

SGX-ST Release

ASIAN PAY TELEVISION TRUST NINTH ANNUAL GENERAL MEETING RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Singapore – 23 April 2022

APTT Management Pte. Limited (the “**Trustee-Manager**”), as Trustee-Manager of Asian Pay Television Trust (“**APTT**”), refers to the announcement dated 1 April 2022 in relation to the Annual General Meeting (“**AGM**”) to be held by way of electronic means on 28 April 2022, at 10.00 a.m. (Singapore time).

The Trustee-Manager would like to thank all unitholders who have submitted their questions in advance of the AGM. We have endeavoured to address all substantial and relevant questions that were received before the stipulated deadline of 5.00 p.m. on 20 April 2022.

The questions have been grouped into the key topics as shown below.

1. Data backhaul (*Page 2*)
2. Distributions (*Page 2*)
3. Operating expenses and financials (*Page 3*)
4. Business strategy and outlook (*Page 3*)
5. Others (*Page 4*)

As there were several overlapping questions, and to avoid repetition, we have summarised and answered each question only once. Please refer to the responses in the following pages.

For questions that were submitted after the stipulated deadline of 5.00 p.m. on 20 April 2022, the Board of the Trustee-Manager will address the substantial and relevant questions during the AGM on 28 April 2022.

Unitholders who are participating in the AGM electronically may also type their questions in the online chat box. The Board of the Trustee-Manager will address the substantial and relevant questions during the AGM.

Please refer to all AGM related documents on APTT’s corporate website at the URL <https://investor.aptt.sg/newsroom.html/year/2022>.

The Trustee-Manager will, within one month after the date of the AGM, publish the minutes of the AGM on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements> and APTT’s corporate website at the URL <https://investor.aptt.sg/newsroom.html/year/2022>. The minutes will include responses to the questions received in advance and via the online chat box.

DATA BACKHAUL

1) What percentage of Broadband revenue is contributed by data backhaul?

Although revenue from data backhaul has been gradually increasing since TBC started providing data backhaul service three years ago, the contribution from data backhaul as a percentage of Broadband revenue is not yet significant.

Data backhaul revenue has grown from Nil in 2018, to S\$1.1 million in 2019, S\$1.3 million in 2020 and S\$1.6 million in 2021, so data backhaul's contribution in 2021 represented approx. 3% of Broadband revenue.

As mobile operators in Taiwan gradually roll out their 5G network, there will be more focus to try to sell their 5G services, and extend their 5G network out from the major urban centres. These are multi-year investments. As the operators extend their network, TBC can be more involved and this provides opportunities to lease more fibre circuits to them.

In our five franchise areas, TBC is one of two players that owns a distributed and dense underground fibre network that could be leveraged in a 5G build-out. Most importantly, we do not compete in the wireless space, unlike the other player which also competes in the wireless space. This is an attractive proposition for the wireless operators. Being able to lease our fibre network for data backhaul, versus building out their own or leasing from the competitor, will be a way that wireless operators can efficiently plan out their networks.

2) How do you charge for 5G data backhaul service to mobile operators – per data usage or fixed monthly charges?

At present, TBC leases fibre circuits to mobile operators mostly for 4G data backhaul; we charge for every fibre circuit that is being leased out. The revenue is recurring and subscription-based in nature.

As mobile operators gradually roll out their 5G networks, we are working with them to ensure TBC's network is included in their planning process. In Taiwan, 5G spectrum is expensive, while wireless competition is intense. The capital and operating expenditure for 5G infrastructure is costly for a mobile operator. Against this backdrop, it will be a multi-year investment for the mobile operators to build out their 5G networks; they will need to be as efficient as possible given this landscape. Their multi-year investments in turn present opportunities for TBC to lease out more fibre circuits to them.

DISTRIBUTIONS

3) As an income investor, I would like to know the projected increase of distribution per annum. Can the management share APTT's distribution guidance?

For 2022, the Board has re-affirmed distribution guidance of 1.0 cent per unit, to be paid in quarterly instalments of 0.25 cents per unit, subject to no material changes in planning assumptions.

The Board has not guided distributions for 2023 and beyond.

Debt management will remain a key focus. In December 2021, we extended the maturity date of our NT\$ denominated seven-year onshore facilities by three years from November 2025 to November 2028.

Separately, ahead of their maturity in 2023, we are now looking to extend our Singapore-dollar denominated offshore facilities to at least 2025.

Subject to the successful extension before the end of 2022, we should not have to revisit our borrowing facilities, both onshore and offshore, until 2025. We can then fully focus on making our accelerated debt repayments and driving the business forward. There may also be some flexibility with respect to distributions after 2022, subject to operating conditions.

As and when appropriate, we certainly hope to increase distributions to unitholders. The Trustee-Manager and its owners have a stake in APTT. There is a strong alignment of interests if we can increase distributions.

OPERATING EXPENSES AND FINANCIALS

- 4) Staff costs had reduced from S\$31.3 million to S\$28.1 million in 2021 due to “extra prudence and tighter cost management”. Can you provide some details as to what these prudent and tighter cost management steps that were undertaken?**

In 2020, the Trustee-Manager cancelled the long-term incentive plan (the “LTIP”) for TBC’s senior management, which was adopted in 2013 by the previous owners of the Trustee-Manager and there was an expense attributable against the cancellation of LTIP of \$1.7 million.

The absence of this expense, along with a slightly lower headcount and lower staff costs in constant dollar terms, has resulted in the reduction in staff costs.

- 5) Other operating expenses are down to S\$23.6 million from S\$30.9 million mainly due to lower pole rental expenses. Are these reduced costs sustainable going forward?**

We expect pole rental expenses to be higher in 2022 as we will not have the benefit of an expense reversal as in 2021.

In the last two to three years, there had been some industry uncertainty around what pole rental costs would be from Taipower. There were some fears in the industry that perhaps, pole rental costs would be going up significantly. As such, we accrued additional pole rental expenses over the last couple of years. However, by the end of last year, it was clear what our pole rental expenses would be, and we reversed some of the excess accruals from 2019 and 2020 in the fourth quarter of 2021.

Accordingly, we expect our full year expenses in 2022 to be higher than 2021, but we are managing every expense line item very closely.

- 6) It is widely expected that global interest rates will be increasing. How have you mitigated the risks associated with increasing interest rates for those portions of loans that are floating in nature.**

We hedge most of the onshore facilities. The previous interest rate swaps matured at 31 December 2021; after the year end, we entered into new TAIBOR swaps to hedge almost 80% of the outstanding onshore facilities through to 30 June 2025. The average fixed rate on these swaps was 0.89%.

There will therefore be some interest rate risk on the remaining 20% of onshore borrowings; we will look to put on more interest rate swaps to hedge a further 10-15% of the outstanding onshore facilities. For the offshore facilities, it is a much smaller balance and declining. SIBOR is more volatile than TAIBOR and the associated cost of hedging SIBOR in the past has been quite expensive; so we have not hedged our offshore facilities. While it is something to revisit from time to time, our strategy to hedge the majority of our onshore borrowings will likely remain.

Over the long term, we would like to eliminate offshore debt, which is more expensive. As soon as there is an opportunity, we hope to bring all our debt back to onshore to save on interest costs.

BUSINESS, STRATEGY AND OUTLOOK

- 7) With a population of more than 3.5 million people in TBC's franchise areas and Broadband RGUs of 282,000, does it mean that TBC has a Broadband market share of around 8%?**

Market share is not determined by dividing by the population number; it would be more appropriate to divide by the number of households.

There are roughly 1.3 million households in our franchise areas and fixed-line Broadband penetration will be approx. 70% (based on NCC data of nationwide households and fixed-line broadband). As at 31 December 2021 TBC had 282 thousand subscribers, which translates to a fixed line Broadband market share of approximately 31%, leaving a lot of room for further growth.

8) Who is TBC's primary competitor in the five franchise areas? What is the respective market share of this competitor and TBC?

For cable TV services, TBC is the sole cable TV operator in our five franchise areas.

In our five franchise areas, TBC is one of the two major players that owns a distributed and dense underground fibre optic network and offers fixed line Broadband services. The other player is ChungHwa Telecom.

There are roughly 1.3 million households in our franchise areas and fixed-line Broadband penetration will be approx. 70% (based on NCC data of nationwide households and fixed-line broadband). As at 31 December 2021 TBC had 282 thousand subscribers, which translates to a fixed line Broadband market share of approximately 31%, leaving a lot of room for further growth.

9) The pricing of our primary competitor is so much higher than TBC in all speed plans; therefore, TBC's market share should, logically speaking, be much higher than the competitor's. However, if this is not the case, please share your thoughts on the possible reasons.

Our primary competitor is the trusted national telco who is also Taiwan's largest mobile operator. They can offer bundled solutions including very inexpensive IPTV service.

The Broadband market, be it wireless or fixed line services, is extremely competitive in Taiwan. Our market strategy is to continue to churn fixed line Broadband customers our way, and grow our market share by offering higher speed plans at lower prices as well as providing value-added solutions that leverage our Android gateway.

TBC offers competitive prices with reliable services across all speed plans. So far, we are encouraged by the strong performance from our fixed line Broadband segment. Despite the intense competition, the number of broadband subscribers increased by 12.8% year on year to c.282,000 in 2021, alongside higher ARPU which improved by NT\$1 to NT\$360 per month.

OTHERS

10) The company's financials seem to be strengthening. What is the management's plan to expand into new business areas and which are the likely regions?

Our focus is to continue driving our three core business segments – basic cable TV, premium digital cable TV and fixed-line broadband services – in our five franchise areas, by bundling, up-selling and cross-selling our services across our wide subscriber base of close to 1.25 million. We will continue to leverage this subscriber base to drive growth, especially in Broadband.

In particular, we are very focused on executing our Broadband growth strategy to i) tap consumers' growing demand for higher internet speeds; and ii) mobile operators' demand for data backhaul.

Apart from leveraging our wide subscriber base, we will continue to intensify marketing efforts to focus on the Broadband only segment, offering higher speed plans and at the same time, work with the mobile operators to grow our data backhaul business.

We will also continue to strengthen our balance sheet to compete effectively in this industry.

ABOUT APTT

APTT is the first listed business trust in Asia focused on pay-TV and broadband businesses. APTT has an investment mandate to acquire controlling interests in and to own, operate and maintain mature, cash generative pay-TV and broadband businesses in Taiwan, Hong Kong, Japan and Singapore. APTT is managed by its Trustee-Manager, APTT Management Pte. Limited. The Trustee-Manager has the dual responsibility of safeguarding the interests of Unitholders and managing the business conducted by APTT. The Trustee-Manager manages APTT's business with an objective of providing Unitholders with stable and sustainable distributions.

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