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STARHUB LTD

Announcement of Unaudited Results for the Second Quarter and Half Year ended 30 June 2018

StarHub is pleased to announce the unaudited results for the second quarter and half year ended 30 June 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 Second Quarter and Half Year ended 30 June 2018

1. GROUP INCOME AND COMPREHENSIVE INCOME STATEMENTS

1.1 GROUP INCOME STATEMENT

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Total revenue	597.3	566.7	30.6	5.4	1,160.3	1,158.6	1.6	0.1
Operating expenses	(513.3)	(461.9)	51.4	11.1	(992.9)	(956.7)	36.2	3.8
Other income	0.2	0.4	(0.2)	(56.3)	0.6	0.7	(0.1)	(13.8)
Profit from operations	84.2	105.3	(21.1)	(20.1)	167.9	202.6	(34.7)	(17.1)
Finance income	0.8	0.7	0.1	20.7	1.6	1.5	0.2	11.5
Finance expense ⁽²⁾	(7.4)	(8.1)	(0.7)	(8.2)	(14.6)	(15.2)	(0.6)	(3.9)
	77.6	97.9	(20.3)	(20.7)	154.9	188.8	(33.9)	(18.0)
Share of loss of associate (net of tax)	(0.3)	(0.9)	(0.6)	(67.4)	(0.5)	(1.1)	(0.6)	(52.2)
Profit before taxation	77.3	97.0	(19.7)	(20.3)	154.4	187.7	(33.3)	(17.7)
Taxation	(14.6)	(17.0)	(2.4)	(14.3)	(27.4)	(32.0)	(4.6)	(14.3)
Profit for the period	62.7	80.0	(17.3)	(21.6)	127.0	155.8	(28.8)	(18.5)
Attributable to:								
Equity holders of the Company	61.7	80.0	(18.3)	(22.8)	124.7	155.8	(31.0)	(19.9)
Non-controlling interests	1.0	-	1.0	-	2.3	-	2.3	-
	62.7	80.0	(17.3)	(21.6)	127.0	155.8	(28.8)	(18.5)
EBITDA	155.3	173.3	(17.9)	(10.4)	309.4	337.4	(28.0)	(8.3)
Service EBITDA ⁽³⁾	141.0	162.4	(21.5)	(13.2)	283.0	313.6	(30.6)	(9.8)
Service EBITDA as % of service revenue	30.2%	35.0%	-4.8% pts		30.9%	34.1%	-3.2% pts	
Free Cash Flow ⁽⁴⁾	97.1	16.3	80.8	nm	107.0	132.8	(25.8)	(19.4)
<i>Profit from operations is arrived after charging the following:</i>								
Allowance for doubtful receivables and bad debts written off	7.0	3.9	3.1	78.1	8.9	10.0	(1.2)	(11.6)
Depreciation and amortisation (net of asset grants)	71.2	68.0	3.2	4.6	141.5	134.8	6.7	4.9
Foreign exchange (gain) / loss	4.7	0.6	4.1	nm	7.1	(3.8)	10.9	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

(1a) Prior periods (Full year ended 2017 and Q12018) SFRS(I) 15 adjustments have been restated to account for the impact of sales of equipment for certain enterprise transactions. The restatement does not significantly affect the financial statements

(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) The financial statements 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 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr / (Decr)	
	(Restated)	(Restated)			(Restated)	(Restated)		
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Profit for the period	62.7	80.0	(17.3)	(21.6)	127.0	155.8	(28.8)	(18.5)
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences	(0.1)	-	(0.1)	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedge	10.4	(3.8)	14.2	nm	8.9	(10.2)	19.1	nm
Change in fair value of available-for-sale financial assets	(8.0)	7.9	(15.9)	nm	(9.7)	9.3	(19.0)	nm
Other comprehensive income for the period (net of taxation)	2.4	4.1	(1.8)	(42.8)	(0.9)	(0.9)	-	nm
Total comprehensive income for the period	65.1	84.1	(19.0)	(22.6)	126.2	154.9	(28.7)	(18.5)
Attributable to:								
Equity holders of the Company	64.1	84.1	(20.0)	(23.8)	123.9	154.9	(31.0)	(20.0)
Non-controlling interests	1.0	-	1.0	-	2.3	-	2.3	-
	65.1	84.1	(19.0)	(22.6)	126.2	154.9	(28.7)	(18.5)

nm – Not meaningful

1.3 GROUP PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 JUNE 2018

(A) Revenue

Revenue	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018 S\$m	2017 (Restated) S\$m	Incr / (Decr)		2018 (Restated) S\$m	2017 (Restated) S\$m	Incr/ (Decr)	
			S\$m	%			S\$m	%
Mobile	213.5	228.6	(15.1)	(6.6)	416.5	449.4	(32.8)	(7.3)
Pay TV	84.7	89.0	(4.2)	(4.8)	165.4	178.6	(13.2)	(7.4)
Broadband	46.1	46.0	0.1	0.1	93.3	93.2	0.1	0.1
Enterprise Fixed	122.5	100.1	22.4	22.4	240.0	199.7	40.3	20.2
Service revenue	466.8	463.7	3.1	0.7	915.3	920.8	(5.5)	(0.6)
Sales of equipment	130.5	103.0	27.5	26.7	244.9	237.8	7.2	3.0
Total revenue	597.3	566.7	30.6	5.4	1,160.3	1,158.6	1.6	0.1

The Group's 2Q2018 total revenue of S\$597.3 million was S\$30.6 million or 5.4% higher YoY (year-on-year), while the total revenue for 1H2018 of \$1,160.3 million was S\$1.6 million or 0.1% higher YoY. The higher revenue was mainly due to higher revenue from Enterprise Fixed and Sales of equipment, partially offset by lower revenue from Mobile and Pay TV services.

Against the corresponding periods last year, Mobile service revenue in 2Q2018 and 1H2018 was lower by 6.6% and 7.3% respectively. This was mainly due to lower IDD, voice and excess data usage revenue, and lower plan subscription revenue due to a higher proportion of revenue allocated to equipment revenue and recognised in prior periods, lower subscriber base and a higher mix of SIM Only plans. This was partially mitigated by higher revenue from roaming and value-added services (VAS).

Pay TV service revenue decreased YoY by 4.8% in 2Q2018 and 7.4% in 1H2018 mainly due to lower subscriber base. Broadband service revenue remained stable YoY at S\$46.1 million in 2Q2018 and S\$93.3 million in 1H2018.

Enterprise Fixed service revenue grew S\$22.4 million and S\$40.3 million in 2Q2018 and 1H2018 YoY respectively 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 increased by 8.5% YoY in 2Q2018 and 3.9% YoY in 1H2018 respectively, primarily driven by higher managed services revenue.

Revenue from sales of equipment increased by 26.7% YoY in 2Q2018 primarily due to higher volume of premium handsets sold and sales of smart home equipment, while the YoY increase of 3.0% in 1H2018 was primarily due to sales of smart home equipment.

(B) Operating expenses

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
Operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of sales	264.1	226.6	37.5	16.5	510.9	486.4	24.5	5.0
Other operating expenses	249.2	235.3	13.9	5.9	482.0	470.3	11.7	2.5
Total	513.3	461.9	51.4	11.1	992.9	956.7	36.2	3.8

The Group's operating expenses for 2Q2018 and 1H2018 was higher by S\$51.4 million and S\$36.2 million YoY respectively. The increase was due to higher cost of sales and other operating expenses.

As a percentage of revenue, total operating expenses for 2Q2018 and 1H2018 were at 85.9% and 85.6% respectively when compared to 81.5% and 82.6% in the corresponding periods last year.

A breakdown of total operating expenses is as follows:

(i) Cost of sales

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
Cost of sales	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of equipment sold	116.1	92.1	24.0	26.0	218.6	214.0	4.6	2.1
Cost of services	120.2	108.9	11.3	10.4	238.3	215.7	22.6	10.5
Traffic expenses	27.7	25.5	2.2	8.6	54.0	56.8	(2.7)	(4.8)
Total	264.1	226.6	37.5	16.5	510.9	486.4	24.5	5.0

Cost of sales for 2Q2018 and 1H2018 increased by 16.5% and 5.0% YoY respectively. The increase for 2Q2018 was mainly attributed to higher cost of equipment sold, cost of services and traffic expenses. For 1H2018, the increase was primarily due to higher cost of equipment sold and cost of services, partially offset by lower traffic expenses.

The increase of 26.0% for cost of equipment sold in 2Q2018 was primarily due to higher volume of premium handsets sold and sales of smart home equipment, while the YoY increase of 2.1% in 1H2018 was primarily due to sales of smart home equipment. Cost of services was higher due to higher Managed Services, ASTL and D'Crypt cost, partially offset by lower TV content cost.

For 2Q2017 and 1H2017, there were reversals of accruals for traffic expenses no longer required. Excluding these reversals, traffic expenses for both 2Q2018 and 1H2018 was lower by S\$0.8 million and S\$5.7 million respectively, mainly due to decreases in domestic and international traffic volume.

(ii) Other operating expenses

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)	(Restated)		
Other operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Staff costs	67.8	67.2	0.6	0.9	131.6	129.4	2.2	1.7
Operating leases	27.9	28.0	(0.1)	(0.4)	53.1	61.0	(7.9)	(13.0)
Marketing and promotions	22.0	21.3	0.8	3.6	47.2	43.8	3.3	7.6
Allowance for doubtful receivables	7.0	3.9	3.1	78.1	8.9	10.0	(1.2)	(11.6)
Repair and maintenance	24.5	24.3	0.2	0.9	48.9	48.7	0.3	0.5
Other expenses	28.8	22.6	6.3	27.8	50.9	42.6	8.4	19.6
Subtotal	178.1	167.3	10.8	6.5	340.5	335.5	5.1	1.5
Depreciation and amortisation (net of asset grants)	71.2	68.0	3.2	4.6	141.5	134.8	6.7	4.9
Total	249.2	235.3	13.9	5.9	482.0	470.3	11.7	2.5

The Group's other operating expenses for 2Q2018 and 1H2018 was higher by S\$13.9 million and S\$11.7 million YoY respectively. As a percentage of total revenue, other operating expenses were 41.7% in 2Q2018 and 41.5% in 1H2018, up from 41.5% and 40.6% in the corresponding periods last year.

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

Staff costs

Staff costs expense was 0.9% and 1.7% higher YoY for 2Q2018 and 1H2018 respectively, mainly contributed by the consolidation of ASTL and D'Crypt.

Operating leases

Operating leases in 2Q2018 and 1H2018 was lower by 0.4% and 13.0% YoY respectively. In 1H2018, there was a reversal of accruals no longer required. Excluding this reversal, 1H2018 operating leases expense was lower by 9.5%, mainly from lower duct lease rental.

Marketing and promotions

Compared to the corresponding periods last year, the higher marketing and promotions expenses in both 2Q2018 and 1H2018 were mainly attributable to higher promotional activities in line with new partnerships and product launches.

Allowance for doubtful receivables

Allowance for doubtful receivables was higher by S\$3.1 million YoY in 2Q2018 mainly due to ageing of receivables. For 1H2018, the allowance for doubtful receivables was lower by S\$1.2 million YoY mainly driven by improved collections.

Repair and maintenance

On a YoY comparison, repair and maintenance expense for both 2Q2018 and 1H2018 remained relatively stable compared to last year.

Other expenses

Other expenses in 1Q2018 included a reversal of accruals no longer required. Excluding this reversal, other expenses for both 2Q2018 and 1H2018 was higher by S\$6.3 million and S\$10.8 million YoY respectively. The increase in 2Q2018 was largely due to higher foreign exchange loss and higher impairment of contract assets. For 1H2018, other expenses were higher YoY primarily due to a foreign exchange loss of S\$7.1 million compared to a foreign exchange gain of S\$3.8 million in 1H2017, partially offset by lower license fees and impairment of contract assets. Impairment of contract asset occurs when subscribers churn before the end of their 24-month contract period.

Depreciation and amortisation

The higher depreciation and amortisation expense for both 2Q2018 and 1H2018 were higher mainly due to the addition of 4G spectrum rights and the higher additions of intangible assets.

(C) Other income

Other income remained relatively stable YoY.

(D) Profitability

Profit from operations of S\$84.2 million in 2Q2018 and S\$167.9 million in 1H2018 was S\$21.1 million and S\$34.7 million lower YoY respectively. The decrease was mainly due to lower mobile revenue. Although the decline in mobile revenue was offset by higher revenues from managed services and the sales of equipment, the margins from these businesses were lower compared to the margin from the mobile business.

After excluding equipment margin, Service EBITDA of S\$141.0 million in 2Q2018 was 13.2% lower YoY. Service EBITDA margin at 30.2% was 4.8% points lower YoY. For 1H2018, Service EBITDA of S\$283.0 million was 9.8% lower YoY. Service EBITDA margin of 30.9% was 3.2% points lower YoY.

Net finance expenses and the share of loss from associate decreased for both 2Q2018 and 1H2018 when compared to the corresponding periods last year.

As a result of lower profits from operations, profit before taxation of S\$77.3 million in 2Q2018 and S\$154.4 million in 1H2018 were lower by S\$19.7 million and S\$33.3 million YoY respectively. Correspondingly, taxation expenses for 2Q2018 and 1H2018 were lower at S\$14.6 million and S\$27.4 million respectively.

2. BUSINESS REVIEW

Mobile Services

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)		(Restated)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Mobile revenue	213.5	228.6	(15.1)	(6.6)	416.5	449.4	(32.8)	(7.3)

	Quarter ended / As of			Half Year ended / As of		YoY
	30 Jun 2018	31 Mar 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	Incr / (Decr)
Mobile operating statistics	(Restated)			(Restated)		%
Number of registered customers (in thousands)						
Post-paid	1,376	1,365	1,385	1,376	1,385	(0.7)
Pre-paid	882	918	905	882	905	(2.5)
Total	2,258	2,283	2,290	2,258	2,290	(1.4)
Monthly minutes of use per registered customer						
Post-paid	181	183	186	182	187	(2.6)
Pre-paid	109	112	141	111	150	(26.4)
ARPU with IDD included (S\$ per month) ⁽¹⁾						
Post-paid	45	43	49	44	48	(7.7)
Pre-paid	13	13	15	13	15	(13.7)
Average smartphone data usage (GB)	5.5	4.9	4.0	5.2	3.9	32.4
Average monthly churn rate (post-paid) ⁽²⁾	1.1%	1.0%	1.0%	1.0%	1.0%	-
Singapore mobile penetration ⁽³⁾	148.9%	149.3%	150.8%	148.9%	150.8%	-
Market Share ⁽³⁾	27.0%	27.2%	27.1%	27.0%	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

Overall Mobile service revenue of S\$213.5 million in 2Q2018 was S\$15.1 million lower YoY, while Mobile service revenue for 1H2018 was S\$32.8 million lower YoY. The decrease was attributed to lower IDD, voice and excess data usage revenue, lower plan subscription revenue due to a higher proportion of revenue allocated to equipment revenue and recognised in prior periods, lower subscriber base and a higher mix of SIM Only plans. This was partially mitigated by higher revenue from roaming and value-added services (VAS).

Post-paid mobile services

As of 30 June 2018, post-paid mobile subscriber base stood at 1,376,000 after the quarter's net add of 11,000 subscribers. Compared to a year ago, post-paid customer base decreased by 9,000 customers or 0.7%.

Post-paid mobile ARPU of S\$45 in 2Q2018 and S\$44 in 1H2018 were S\$4 lower compared to the corresponding periods last year, mainly due to lower excess data usage revenue from higher take-up of DataJump and unlimited weekend data plans, higher mix of SIM Only plans and higher proportion of revenue allocated to equipment revenue and recognised in prior periods. The overall average smartphone data usage increased YoY for both 2Q2018 and 1H2018 to 5.5 GB and 5.2 GB respectively.

Post-paid mobile monthly average churn rate was 1.1% and 1.0% for 2Q2018 and 1H2018 respectively.

Pre-paid mobile services

As of 30 June 2018, pre-paid mobile customer base was 882,000 after the quarter's net churn of 36,000 customers. Compared to a year ago, pre-paid customer base decreased by 23,000 customers.

Pre-paid mobile ARPU remained at S\$13 for both 2Q2018 and 1H2018. The lower ARPU was due to lower voice and IDD usage.

Pay TV Services

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Pay TV revenue	84.7	89.0	(4.2)	(4.8)	165.4	178.6	(13.2)	(7.4)

Pay TV operating statistics	Quarter ended / As of			Half Year ended / As of		YoY
	30 Jun 2018	31 Mar 2018	30 Jun 2017	30 Jun 2018	2017	Incr / (Decr) %
Number of residential Pay TV customers (in thousands)	438	449	477	438	477	(8.1)
ARPU (S\$ per month) ⁽¹⁾	53	51	51	52	51	0.6
Average monthly churn rate ⁽²⁾	1.1%	0.9%	0.9%	1.0%	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\$84.7 million in 2Q2018 and S\$165.4 million in 1H2018 were 4.8% and 7.4% lower YoY respectively. The decrease was mainly due to lower subscriber base.

As of 30 June 2018, Pay TV households stood at 438,000 after the quarter's net churn of 11,000 households. Compared to a year ago, Pay TV households were lower by 39,000 or 8.1%.

Monthly average churn for 2Q2018 was at 1.1% and 1.0% for 1H2018.

Pay TV ARPU of S\$53 in 2Q2018 and S\$52 in 1H2018 was higher mainly due to World Cup subscription.

Broadband Services

	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)		(Restated)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Broadband revenue	46.1	46.0	0.1	0.1	93.3	93.2	0.1	0.1

Broadband operating statistics	Quarter ended / As of			Half Year ended / As of		YoY
	30 Jun 2018	31 Mar 2018	30 Jun 2017	30 Jun 2018	2017	Incr / (Decr) %
Number of residential broadband customers - subscription-based (in thousands)	471	469	467	471	467	0.9
Number of fibre broadband customers - subscription-based (in thousands)	393	387	373	393	373	5.4
ARPU (S\$ per month) ⁽¹⁾	32	33	32	32	32	-
Average monthly churn rate ⁽²⁾	1.0%	0.9%	1.0%	1.0%	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\$46.1 million in 2Q2018 and S\$93.3 million in 1H2018 remained stable when compared to the corresponding periods last year.

Broadband ARPU remained stable at \$32 for both 2Q2018 and 1H2018 compared to the corresponding periods last year.

Broadband average monthly churn remained at 1.0% for both 2Q2018 and 1H2018.

Enterprise Fixed Services

Enterprise Fixed revenue	Quarter ended 30 Jun				Half Year ended 30 Jun			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Data & Internet ⁽¹⁾	74.2	74.5	(0.3)	(0.4)	147.1	146.1	0.9	0.6
Managed services ⁽¹⁾	40.2	14.6	25.6	175.1	76.9	31.0	45.9	148.2
Voice services ⁽²⁾	8.1	11.0	(2.9)	(26.3)	16.0	22.5	(6.5)	(29.0)
Total	122.5	100.1	22.4	22.4	240.0	199.7	40.3	20.2

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\$22.4 million and S\$40.3 million YoY in 2Q2018 and 1H2018 respectively. The growth in revenue was contributed by higher revenue from Managed services, partially offset by decrease in revenue from Voice services. Excluding ASTL and D'Crypt, Enterprise Fixed service revenue would have increased by 8.5% and 3.9% for 2Q2018 and 1H2018 respectively.

Data & Internet service revenue in 2Q2018 remained relatively stable while the YoY increase in 1H2018 was mainly due to higher international leased circuits.

The growth in Managed services revenue was 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 for 2Q2018 and 1H2018 was lower by 26.3% and 29.0% YoY as a result of lower domestic and international traffic usage.

3. GROUP CASH FLOW STATEMENT

	Quarter ended 30 Jun		Half Year ended 30 Jun	
	2018	2017 (Restated)	2018 (Restated)	2017 (Restated)
	S\$m	S\$m	S\$m	S\$m
Operating Activities				
Profit before taxation	77.3	97.0	154.4	187.7
Adjustments for :				
Depreciation and amortisation, net of asset grants	71.2	68.0	141.5	134.8
Income related grants	(0.2)	(0.4)	(0.6)	(0.7)
Share-based payments	1.7	2.6	(1.7)	(1.6)
Net finance costs	6.6	7.4	13.0	13.7
Share of loss of associate, net of tax	0.3	0.9	0.5	1.1
Others	(0.1)	0.2	0.2	0.5
Operating cash flow before working capital changes	156.7	175.7	307.3	335.5
Changes in operating assets and liabilities	23.8	(13.3)	(43.6)	(21.5)
Income tax paid	(32.6)	(31.6)	(38.0)	(33.0)
Net cash from operating activities	147.8	130.8	225.7	281.1
Investing Activities				
Interest received	0.8	0.6	1.4	1.3
Proceeds from disposal of property, plant and equipment and intangible assets	2.1	0.2	2.2	0.3
Purchase of property, plant and equipment and intangible assets	(50.8)	(114.5)	(118.7)	(148.2)
Acquisition of subsidiary, net of cash acquired	-	-	(56.6)	-
Repayment of loan from an associate	-	-	-	1.1
Net cash used in investing activities	(47.8)	(113.7)	(171.7)	(145.5)
Financing Activities				
Net proceeds from issue of perpetual capital securities	-	199.6	-	199.6
Grants received	1.6	0.3	1.6	3.4
Dividend paid to owners of the Company	(138.4)	(155.6)	(138.4)	(155.6)
Perpetual capital securities distribution paid	(3.9)	-	(3.9)	-
Interest paid	(9.1)	(9.9)	(14.5)	(15.3)
Net cash (used in)/ from financing activities	(149.9)	34.5	(155.3)	32.1
Net change in cash and cash equivalents	(49.9)	51.6	(101.3)	167.7
Cash and cash equivalents at beginning of the period	293.9	401.2	345.2	285.2
Cash and cash equivalents at end of the period	244.0	452.9	244.0	452.9
Cash and cash equivalents comprise:				
Cash and bank balances	244.5	452.9	244.5	452.9
Restricted cash	(0.5)	-	(0.5)	-
	244.0	452.9	244.0	452.9

The Group's 2Q2018 net cash from operating activities of S\$147.8 million was S\$17.0 million higher YoY. Net cash from operating activities for 1H2018 of S\$225.7 million was S\$55.4 million lower YoY. The increase in 2Q2018 was largely due to lower working capital needs, partially offset by lower cash flow from operations and higher income tax paid. For 1H2018, the decrease was primarily due to lower cash flow from operations, higher working capital needs and higher income tax paid.

The positive working capital changes of S\$23.8 million in 2Q2018 was primarily attributed to lower inventory balances and partially offset by higher trade receivables. For 1H2018, the negative working capital changes of S\$43.6 million was primarily attributed to lower trade and other payables, higher trade and other receivables and partially offset by lower inventory balances.

Net cash used in investing activities decreased by S\$65.9 million to S\$47.8 million in 2Q2018, mainly due to lower CAPEX payments. For 1H2018, the net cash flow used in investing activities of S\$171.7 million was S\$26.2 million higher YoY mainly due to investment made in January 2018 for D'Crypt and partially offset by lower CAPEX payments.

The Group's CAPEX payments amounted to S\$50.8 million in 2Q2018 and S\$118.7 million in 1H2018, representing 8.5% and 10.2% of total revenue respectively. CAPEX payments for 2Q2018 and 1H2018 were lower by \$63.7 million and \$29.5 million YoY respectively. 2Q2017 CAPEX payments included \$69.3 million of spectrum payment while 1Q2018 included \$31.6m of payments for a building in Tai Seng. Excluding the purchase of this building, CAPEX payments for 1H2018 would have amounted to S\$87.1 million or 7.5% of total revenue.

Free cash flow was higher YoY at S\$97.1 million in 2Q2018 primarily due to lower working capital needs and lower CAPEX payments. For 1H2018, free cash flow was lower at S\$107.0 million YoY as a result of lower cash from operating activities and partially offset by lower CAPEX payments.

Net cash used in financing activities was higher YoY at S\$149.9 million in 2Q2018 and S\$155.3 million in 1H2018. Net cash used in financing activities in 2Q2017 and 1H2017 was lower mainly because dividend payments were offset by the proceeds from the issuance of perpetual securities in 2Q2017.

The resulting net cash generated was a deficit of S\$49.9 million in 2Q2018 and S\$101.3 million in 1H2018, leading to a lower cash and cash equivalents (excluding restricted cash) at S\$244.0 million in 1H2018.

Capital expenditure commitments

As of 30 June 2018, the Group's total outstanding capital expenditure commitments amounted to S\$486.5 million, including the outstanding commitments for 4G spectrum rights of S\$282.0 million.

4. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Jun 18 (Restated) S\$m	31 Dec 17 (Restated) S\$m	30 Jun 18 (Restated) S\$m	31 Dec 17 (Restated) S\$m
Non-current assets				
Property, plant and equipment	872.8	870.1	451.7	425.2
Intangible assets	598.8	557.6	95.7	92.3
Subsidiaries	-	-	3,169.5	3,112.1
Associate	23.2	23.7	27.8	27.8
Available-for-sale financial assets	50.3	60.0	50.3	60.0
Amount due from related parties	8.0	7.9	8.0	7.9
Contract assets	64.7	76.7	0.8	1.0
Contract costs	5.2	5.8	0.4	0.4
	1,623.1	1,601.9	3,804.4	3,726.7
Current assets				
Inventories	35.6	71.9	0.7	0.7
Contract assets	302.1	285.0	21.8	18.4
Contract costs	17.1	18.3	1.3	1.6
Trade receivables	221.2	201.5	179.4	167.7
Other receivables, deposits and prepayments	81.2	87.4	36.3	30.9
Amount due from related parties	21.7	24.9	88.1	21.6
Cash and bank balances	244.5	345.2	219.0	321.1
	923.4	1,034.2	546.5	561.9
Less:				
Current Liabilities				
Contract liabilities	69.9	78.6	21.1	21.0
Trade and other payables	550.3	625.0	273.0	313.1
Amount due to related parties	70.5	64.8	477.8	334.3
Borrowings	120.1	120.0	120.0	120.0
Provision for taxation	118.7	125.5	24.2	21.0
	929.4	1,013.8	916.1	809.4
Net current assets/(liabilities)	(6.0)	20.4	(369.5)	(247.5)
Non-current liabilities				
Contract liabilities	27.6	22.5	27.6	22.5
Borrowings	858.4	857.5	857.5	857.5
Deferred income	0.6	0.9	0.6	0.9
Deferred tax liabilities	134.5	135.4	75.1	73.9
	1,021.1	1,016.3	960.7	954.8
Net assets	596.0	606.0	2,474.1	2,524.4
Shareholders' equity				
Share capital	299.7	299.7	299.7	299.7
Perpetual Capital Securities	199.9	199.9	199.9	199.9
Reserves	82.4	102.0	1,974.6	2,024.8
Equity attributable to owners of the Company	581.9	601.6	2,474.1	2,524.4
Non-controlling interests	14.1	4.4	-	-
Total equity	596.0	606.0	2,474.1	2,524.4

GROUP BALANCE SHEET REVIEW

As of 30 June 2018, the Group's total non-current assets of S\$1,623.1 million was S\$21.2 million higher when compared to S\$1,601.9 million as of 31 December 2017. The increase was primarily due to higher property, plant and equipment and intangible assets. This was partially offset by the decrease in contract assets and available-for-sale financial assets.

Total current assets as of 30 June 2018 decreased by S\$110.8 million to S\$923.4 million mainly from a decrease in cash and cash equivalents and inventories balances, partially offset by an increase in trade receivables and contract assets.

Total current liabilities decreased by S\$84.4 million to S\$929.4 million as of 30 June 2018. The lower current liabilities were primarily due to lower trade and other payables.

The increase in total non-current liabilities by S\$4.8 million to S\$1021.1 million as of 30 June 2018 was primarily due to higher contract liabilities.

The Group's shareholders' equity decreased by S\$19.7 million to S\$581.9 million as of 30 June 2018 (excluding non-controlling interests of S\$14.1 million). The decrease was mainly due to lower retained profits.

In January 2018, the Group acquired 65.0% of the 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. In 2Q2017, the Group issued S\$200.0 million of subordinated perpetual capital securities (S\$199.6 million net of transaction expense).

5. GROUP UNSECURED BORROWINGS

	30 Jun 18	31 Dec 17
	S\$m	S\$m
Unsecured borrowings		
Amount repayable in one year or less		
Bank loans	120.1	120.0
	120.1	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 30 June 2018.

On account of a lower cash and cash equivalent balance, net debt was S\$101.6 million higher at S\$733.9 million as of 30 June 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 1.19 times as of 30 June 2018, up from 0.98 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	-	-	-	-	-	-	-	-	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)	-	-	-	-	(0.0)	-	(0.0)
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, restated	299.7	201.8	(7.3)	(276.3)	8.8	16.5	(11.6)	1.4	425.4	156.8	13.2	671.4
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	61.7	61.7	1.0	62.7
Other comprehensive income												
Foreign currency translation differences	-	-	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	10.4	-	-	10.4	-	10.4
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(8.0)	-	-	-	(8.0)	-	(8.0)
Total comprehensive income for the period	-	-	-	-	-	(8.0)	10.4	(0.1)	61.7	64.1	1.0	65.1
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	-	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Share-based payments expenses	-	-	-	-	1.7	-	-	-	-	1.7	-	1.7
Accrued perpetual securities distribution	-	2.0	-	-	-	-	-	-	(2.0)	(2.0)	-	-
Perpetual securities distribution paid	-	(3.9)	-	-	-	-	-	-	0.3	0.3	-	(3.6)
Transfer from treasury shares to share-based payments reserve	-	-	4.3	-	(4.3)	-	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Dividends paid	-	-	-	-	-	-	-	-	(138.4)	(138.4)	-	(138.4)
Total transactions with equity holders of the Company	-	(2.0)	4.3	-	(2.7)	-	-	-	(140.1)	(138.6)	(0.1)	(140.6)
At 30 Jun 2018	299.7	199.9	(3.0)	(276.3)	6.0	8.5	(1.2)	1.3	347.1	82.4	14.1	596.0

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

Group	Share capital S\$m	Perpetual Capital Securities S\$m	Share-based							Total Reserves S\$m	Total equity S\$m
			Treasury shares S\$m	Goodwill written off S\$m	payment reserve S\$m	Fair value reserve S\$m	Hedging reserve S\$m	Translation reserve S\$m	Retained profits S\$m		
At 1 Jan 2017 - As previously reported	299.7	-	(12.3)	(276.3)	14.1	12.5	4.5	1.2	151.4	(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	4.5	1.2	388.5	132.3	431.9
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	75.8	75.8	75.8
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	-	-	-	0.1	-	0.1	0.1
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	-	-	-	-	-	1.3	-	-	-	1.3	1.3
Total comprehensive income for the period	-	-	-	-	-	1.3	(6.4)	0.1	75.8	70.8	70.8
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	-	(6.6)	-	-	-	0.0	(4.4)	(4.4)
At 31 Mar 2017, restated	299.7	-	(10.1)	(276.3)	7.5	13.9	(1.9)	1.3	464.3	198.6	498.3
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	-	80.0	80.0	80.0
Other comprehensive income											
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	(3.8)	-	-	(3.8)	(3.8)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	7.9	-	-	-	7.9	7.9
Total comprehensive income for the period	-	-	-	-	-	7.9	(3.8)	0.0	80.0	84.1	84.1
Transactions with equity holders of the Company, recognised directly in equity											
<i>Contributions by and distributions to equity holders of the Company</i>											
Issue of perpetual capital securities	-	199.6	-	-	-	-	-	-	-	-	199.6
Share-based payments expenses	-	-	-	-	2.6	-	-	-	-	2.6	2.6
Transfer from treasury shares to share-based payments reserve	-	-	1.5	-	(1.5)	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.1)	-	-	-	-	(0.1)	(0.1)
Dividends paid	-	-	-	-	-	-	-	-	(155.6)	(155.6)	(155.6)
Total transactions with equity holders of the Company	-	199.6	1.5	-	1.0	-	-	-	(155.6)	(153.1)	46.4
At 30 Jun 2017	299.7	199.6	(8.6)	(276.3)	8.4	21.8	(5.7)	1.3	388.7	129.6	628.8

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	-	-	-	-	-	-	45.6	45.6	45.6
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)	45.6	43.9	43.9
<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, restated	299.7	201.8	(7.3)	-	8.8	16.5	2,045.8	2,063.7	2,565.2
<u>Total comprehensive income for the period</u>									
Profit for the period	-	-	-	-	-	-	57.4	57.4	57.4
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(8.0)	-	(8.0)	(8.0)
Total comprehensive income for the period	-	-	-	-	-	(8.0)	57.4	49.4	49.4
<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	-	-	-	-	1.7	-	-	1.7	1.7
Accrued perpetual securities distribution	-	2.0	-	-	-	-	(2.0)	(2.0)	-
Perpetual securities distribution paid	-	(3.9)	-	-	-	-	0.3	0.3	(3.6)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Transfer from treasury shares to share-based payments reserve	-	-	4.3	-	(4.3)	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.2)	-	-	(0.2)	(0.2)
Dividends paid	-	-	-	-	-	-	(138.4)	(138.4)	(138.4)
Total transactions with equity holders of the Company	-	(2.0)	4.3	-	(2.7)	-	(140.1)	(138.5)	(140.5)
At 30 Jun 2018	299.7	199.9	(3.0)	-	6.0	8.5	1,963.1	1,974.6	2,474.1

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	Hedging reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Total equity S\$m
At 1 Jan 2017 - As previously reported	299.7	-	(12.3)	276.5	14.1	12.5	(0.0)	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)	0.0	14.1	12.5	(0.0)	2,026.2	2,040.5	2,340.2
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	47.1	47.1	47.1
Other comprehensive income										
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	1.3	-	-	1.3	1.3
Total comprehensive income for the period	-	-	-	-	-	1.3	-	47.1	48.4	48.4
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, restated	299.7	-	(10.1)	0.0	7.4	13.9	(0.0)	2,073.3	2,084.5	2,384.1
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	65.3	65.3	65.3
Other comprehensive income										
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	7.9	-	-	7.9	7.9
Total comprehensive income for the period	-	-	-	-	-	7.9	-	65.3	73.2	73.2
Transactions with equity holders of the Company, recognised directly in equity										
<i>Contributions by and distributions to equity holders of the Company</i>										
Issue of perpetual capital securities	-	199.6	-	-	-	-	-	-	-	199.6
Share-based payments expenses	-	-	-	-	2.6	-	-	-	2.6	2.6
Transfer from treasury shares to share-based	-	-	1.5	-	(1.5)	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.1)	-	-	-	(0.1)	(0.1)
Dividends paid	-	-	-	-	-	-	-	(155.6)	(155.6)	(155.6)
Total transactions with equity holders of the Company	-	199.6	1.5	-	0.9	-	-	(155.6)	(153.2)	46.4
At 30 Jun 2017, restated	299.7	199.6	(8.6)	0.0	8.4	21.8	(0.0)	1,983.0	2,004.5	2,503.8

7. CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

As of 30 June 2018, the share capital of the Company was at S\$299.7 million (31 December 2017: S\$299.7 million) comprising 1,730,698,702 (31 December 2017: 1,729,063,932) issued ordinary shares (excluding treasury shares).

Treasury Shares

For the quarter ended 30 June 2018, the Company transferred 1,366,825 treasury shares to participants of the Company's share plans. There was no purchase of shares from the market.

The treasury share balance as of 30 June 2018 totaled S\$3.0 million (30 June 2017: S\$8.6 million) comprising 952,741 (30 June 2017: 2,723,711) ordinary shares or 0.1% of the issued share capital, excluding treasury shares.

Issue of new shares

For 2Q2018, there was no new issue of ordinary shares.

Subsidiary holdings

As at 30 June 2018, none of the Company's subsidiaries held any shares in the Company (30 June 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 arrears on a discretionary basis and will be cumulative and compounding in accordance with the terms and conditions of the offering circular.

As of 30 June 2018, the Group had paid out S\$3.9 million perpetual capital securities distribution and had an accrued balance of S\$0.3 million for perpetual capital securities distribution due in December 2018.

Outstanding Shares – Share-Based Plans

Performance Share Plans

As of 30 June 2018, the outstanding balance of conditional awards under the Performance Share Plans was 1,767,401 (30 June 2017: 2,356,067) ordinary shares.

Restricted Stock Plans

As of 30 June 2018, the outstanding balance of conditional awards under the Restricted Stock Plans was 3,360,825 (30 June 2017: 5,384,295) 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 became 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 to 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 30 June 2017			Half Year Ended 30 June 2017		
	As previously reported	SFRS (I) 15 Adjustments	As restated	As previously reported	SFRS (I) 15 Adjustments	As restated
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
GROUP INCOME STATEMENT						
Revenue	579.1	(12.4)	566.7	1,171.4	(12.8)	1,158.6
Operating expenses	(467.2)	5.3	(461.9)	(965.9)	9.2	(956.7)
Tax expense	(18.3)	1.3	(17.0)	(32.6)	0.6	(32.0)
GROUP COMPREHENSIVE INCOME STATEMENT						
Profit for the period	85.7	(5.7)	80.0	158.8	(3.0)	155.8
GROUP CASH FLOW STATEMENT						
Profit before taxation	104.0	(7.0)	97.0	191.4	(3.7)	187.7
Changes in working capital	(20.3)	7.0	(13.3)	(25.1)	3.6	(21.5)
REVENUE						
Mobile	302.7	(74.1)	228.6	598.9	(149.5)	449.4
Pay TV	87.9	1.1	89.0	176.3	2.3	178.6
Broadband	52.8	(6.8)	46.0	106.5	(13.3)	93.2
Enterprise Fixed	99.2	0.9	100.1	197.9	1.8	199.7
Sales of equipment	36.5	66.5	103.0	91.8	146.0	237.8

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							
Non-current assets							
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
Current assets							
Contract assets	-	285.0	285.0	-	-	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
Current liabilities							
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	53.9	125.5	20.7	-	0.3	21.0
Non-current liabilities							
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	2.0	135.4	73.9	-	-	73.9
Shareholders' equity							
Reserves	(159.1)	261.0	102.0	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 30 Jun		Half Year ended 30 Jun	
	2018	2017 (Restated)	2018 (Restated)	2017 (Restated)
Basic				
Earnings per share	3.5 cents	4.6 cents	7.0 cents	9.0 cents
Weighted average number of shares ('000)	1,729,925	1,728,808	1,729,583	1,728,514
Diluted				
Earnings per share	3.4 cents	4.6 cents	7.0 cents	9.0 cents
Weighted average number of shares ('000)	1,735,053	1,736,548	1,734,712	1,736,255

13. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	30 Jun (Restated) 2018	31 Dec (Restated) 2017	30 Jun (Restated) 2018	31 Dec (Restated) 2017
Net asset value per share	33.6 cents	34.8 cents	143.0 cents	146.0 cents

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

For 1H2018, the Group's service revenue was lower by 0.6% YoY. This was within our guidance of full year service revenue to be 1% to 3% lower YoY.

The Group's service EBITDA margin after SFRS(I) 15 adoption for 2Q2018 and 1H2018 was 30.2% and 30.9% of service revenue respectively. This was above our full year guidance of between 27% to 29% of service revenue after SFRS(I) 15 adoption.

Total CAPEX payments in 1H2018 amounted to S\$118.7 million or 10.2% of total revenue. Excluding the purchase of Nucleus Connect's building of S\$31.6 million, CAPEX payments in 1H2018 amounted to S\$87.1 million or 7.5% of total revenue. This was below our guidance for 2018 CAPEX at 11% of total revenue (excluding spectrum and building payments).

15. GROUP OUTLOOK

In the Mobile business, subscription and mobile data will continue to be revenue drivers while voice and IDD are expected to continue to decline. We anticipate competition to further intensify as customers have more options of MNOs and MVNOs to choose from. With larger data plans available in the market, excess data monetisation opportunities will be lower. Value added services like SmartSupport, DataTravel and HappyRoam continue to be well-received.

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

For our Broadband business, we expect sustained competition due to the high broadband penetration in the market. We differentiate ourselves by offering advanced Wi-Fi and mesh routers to enhance the experience of our 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 capabilities in cyber security, analytics and AI, smart IoT, digital platforms, managed services, cloud and data centre services and applications. Continued growth in segments such as hospitality, large enterprises, SMBs, government, healthcare and retail and F&B have affirmed our strategy. Partnerships have been forged both locally and overseas to expand our offerings and capabilities.

Based on the current outlook, we maintain our guidance on our Group's 2018 service revenue to be 1% to 3% lower YoY. Group's service EBITDA margin is maintained at between 27% to 29% after the adoption of SFRS(I) 15. In 2018, CAPEX payment, excluding spectrum payment of S\$282.0 million and building payment of S\$31.6 million, remains at 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 31 August 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 17 August 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 16 August 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 April 2018 to 30 June 2018 S\$m
Transactions for the Sale of Goods & Services	
Singapore Airlines Limited & its associates	0.5
Singapore Power Limited & its associates	0.3
Singapore Technologies Engineering Ltd & its associates	0.7
Singapore Telecommunications Limited & its associates	4.0
TeleChoice International Ltd & its associates	15.0
Temasek Management Services Pte Ltd	0.4
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	1.2
	22.1
Transactions for the Purchase of Goods & Services	
SembCorp Industries Ltd & its associates	3.9
Singapore Technologies Engineering Ltd & its associates	0.1
Singapore Telecommunications Limited & its associates	19.2
TeleChoice International Ltd & its associates	35.4
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	1.6
	60.3

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 second quarter and half year ended 30 June 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
7 August 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.