



ASIAN PAY TELEVISION TRUST

31 DECEMBER 2020

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AGENDA

1. 31 DECEMBER 2020 RESULTS
2. OUTLOOK & STRATEGY
3. BUSINESS OVERVIEW
4. BUSINESS DRIVERS

31 DECEMBER 2020 RESULTS



Total number of subscribers surpassed 1.2 million, driven by continued growth in Premium digital cable TV and Broadband; Broadband ARPU was higher, while Basic cable TV ARPU remained unchanged



Q4 2020 and full year 2020 revenue higher than pcp

- Revenue for the quarter and year up 3.0% and 5.0% to S\$76.5 million and S\$307.4 million
- EBITDA for the quarter declined marginally by 0.1% to S\$42.9 million but improved 3.7% for the year to S\$181.0 million
- Broadband ARPU improved by NT\$1, while Basic cable TV ARPU remained unchanged
- ARPU continues to be under pressure due to a saturated cable TV market, video piracy issues, heightened competition from IPTV and from mobile operators offering unlimited wireless data



Growth momentum for Premium digital cable TV and Broadband increased total subscriber base to more than 1.2 million

- Premium digital cable TV and Broadband subscribers have been steadily increasing over the past 11 quarters, which more than offset Basic cable TV churn
- Total number of subscribers surpassed the 1.2 million mark to reach c.1,203,000



Broadband growth strategy is showing results

- 16% increase in Broadband subscribers over the last 24 months
- Low churn rates, averaging 0.9% in Q4 2020 (24 months ago: 1.1%)
- Registered revenue growth in S\$ and NT\$ in Q4 2020 and full year 2020 compared to pcp
- Continued efforts to drive higher speed plans and capitalise on data backhaul opportunities



Distributions

- Distribution of 0.25 cents per unit declared for Q4 2020
- Re-affirmed distribution guidance for 2021; distribution is expected to be 1.0 cent per unit for 2021, to be paid in quarterly instalments of 0.25 cents per unit per quarter, subject to no material changes in planning assumptions

KEY OPERATING METRICS

Premium and Broadband RGUs have been steadily increasing over the last 11 quarters, which more than offset Basic cable TV churn; Broadband ARPU increased while Basic cable TV ARPU remained unchanged

	RGUs ¹ ('000)			ARPU ² (NT\$ per month)			
	As at			Quarter ended		Year ended	
	31 Dec 2020	30 Sep 2020	31 Dec 2019	31 Dec 2020	30 Sep 2020	31 Dec 2020	31 Dec 2019
Basic cable TV	709	716	729	482	482	484	490
Premium digital cable TV	244	235	214	90	95	96	112
Broadband	250	248	238	356	355	359	383

- **Basic cable TV:** Saturated cable TV market in Taiwan resulting in RGUs declining; c.709,000 as at 31 December 2020, ARPU remained unchanged quarter-on-quarter. RGUs were impacted by i) video piracy issues, ii) competition from aggressively priced IPTV, iii) growing popularity of online video and iv) expectations from consumers for discounts as they compare with the lower cable TV pricing outside of TBC's³ five franchise areas, particularly in the Taipei region
- **Premium digital cable TV:** RGUs increased to c.244,000. ARPU was lower due to promotions and discounted bundled packages that were offered to generate new RGUs and to retain existing RGUs. Video piracy issues and aggressively priced IPTV have also impacted ARPU
- **Broadband:** RGUs increased to c.250,000. The continued focus on TBC's broadband growth strategy, in the face of competitive market conditions from unlimited wireless data offerings from mobile operators, led to an increase in the number of RGUs in the quarter. The availability of low-cost unlimited data offerings from mobile operators is necessitating fixed-line operators to offer higher speeds at competitive prices to acquire new RGUs and re-contract existing RGUs. Broadband churn rates remained very low, averaging around 0.9% in Q4 2020

Notes: (1) RGUs refer to Revenue Generating Units, another term for subscribers or subscriptions; the terms are used interchangeably

(2) Average Revenue Per User ("ARPU") is calculated by dividing the subscription revenue for Basic cable TV or Premium digital cable TV or Broadband, as applicable, by the average number of RGUs for that service during the period

(3) TBC refers to Taiwan Broadband Communications group

FINANCIAL RESULTS



Broadband revenue increased in S\$ and NT\$ in Q4 2020 and full year 2020; Group EBITDA was marginally lower in Q4 2020 but higher for the full year; ARPU to remain under pressure

Group ¹ (S\$'000)	Quarter ended 31 Dec			Year ended 31 Dec		
	2020	2019	Variance ² %	2020	2019	Variance ² %
Revenue						
Basic cable TV	60,386	59,067	2.2	243,590	232,151	4.9
Premium digital cable TV	3,185	3,181	0.1	12,976	12,797	1.4
Broadband	12,944	12,012	7.8	50,812	47,677	6.6
Total revenue	76,515	74,260	3.0	307,378	292,625	5.0
Total operating expenses³	(33,636)	(31,352)	(7.3)	(126,412)	(118,165)	(7.0)
EBITDA	42,879	42,908	(0.1)	180,966	174,460	3.7
EBITDA margin	56.0%	57.8%		58.9%	59.6%	

In constant Taiwan dollars (“NT\$”), total revenue down 2.7% for the quarter and 1.1% for the year; foreign exchange contributed to a positive variance of 5.7% for the quarter and 6.1% for the year compared to the pcp

- **Basic cable TV:** Down 3.5% for the quarter and 1.2% for the year in constant NT\$ mainly due to lower subscription revenue, driven by a lower number of subscribers and ARPU compared to the pcp. Non-subscription revenue for the year was higher mainly due to higher revenue generated from channel leasing and airtime advertising sales
- **Premium digital cable TV:** Down 5.6% for the quarter and 4.7% for the year in constant NT\$. Generated predominantly from TBC’s Premium digital cable TV RGUs each contributing an ARPU of NT\$90 per month during the quarter and NT\$96 per month during the year for Premium digital cable TV packages and bundled DVR or DVR-only services
- **Broadband:** Up 2.1% for the quarter and 0.5% for the year in constant NT\$. Generated predominantly from TBC’s Broadband RGUs each contributing an ARPU of NT\$356 per month during the quarter and NT\$359 per month during the year for high-speed Broadband services

Total operating expenses: Higher operating expenses for the quarter and year primarily due to the impact of foreign exchange, higher staff costs and other operating expenses. In constant NT\$, broadcast and production costs for the quarter and year remained stable

Notes: (1) Group refers to APTT and its subsidiaries taken as a whole; (2) A positive variance is favourable to the Group and a negative variance is unfavourable to the Group
 (3) Total operating expenses exclude settlement of programming fees, depreciation and amortisation expense, net foreign exchange gain/loss and mark to market movements on foreign exchange contracts, in order to arrive at EBITDA and EBITDA margin

NET PROFIT



Net profit includes non-cash items such as depreciation and amortisation expense, foreign exchange, mark to market movements and deferred taxes

Group ¹ (S\$'000)	Quarter ended 31 Dec			Year ended 31 Dec		
	2020	2019	Variance ² %	2020	2019	Variance ² %
Total revenue	76,515	74,260	3.0	307,378	292,625	5.0
Operating expenses						
Broadcast and production costs	(14,742)	(13,742)	(7.3)	(56,883)	(53,431)	(6.5)
Staff costs	(8,366)	(7,585)	(10.3)	(31,280)	(28,836)	(8.5)
Trustee-Manager fees	(1,850)	(1,844)	(0.3)	(7,359)	(7,315)	(0.6)
Other operating expenses	(8,678)	(8,181)	(6.1)	(30,890)	(28,583)	(8.1)
Total operating expenses	(33,636)	(31,352)	(7.3)	(126,412)	(118,165)	(7.0)
EBITDA	42,879	42,908	(0.1)	180,966	174,460	3.7
Other expenses						
Settlement of programming fees	-	-	-	(5,360)	-	(100)
Depreciation and amortisation expense	(23,619)	(22,866)	(3.3)	(89,745)	(86,563)	(3.7)
Net foreign exchange (loss)/gain	(506)	(3,026)	83.3	492	(847)	>100
Mark to market gain/(loss) on derivative financial instruments	632	(69)	>100	(1,386)	582	(>100)
Amortisation of deferred arrangement fees	(937)	(845)	(10.9)	(3,642)	(3,339)	(9.1)
Interest and other finance costs	(11,313)	(12,471)	9.3	(47,542)	(50,161)	5.2
Income tax expense	(4,865)	(3,936)	(23.6)	(16,106)	(14,719)	(9.4)
Total other expenses	(40,608)	(43,213)	6.0	(163,289)	(155,047)	(5.3)
Net profit	2,271	(305)	>100	17,677	19,413	(8.9)

Notes: (1) Group refers to APTT and its subsidiaries taken as a whole; (2) A positive variance is favourable to the Group and a negative variance is unfavourable to the Group

SELECTED FINANCIAL INFORMATION



Selected financial information¹ are key financial metrics of APTT's business

Group ² (S\$'000)	Quarter ended 31 Dec			Year ended 31 Dec		
	2020	2019	Variance ³ %	2020	2019	Variance ³ %
Revenue						
Basic cable TV	60,386	59,067	2.2	243,590	232,151	4.9
Premium digital cable TV	3,185	3,181	0.1	12,976	12,797	1.4
Broadband	12,944	12,012	7.8	50,812	47,677	6.6
Total revenue	76,515	74,260	3.0	307,378	292,625	5.0
Total operating expenses⁴	(33,636)	(31,352)	(7.3)	(126,412)	(118,165)	(7.0)
EBITDA	42,879	42,908	(0.1)	180,966	174,460	3.7
EBITDA margin ⁵	56.0%	57.8%		58.9%	59.6%	
Capital expenditure						
Maintenance	5,300	8,111	34.7	19,398	21,772	10.9
Network, Broadband and other	6,614	12,967	49.0	36,692	53,085	30.9
Total capital expenditure	11,914	21,078	43.5	56,090	74,857	25.1
Income tax paid, net of refunds	(845)	(740)	(14.2)	(7,925)	(10,182)	22.2
Interest and other finance costs paid	(11,357)	(22,329)	49.1	(47,958)	(50,330)	4.7

Notes: (1) Some of the selected financial information includes non-IFRS measures

(2) Group refers to APTT and its subsidiaries taken as a whole

(3) A positive variance is favourable to the Group and a negative variance is unfavourable to the Group

(4) Total operating expenses exclude settlement of programming fees, depreciation and amortisation expense, net foreign exchange gain/loss and mark to market movements on foreign exchange contracts, in order to arrive at EBITDA and EBITDA margin

(5) EBITDA margin is a non-IFRS financial measure and is calculated by dividing EBITDA by total revenue

Debt management programme continues to strengthen balance sheet

Group (S\$'000)	As at 31 Dec	
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	96,996	79,101
Trade and other receivables	14,434	11,956
Other assets	2,845	17,895
	114,275	108,952
Non-current assets		
Property, plant and equipment	330,490	338,796
Intangible assets	2,509,476	2,390,549
Other assets	1,572	1,232
	2,841,538	2,730,577
Total assets	2,955,813	2,839,529
Liabilities		
Current liabilities		
Borrowings from financial institutions	190,874	15,400
Trade and other payables	23,550	39,278
Income tax payable	6,109	7,582
Other liabilities	68,604	54,502
	289,137	116,762
Non-current liabilities		
Borrowings from financial institutions	1,337,314	1,511,288
Deferred tax liabilities	97,948	84,793
Other liabilities	39,521	42,156
	1,474,783	1,638,237
Total liabilities	1,763,920	1,754,999
Net assets	1,191,893	1,084,530

- **Cash and cash equivalents:** Cash balance of S\$97.0 million
- **Depreciation/amortisation:** Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:
 - Buildings: 3-50 years
 - Leasehold improvements: 3-10 years
 - Network equipment: 2-10 years
 - Transport equipment: 5 years
 - Plant and equipment: 2-5 years
 - Right-of-use assets: Lease period

BORROWINGS



Lowered gearing to 51.7% (31 Dec 2019: 53.8%) as rights issue in June 2020 pared down S\$45 million of offshore debts; deriving annual interest cost savings of approx. S\$2.9 million; in advanced stages with lenders to refinance APTT's offshore facilities

Group debt		As at 31 Dec	
		2020	2019
Total size available	S\$ million	1,676	1,628
Total outstanding	S\$ million	1,543	1,545
Effective interest rate - constant dollar	% p.a.	Q4 - 2.6; Full year - 2.6	Full year - 2.7
Effective interest rate - SGD	% p.a.	Q4 - 2.9; Full year - 3.1	Full year - 3.3
Net debt / EBITDA ¹	Multiple	8.0	8.4
Interest cover ²	Multiple	3.8	3.5
Gearing ³	%	51.7	53.8

- Interest rate swaps in place to hedge approx. 96% of outstanding onshore facilities through to 2021. The average fixed rate on TAIBOR swaps is approx. 0.82%
- Offshore facilities pared down by S\$45.0 million from the rights issue in June 2020, deriving annual interest cost savings of approx. S\$2.9 million. Maturity date to extend by two years. Terms agreed with majority lenders, remaining lenders expected to approve by the end of Q1-2021
- Effective interest rate in constant dollar terms of 2.6% p.a. for the quarter and full year compared to 2.7% p.a. for 2019. Actual effective interest rate in SGD was 2.9% p.a. for the quarter and 3.1% p.a. for the full year compared to 3.3% p.a. for 2019
- Approx. S\$132 million of revolving facilities are available to fund future initiatives, if required

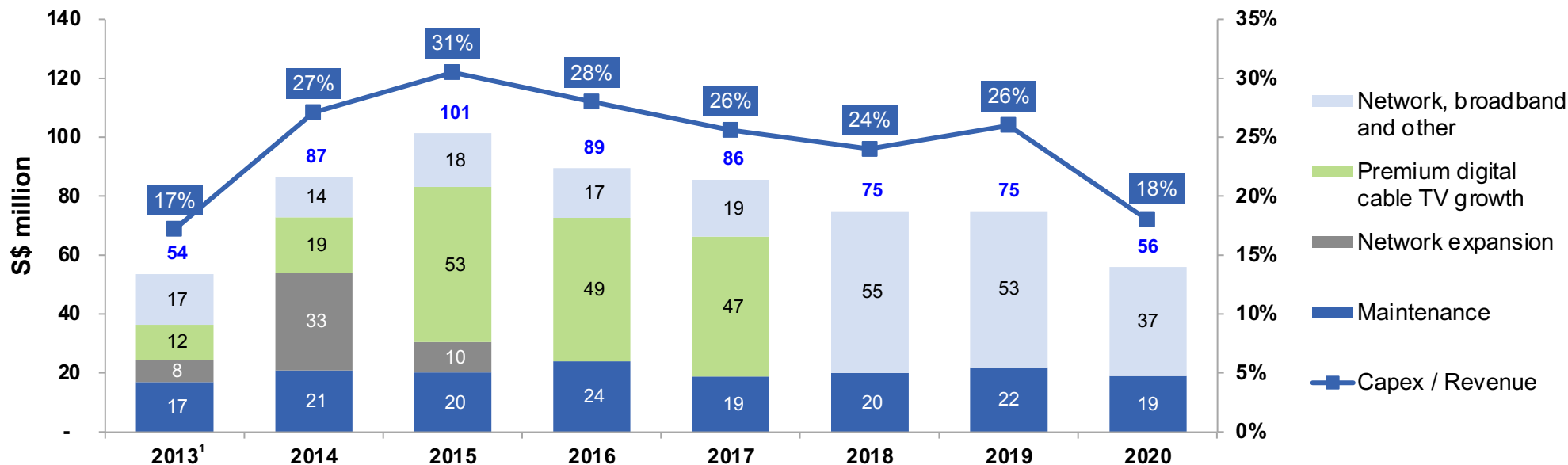
Notes: (1) Total debt outstanding less cash divided by LTM EBITDA

(2) LTM interest and other finance costs divided by LTM EBITDA

(3) Total debt outstanding (net of unamortised arrangement fees) divided by total assets

CAPITAL EXPENDITURE

Capital expenditure is trending down; more cash generated from operations may be available to make debt repayments, subject to operating conditions



- Capital expenditure was higher from 2015 to 2017 due to the regulatory requirement to switch-off analogue broadcasting and complete the digitisation of TBC's subscriber base by 2017
- The deployment of fibre deeper into the network continues to be a key investment initiative, to drive the Broadband business, as it will help to increase network capacity, speed and enhance data backhaul infrastructure. This in turn enables APTT to meet the growing demand for data and high-speed broadband services, support wireless carriers in their network rollouts, and pursue other opportunities for the long-term success of the Trust
- Capital expenditure is trending down from 2020; more cash generated from operations may be available to make debt repayments, subject to operating conditions
- Focus will continue to be on areas that have the best potential in generating growth and sustainability for the long-term

Capital expenditure in 2020 comprised the following:

- Maintenance capital expenditure to support TBC's existing infrastructure and business
- Network, Broadband and other capital expenditure included items related to expanding the fibre network such as cabling, additional equipment to upgrade the headends, backbone and fibre nodes, DOCSIS and GPON deployments for higher speed customers, high-speed broadband modems and cable line extensions for new buildings

Note: (1) Capital expenditure for the full year 2013 is included here for information purposes only; APTT's ownership of TBC only commenced from 29 May 2013

OUTLOOK & STRATEGY



POSITIONED FOR THE MID TO LONG-TERM

Initiatives to strengthen operations and drive growth, against an increasingly challenging and competitive environment

Capital Management

- Interest rate swaps covering ~96% of outstanding onshore facilities hedged through to 2021
- Average fixed rate on TAIBOR swaps is ~0.82%
- Net proceeds of S\$45 million from the rights issue in June 2020 pared down 20% of outstanding offshore facilities; annual interest cost savings of ~S\$2.9 million
- Lowered gearing to 51.7% as at 31 Dec 2020 (31 Dec 2019: 53.8%)
- Limit capital expenditure to only what is necessary, and on areas that can support Broadband growth

Strengthen Balance Sheet

- Cash generated from operations to continue funding capital expenditure; reduce the dependence on borrowings
- Capital expenditure is trending down and more cash generated from operations may then be available to make debt repayments, subject to operating conditions
- In advanced stages with lenders to refinance APTT's offshore facilities
- Step up on debt management programme

Key Investments

- Investments to focus on:
 - Increasing network capacity and driving higher speed plans
 - Positioning APTT to benefit from Taiwan's 5G rollout and drive data backhaul business

Broadband Growth Strategy

- Be data-backhaul ready; data backhaul through TBC's network is expected to become a key component of the broadband business within the next few years as wireless carriers tap into TBC's network for their network rollout; multi-year investment for the wireless operators
- Develop new market segments, including enterprise clients
- Introduce value-added solutions (e.g. IoT, smart home devices) that will leverage Android gateway

APTT is positioned to grow in a measured way

GROWTH DRIVERS



UP-SELL & CROSS-SELL

- Continue to build on the up-sell & cross-sell initiatives across TBC's subscriber base to drive growth in future cash flows
- Leverage TBC's product offerings and strong subscriber base for growth



BROADBAND RGU GROWTH

- To navigate the competitive market environment, especially with mobile operators offering unlimited wireless data, continue to focus on Broadband RGU growth by offering discounted packages in order to acquire new RGUs from competitors and to retain existing RGUs
- High fixed broadband penetration in Taiwan; opportunity to gain more market share
- Rising demand for higher-speed broadband plans due to rapidly growing demand for data



SCALABLE & EFFICIENT COST STRUCTURE

- Headroom in network capacity that allows provision of additional services at limited incremental cost
- Support inorganic growth in future



PREMIUM DIGITAL TV

- Room for growth as Digital cable TV penetration in Taiwan is still lower than that of Korea, Singapore and Hong Kong
- Consumer preference for better quality video and interactive services
- Growing number of HD television sets in Taiwan

OPERATING ENVIRONMENT



CHALLENGING ENVIRONMENT

- Total RGUs expected to increase in 2021
- ARPUs continue to remain under pressure due to growing popularity of online TV, challenges from video piracy issues, aggressively priced IPTV and competition from mobile operators offering unlimited wireless data
- Decline in demand for home shopping and competition from internet retailing negatively impacting channel leasing revenue for cable industry



HIGHLY REGULATED

- Basic cable TV rates for 2021 across all five franchise areas have been maintained at the same rates as 2020¹
- 3 licences due for renewal in 2021: 1 renewed until 2030; submitted renewal applications and corresponding business plans for the other 2; approvals expected before licence expiry dates

While Premium digital cable TV and Broadband RGUs are expected to grow, total revenue will be influenced by the ability to maintain ARPUs which will remain under pressure; total operating expenses in 2021 expected to be in line with 2020

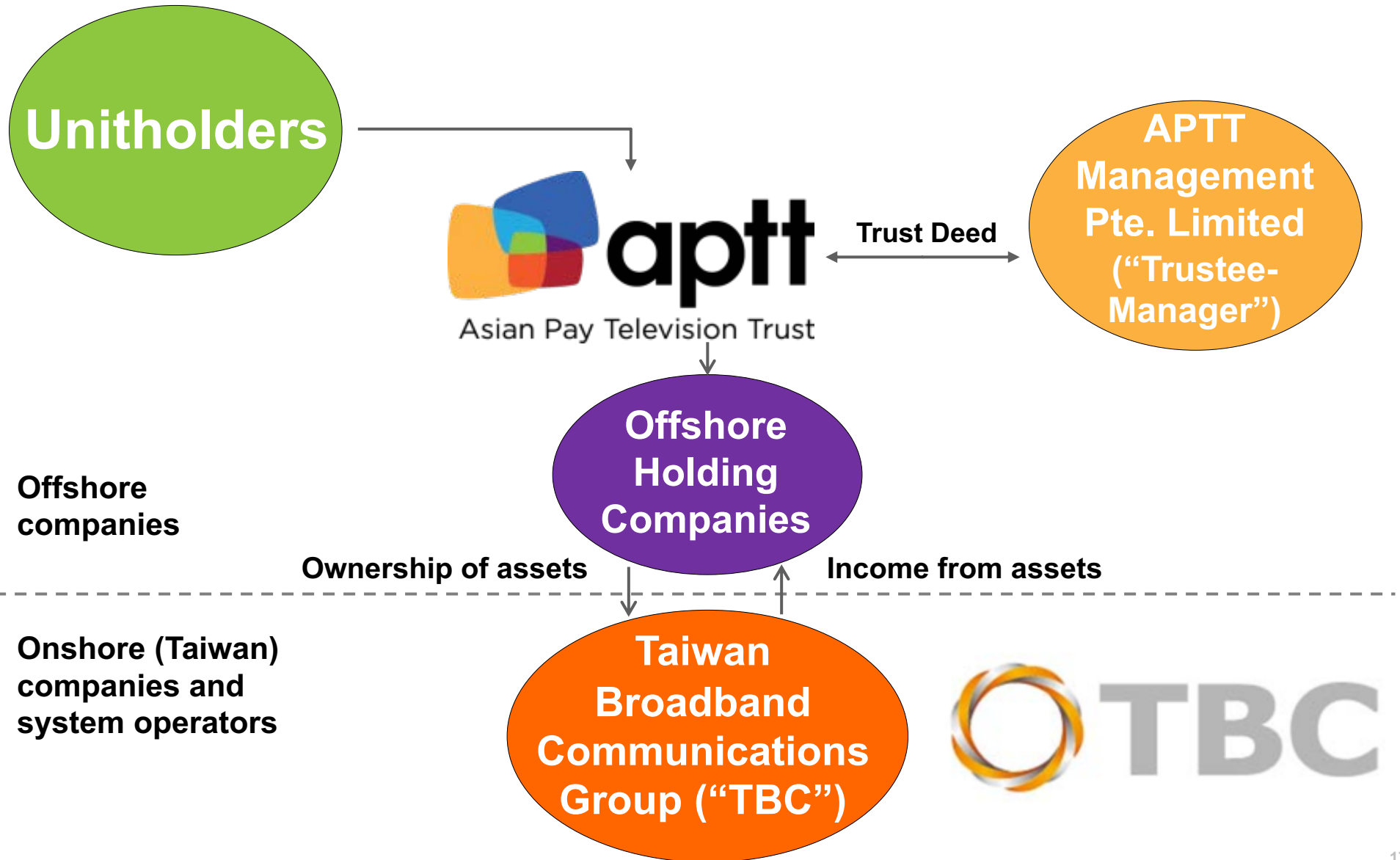
Impact of the COVID-19 pandemic on TBC has been limited to date due to the subscription-based nature of its business

- While the COVID-19 outbreak in Taiwan is relatively contained as compared to other countries, Taiwan's outlook remains uncertain as the expected downturn in other countries will invariably have an impact on Taiwan's export-driven economy and GDP growth. A significant and prolonged deterioration in the national GDP, disposable income or overall economic conditions could in turn adversely affect TBC's ability to grow or maintain revenues, and its financial position.
- The Trustee-Manager will continue to:
 - Monitor developments of COVID-19 and their related impact on operations; and
 - Exercise prudence by managing operational and capital expenditure and strengthening APTT's debt management programme. A stronger balance sheet will provide APTT with the flexibility to navigate and compete more effectively in today's uncertain economic climate.
- TBC and the Trustee-Manager have activated their respective Business Continuity Plans that adhere to all regulations and guidelines in their respective jurisdictions.

BUSINESS OVERVIEW



TRUST STRUCTURE



OVERVIEW



APTT is a business trust with a mandate to own & operate pay-TV & broadband businesses in Taiwan, Hong Kong, Japan & Singapore

- Independent directors comprise majority of the Board of Directors (4 out of 7)
- **Sole investment in Taiwan Broadband Communications (“TBC”) – Taiwan’s third largest cable TV operator**



Cable TV operator in five franchise areas in Taiwan, with network coverage of more than 1.2 million homes

- Owns 100% of the advanced hybrid fibre coaxial cable network in the five franchise areas
- Resilient business with high barriers of entry due to high network roll out requirements
- Large customer base makes TBC attractive to local content providers; unique commercial arrangement with content providers
- Long standing relationship with subscribers; deep understanding of Taiwanese viewers’ preference

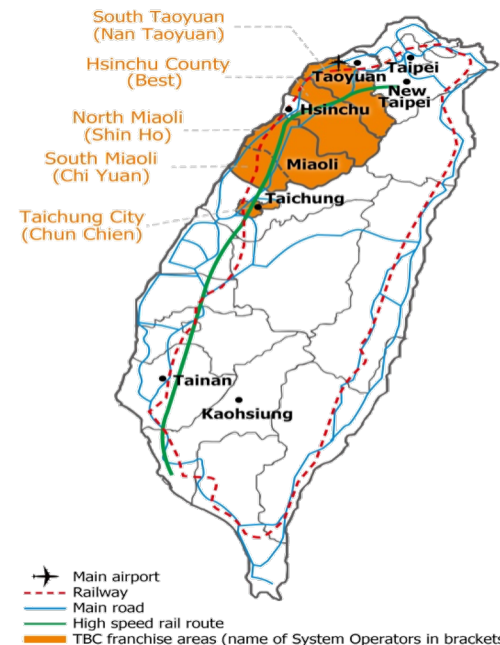
PRODUCT OFFERINGS

Approx. 84% of revenue is subscription-based from the three products¹

BASIC CABLE TV	PREMIUM DIGITAL CABLE TV	BROADBAND
Over 100 channels on Basic cable TV, most of the popular channels are only available on cable TV	Up to 73 additional channels including 71 HD channels, through MPEG4 platform 34% Premium digital cable TV penetration ¹ with large addressable market of 100% digital set-top box penetration	35% Broadband penetration ¹ with ability to cross-sell to remaining market on 100% DOCSIS 3.1 enabled HFC network and current speed offerings up to 1 Gbps

Note: (1) As at 31 December 2020

FRANCHISE AREAS IN NORTHERN & CENTRAL TAIWAN



- Low churn rate of 0.7%¹ for Basic cable TV (709K¹ Revenue Generating Units)
- Limited competition from IPTV and DTH operators
- Up-sell Premium digital cable TV and cross-sell Broadband to large Basic cable TV subscriber base

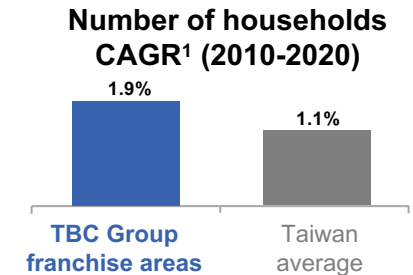
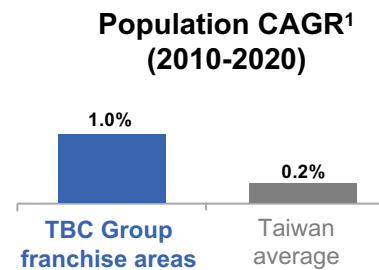
BUSINESS DRIVERS



TBC'S FRANCHISE AREAS

Network coverage of more than 1.2 million households across five franchise areas in four counties of Taiwan

- Well connected via major railways, road transportation and/or international airports
- Increasing population due to workforce seeking employment in TBC Group's franchise areas
- Population growth in the five franchise areas (1.0%) outstrips national average (0.2%); Growing number of new households as more young Taiwanese set up families



South Taoyuan



- Home to Taiwan Taoyuan International Airport and close proximity to Taipei
- Service area covers 918 square km and constitutes over 75% of the total area in Taoyuan County
- Approx. 421K households and population of close to 1.2 million

Hsinchu



- Hsinchu Science Park is home to high tech companies, the city has one of the highest income levels in Taiwan
- Approx. 201K households and population of 565K

Miaoli (North & South)



- Suburban mountainous region geographically located between Hsinchu and Taichung
- Well connected via major railway and road transportation systems
- Approx. 192K households and population of 545K

Taichung City

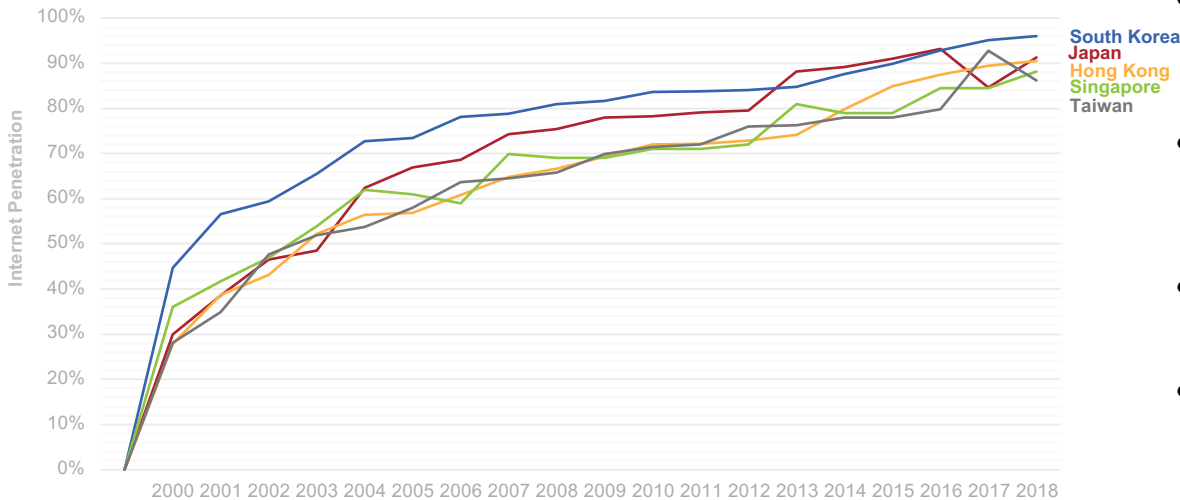


- One of the most populous cities in Taiwan; home to Taichung International Airport
- Vibrant, diverse economy: large industrial areas and a thriving commercial sector that incorporates traditional businesses, small family-run shops & factories
- Approx. 452K households and population of 1.2 million

TAIWAN MARKET – POTENTIAL IN BROADBAND



Relatively lower internet penetration and speed compared to other developed APAC markets



- Internet penetration has increased significantly in South Korea, Japan, Hong Kong, Singapore and Taiwan; but remains lowest in Taiwan, compared to the four markets
- While Taiwan's average internet speed has improved, it is still ranked second last among the developed APAC markets at approx. 137.9 Mbps
- TBC's Broadband market penetration in its five franchise areas is approx. 35% as at 31 December 2020
- Opportunity for TBC to gain more market share and meet rising demand for higher-speed broadband plans due to rapidly growing demand for data

International Telecommunications Union

Region	Number of Internet users (million)	Average speed of fixed internet connections (Mbps)	Year-on-year change in average speed of fixed internet connections
Asia-Pacific			
Taiwan	20.51	137.90	+113%
South Korea	49.21	144.41	+21%
Japan	116.5	104.58	+14%
Singapore	5.14	200.12	+4.8%
Hong Kong	6.79	164.88	+2.2%

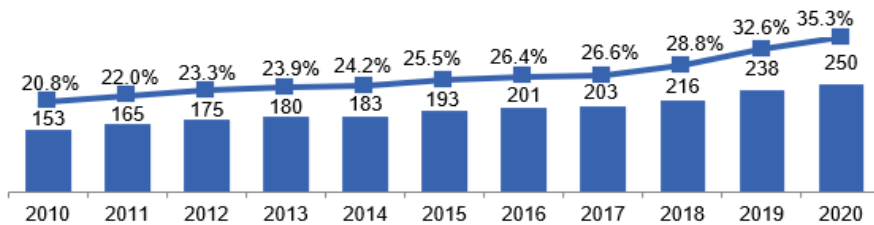
GROWING BROADBAND MARKET PENETRATION



TBC's broadband market penetration in its franchise areas: 35% in 2020 vs 33% in 2019

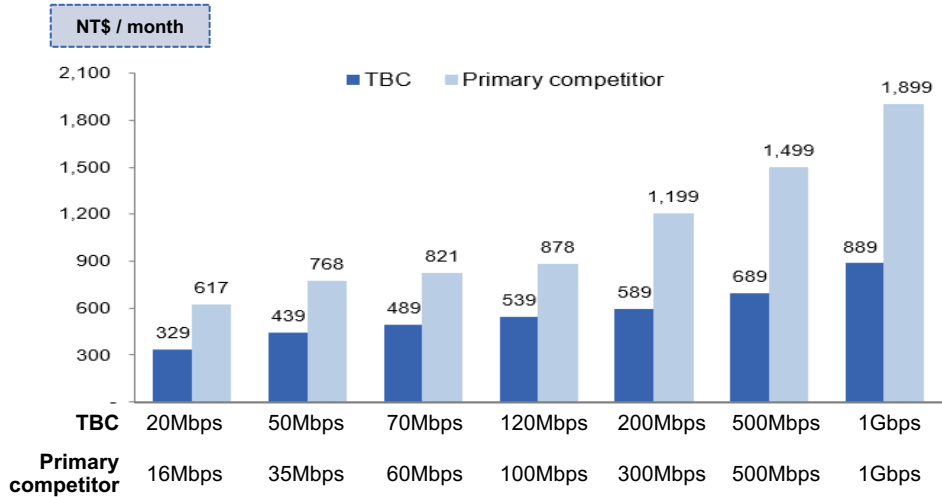
Broadband RGUs ('000) and penetration

2010-20 Broadband RGU CAGR: 5.0%



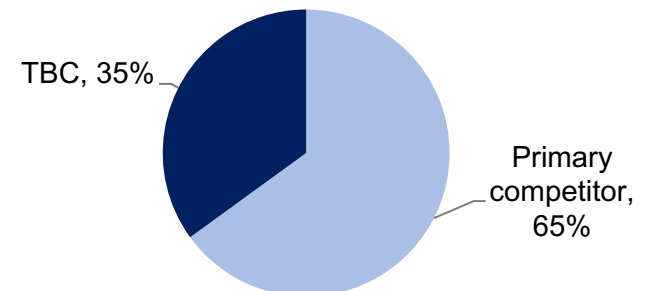
- DOCSIS 3.1 enabled network that meets consumer demand for high-speed internet; 1 Gbps launched in Q4 2019
- Competitive pricing and optional bundling with digital TV
- Launch of value-added services including Android OTT gateway and karaoke singing box. Will continue to introduce value-added solutions (e.g. IoT, smart home devices) that will leverage the Android gateway
- Develop new market segments, including enterprise clients
- Support wireless operators with their network development by leveraging TBC network for data backhaul

TBC Group offers competitive prices¹ with reliable services



Note: (1) Primary competitor pricing based on NCC data

Approx. market penetration of Broadband in TBC's five franchise areas



HIGH BARRIERS TO ENTRY AGAINST CABLE ENTRANTS IN TAIWAN

Cable TV continues to be the dominant TV platform

- Superior content portfolio at competitive pricing
- Affordable services
- Adoption of superior technology by operators
- Political and technological disadvantages of IPTV in Taiwan

Barrier to entry against new cable entrants

- High network roll-out requirements
- Long standing relationships with subscribers; strong brand awareness
- Deep understanding of Taiwan viewers' preferences

Top 20 channels in Taiwan (2020)

1	Sanlih Taiwan Channel
2	TVBS-News
3	Sanlih E-Television News
4	Formosa TV News
5	EBC News
6	Cti News
7	ERA News
8	Unique Satellite TV
9	Next TV News
10	YOYO TV
11	TVBS
12	EBC Variety
13	Sanlih City Channel
14	Star Chinese Channel
15	Videoland Japanese
16	Star Chinese Movies
17	EBC Financial News
18	GTV Drama
19	EBC Movies
20	Videoland Movies

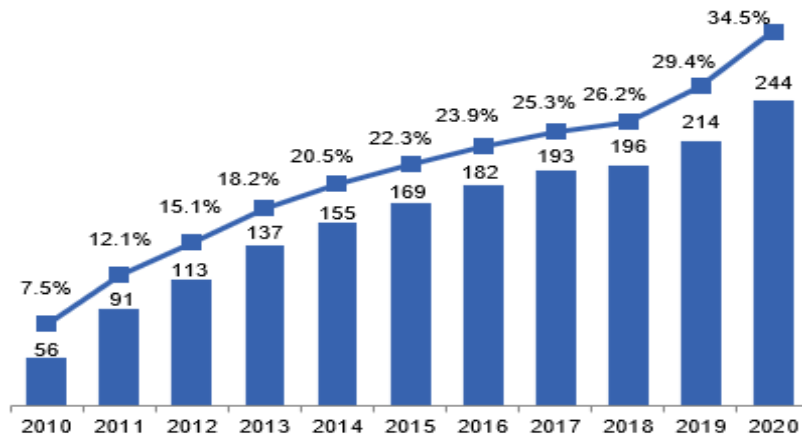
ORGANIC GROWTH POTENTIAL: PREMIUM DIGITAL CABLE TV



Capitalising on the rising demand for HD TV sets and better quality videos

Premium digital cable TV RGUs ('000) and penetration

2010-20 Premium digital cable TV RGU CAGR: 15.9%



- Digital cable TV penetration in Taiwan lower than that of Korea, Singapore and Hong Kong
- Consumer preference for better quality video and interactive services; growing number of HD television sets in Taiwan
- Regulatory push by NCC and government - 100% digitisation target by 2017 → TBC was the first large cable TV operator to reach 100% digitisation

Cross-selling initiatives

Set-top boxes

- Promotional set-top boxes launched in March 2012
- Completed digitisation of its subscriber base across all five franchise areas in 2017 and switched off analogue TV broadcasting

Premium digital channels

- 10 free channels, including 10 HD channel
- Better video quality across channels
- Incentivises customers to get Premium digital cable TV to access up to 73 additional channels, including 71 HD channels

DVR service

- Offered as part of bundling package as well as stand-alone service
- Leverages external hard disk drives which is more cost efficient
- Creates stronger customer loyalty

Sales follow up / bundling

- Attractive bundling promotions
- Educate subscribers on usage and benefits of digital TV

Substantially invested in an advanced Hybrid fibre-coaxial (HFC) network which combines optical fibre and coaxial cable for TBC

- Ownership of HFC network and fibre backbone allows TBC to operate independently of third-party networks
- Network coverage of more than 1.2 million households in TBC Group's franchise areas
- TBC's Cable TV and Broadband services delivered over one advanced HFC network
- 100% DOCSIS 3.1 enabled, fully supporting 1 Gbps Broadband services
- MPEG4 delivery platform set up as early as 2009
 - 100% digital penetration
 - Better video quality
 - Greater video transmission capacity
 - More efficient provision of value-added features such as HDTV and DVR services

Forefront of digitisation in Taiwan



- TBC completed the digitisation of its subscriber base across all five franchise areas in 2017 and switched off analogue TV broadcasting. TBC was the first large cable TV operator in Taiwan to reach this milestone
- Well positioned to provide subscribers with the opportunity to watch the latest TV offerings in high-definition digital format

SUBSCRIPTION-BASED MODEL WITH EFFICIENT COST STRUCTURE



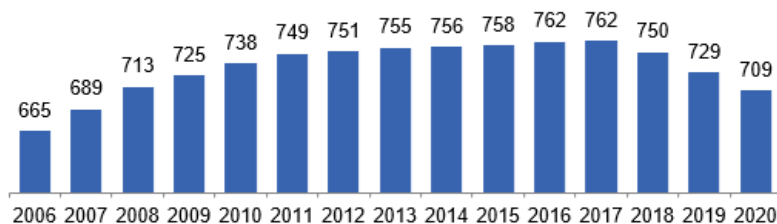
Utility-like, subscription-based business model with majority of payments made in advance

Strong EBITDA and EBITDA margin, competing effectively against alternative platforms & withstanding economic downturns

Resilient business with large Basic cable TV RGU base

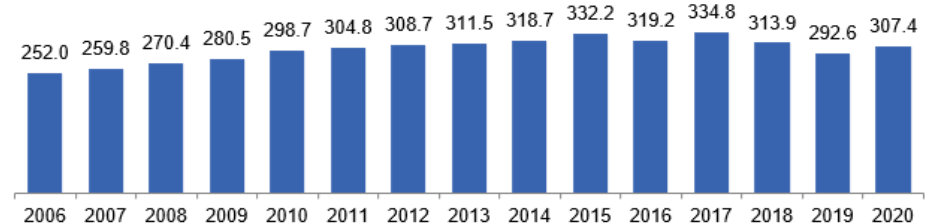
Basic cable TV RGUs ('000)

2006-20 Basic cable TV RGU CAGR: 0.5%



Revenue (\$)

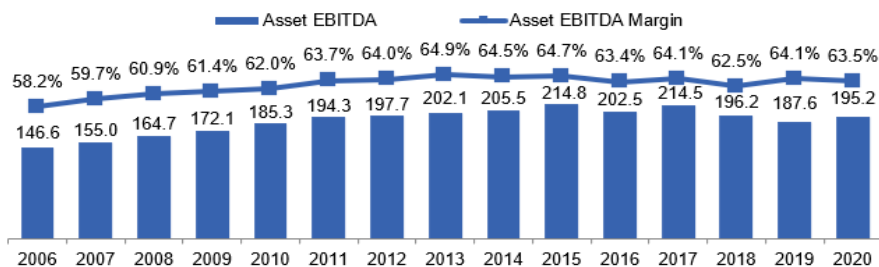
2006-20 Revenue CAGR: 1.4%



Growing EBITDA due to scalable & efficient cost structure

Asset EBITDA (\$) and Asset EBITDA margin¹

2006-20 EBITDA CAGR: 2.1%



Key operating drivers supporting cost efficiency

- Majority of popular channels are local, inexpensive content
- Lack of “killer content” resulting in strong negotiating position
- Headroom in network capacity allowing provision of additional services at limited incremental cost
- Low churn rate from enhanced customer experience and strong customer loyalty

Note: (1) Asset EBITDA and Asset EBITDA margin are non-IFRS financial measures. Asset EBITDA represents EBITDA at TBC level. Asset EBITDA margin is calculated by dividing Asset EBITDA by total revenue

NAVIGATING CHALLENGES

- ✓ **Achieve balance sheet flexibility to effectively compete in this economic and operating environment**
- ✓ **Continue with strong cost and cash flow management**
- ✓ **Closely monitor capital expenditure to focus on areas that will have the best potential in generating growth and sustainability for the long-term**

Key Challenges

- **Pressure on cable TV revenue** due to growing popularity of online TV and internet retailing
- **Competition from mobile operators** offering unlimited wireless data offerings
- **ARPUs are expected to remain under pressure** in this economic and operating environment

Strategy to Navigate Challenges & Strengthen Business

- Reduce dependence on borrowings and strengthen balance sheet
- Use operating cash flows to **fund capital expenditure**
- **Strong cost and cash flow management** by managing operating expenses and through lower interest and other finance costs
- **Manage cable TV churn** by continuing to **offer superior content at competitive pricing** and leverage strong Basic cable TV subscriber base, as well as **new and attractively priced product offerings** to improve up-selling and cross-selling of services across subscriber base
- **Drive growth in Broadband business for long-term sustainability¹**
- Continue to **offer higher speeds at competitive prices** to attract and retain subscribers to fixed-line Broadband services

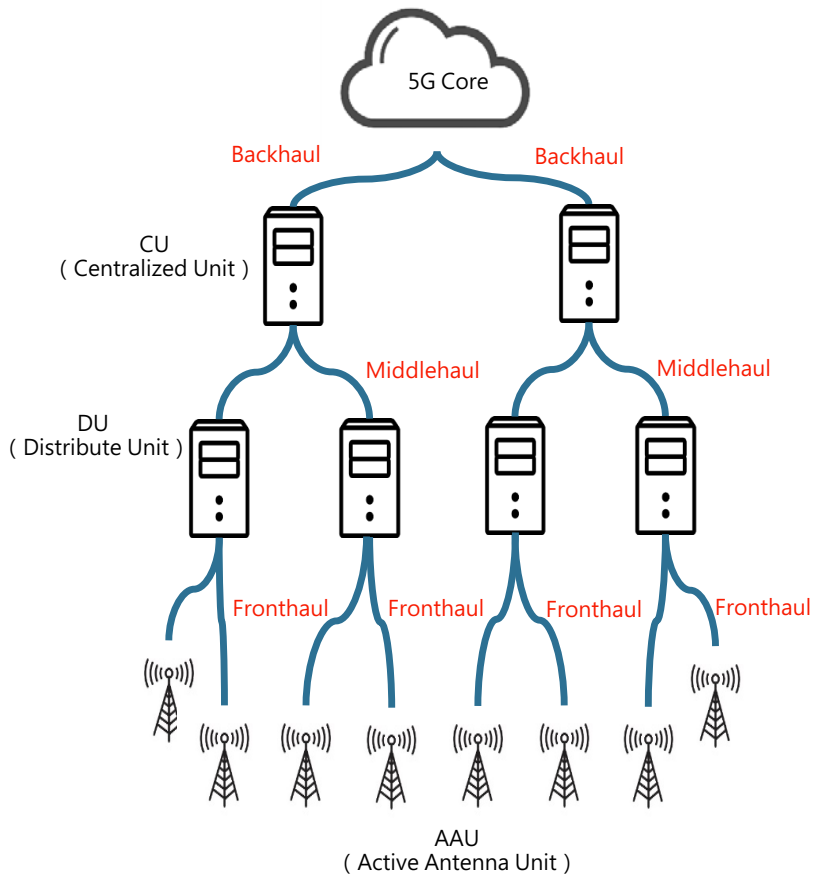
Drive growth in Broadband business for long-term sustainability

- **Expand market share:** Number of Broadband subscribers is expected to increase and expand Broadband market penetration beyond the current 35%; continue to acquire new subscribers from competitors and retain existing ones through attractively priced packages and higher speed plans
- **Support wireless operators with their network development:** TBC has started providing data backhaul services to a growing number of wireless operators who prefer tapping into its superior network. With the first round of 5G licences awarded at the beginning of 2020, TBC is targeting to be fully backhaul ready to support 5G network carriers in their eventual rollout. With continued wireless network development, data backhaul through TBC's network is expected to become a key component of the Broadband business within the next few years
- **Develop new market segments,** including enterprise clients

5G DATA BACKHAUL OPPORTUNITIES

HOW DATA BACKHAUL WORKS?

For data to move from one point to another on the internet, there needs to be fibre nodes that allow these points to interface with each other.



WHY WIRELESS OPERATORS IN TBC'S FIVE FRANCHISE AREAS NEED DATA BACKHAUL SERVICES?



Demand for higher speed continues to increase



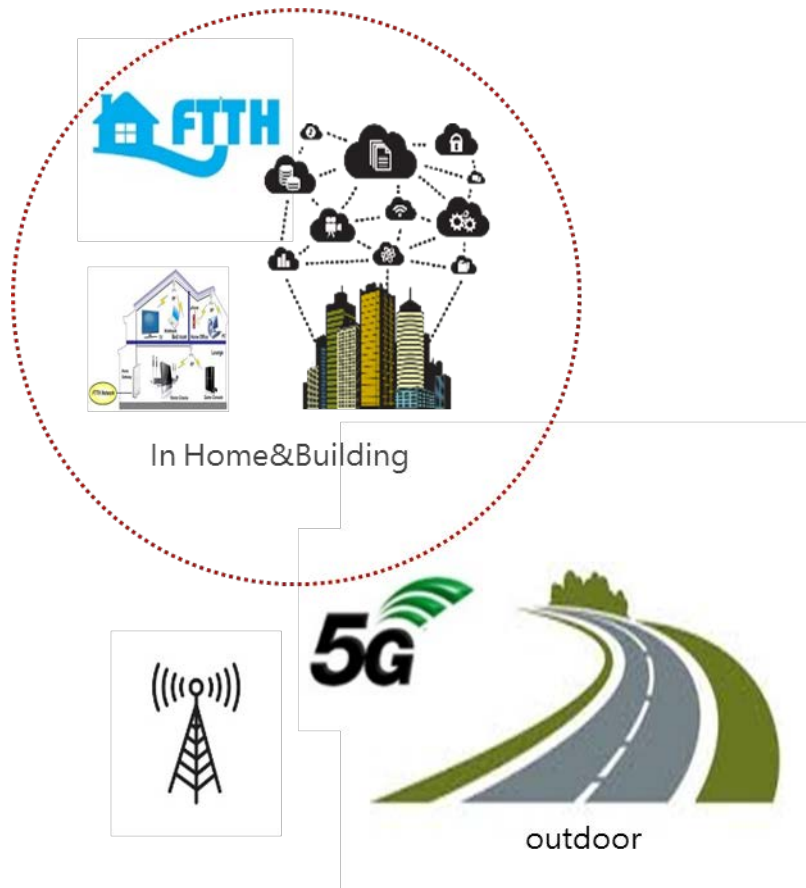
Spectrum is expensive, while wireless competition is intense. CAPEX and OPEX for 5G infrastructure are costly for a wireless operator

- TBC is one of the two players in TBC's five franchise areas which own underground hybrid fibre coaxial network; TBC does not compete in the wireless space
- More efficient for 5G wireless operators to work with a 5G data backhaul partner (via 10GPON or DOCSIS3.1) to deliver higher speed/lower loss and interference end-to-end 5G network transmission
- TBC has been increasing its fibre density (putting in more fibre nodes) from over 750 end-homes per fibre node 3 years ago to less than 250 end-homes per fibre node today; speeds ranging up to 1 Gbps
- TBC has reached a density that can adequately support wireless operators, removing network congestion and allowing data to be transmitted at a high speed
- TBC's increased fibre density allows 5G wireless operators who are building their small cell stations to tap into its high speed fibre data backhaul

5G DATA BACKHAUL OPPORTUNITIES

OPPORTUNITIES FOR TBC AS 5G DATA BACKHAUL PROVIDER

TBC's hybrid fibre coaxial network supports both indoor and outdoor coverage



- Taiwan government 's push for faster build up of 5G networks
 - National Communications Commissions is providing substantial subsidies to telco operators with a goal of building 39,000 5G base stations in 2.5 years
- 5G network investment is a multi-year investment for wireless operators; flexibility to add fibre circuits from TBC as their wireless networks expand over time
- Explore partnerships with wireless5G operators to tender for government projects
 - 10GPON and DOCSIS3.1 are used as heterogeneous network backup in private 5G networks
- Explore a packaged suite of hybrid network environment and office applications to target the business community

END

