of the Company's share plans and bought 940,000 ordinary shares from the market at a consideration of S\$1.5 million.

The treasury share balance as of 31 March 2019 was S\$3.1 million (31 March 2018: S\$7.3 million) comprising 1,431,353 (31 March 2018: 2,319,566) ordinary shares.

Issue of new shares

For 1Q2019, there was no issue of new ordinary shares.

Subsidiary holdings

As at 31 March 2019, none of the Company's subsidiaries held any shares in the Company (31 March 2018: 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 arrears 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 2019, the Group had an accrual of S\$2.3 million for perpetual capital securities distribution due in June 2019.

Outstanding Shares – Share-Based Plans

Performance Share Plans

As of 31 March 2019, the outstanding balance of conditional awards under the Performance Share Plans was 1,570,101 (31 March 2018: 2,136,000) ordinary shares.

Restricted Stock Plans

As of 31 March 2019, the outstanding balance of conditional awards under the Restricted Stock Plans was 2,653,687 (31 March 2018: 3,510,575) 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 2018, 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 became effective from annual period beginning on or after 1 January 2019.

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

a) SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual period beginning on or after 1 January 2019.

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in SFRS(I) 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the SFRS(I) 1-17 operating lease and finance lease accounting models respectively.

The Group and Company have applied SFRS(I) 16 using the modified retrospective method as of 1 January 2019, with no restatement of comparative information.

The Group and Company have also applied the practical expedients to grandfather the definition of a lease on transition, which means that the Group and Company have applied SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

11. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Please refer to Note 10.

12. GROUP EARNINGS PER ORDINARY SHARE

	Quarter ended 31 Mar	
	2019	2018 (Restated)
Basic		
Earnings per share	3.0 cents	3.5 cents
Weighted average number of shares ('000)	1,730,533	1,729,242
Diluted		
Earnings per share	3.0 cents	3.5 cents
Weighted average number of shares ('000)	1,734,757	1,734,889

13. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	31 Mar 2019	31 Dec 2018 (Restated ⁽¹⁾)	31 Mar 2019	31 Dec 2018
Net asset value per share	33.6 cents	30.5 cents	153.9 cents	151.2 cents

(1) Comparatives have been restated to take into account adjustments to capital reserve and non-controlling interests in the audited financial statements

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

For the quarter ended 31 March 2019, the Group's service revenue was lower by 0.9% YoY. This was within our guidance of full year service revenue to be stable to a decline of 2% YoY.

The Group's service EBITDA before SFRS(I) 16 adoption for the quarter was 30.0% of service revenue. This was above our full year guidance of between 26% to 28% of service revenue before SFRS(I) 16 adoption. The Group's service EBITDA margin after SFRS(I) 16 adoption for the quarter was 33.7% of service revenue. This was above our full year guidance of between 30% to 32% of service revenue after SFRS(I) 16 adoption.

Total CAPEX commitment in 1Q2019 amounted to S\$10.3 million or 1.7% of total revenue, excluding the spectrum payment of S\$282.0 million. This was below our guidance for 2019 CAPEX commitment at 11% to 12% of total revenue (excluding spectrum payment) due to timing of projects.

15. GROUP OUTLOOK

To offer a better customer experience we have launched a new set of simplified post-paid plans which address our customers' needs for more data. The plans are available

as contract-free SIM-Only plans as well as contracts plans with handset subsidies. In the pre-paid segment, we are offering new segmented offers as well as expanding our distribution.

The overall Pay TV market in Singapore continues to shrink due to piracy and alternative viewing options. StarHub TV will continue to offer quality content while managing content cost. StarHub is committed to migrating our customers from cable TV to IPTV to offer a much better customer viewing experience. Ongoing improvements are being made to the TV offering such as the recent reduction in subscription prices for HBO channels.

For the Home Broadband, sustained competition is expected due to the high broadband penetration in the market. StarHub will continue to differentiate itself by offering advanced Wi-Fi and mesh routers to enhance the experience of our customers.

The Enterprise Business continues its growth with renewals for data centre, cloud and telco solutions for connectivity across key industry sectors. Managed services and the ICT expanded suite of services including IoT, AI and analytics and digital applications continue to see an increased take-up by customers. StarHub continues to provide solutions to accelerate digitalisation for our customers.

We will continue to invest in upgrading our cyber security solution capabilities to address the growing local and global demands for such services.

Based on the current outlook, we expect the Group's 2019 service revenue to be stable to a decline of 2% YoY. Group service EBITDA margin is expected to be between 30% to 32% (after SFRS(I) 16 adoption). In 2019, CAPEX commitment, excluding spectrum payment of S\$282.0 million, is expected to be 11% to 12% of total revenue. The Group intends to pay-out at least 80% of net profit attributable to shareholders (adjusted for one off, non-recurring items), as dividend. For FY2019, the Group intends to pay a dividend of at least 9 cents per ordinary share, at a rate of 2.25 cents per quarter. Any payment above 9 cents would occur in the last quarterly payment.

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\$0.0225 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 28 May 2019.

- (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 2019 ("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 13 May 2019 ("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 transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transaction less than S\$100,000) 1 January 2019 to 31 March 2019 S\$m
Transactions for the Sale of Goods & Services	
Capitaland Limited & its associates	0.2
SembCorp Industries Ltd & its associates	0.2
Singapore Airlines Limited & its associates	0.3
Singapore Power Limited & its associates	0.2
Singapore Telecommunications Limited & its associates	6.5
TeleChoice International Ltd & its associates	11.3
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	0.1
	18.9
Transactions for the Purchase of Goods & Services	
Mapletree Industrial Trust & its associates	10.2
SembCorp Industries Ltd & its associates	3.9
Singapore Technologies Engineering Ltd & its associates	0.2
Singapore Telecommunications Limited & its associates	11.4
TeleChoice International Ltd & its associates	17.1
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	0.9
	43.7

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 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Steven Terrell Clontz
Director

Ma Kah Woh
Director

Singapore
3 May 2019

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.