

SGX-ST Release

ASIAN PAY TELEVISION TRUST TENTH ANNUAL GENERAL MEETING RESPONSES TO QUESTIONS FROM SIAS

Singapore – 26 April 2023

APTT Management Pte. Limited (the “**Trustee-Manager**”), as Trustee-Manager of Asian Pay Television Trust (“**APTT**”), refers to the announcement dated 10 April 2023 in relation to the Annual General Meeting (“**AGM**”) to be held by way of electronic means on 27 April 2023, at 10.30 a.m. (Singapore time).

The Trustee-Manager has received questions from the Securities Investor Association (Singapore) (“**SIAS**”). The questions are reproduced below with accompanying responses from the Trustee-Manager:

1) In the Chair’s message, it was mentioned that the Broadband business will be the largest driver of long-term growth, amid an industry-wide decline in cable TV business. Does this represent a change in business strategy as the Trustee-Manager now recognises the long-term downward trend of the cable TV business?

Since 2018, the Trustee-Manager has been guiding that the cable TV market in Taiwan is saturated, just like other markets. We do not expect the number of Basic cable TV subscribers to increase and average revenue per user (ARPU) will continue to be under pressure due to Taiwan’s saturated cable TV market, aggressively priced IPTV and the growing popularity of online video.

Our growing Broadband business will continue to cushion the impact of the declining Basic cable TV business. Over the long term, our aim is to gradually grow cash flows from our Broadband business to a level that more than offsets the decline in our Basic cable TV business.

We have been recording consistent growth on all fronts for our Broadband business – in terms of number of subscribers, ARPU, as well as revenue in both NT\$ and S\$ for 10 consecutive quarters.

2) On the Cable TV business, any comments on the rate of decline in the number of subscribers and ARPU?

Compared to the other developed markets, Basic cable TV services in our five franchise areas are expected to be more resilient. This is because Taiwanese cable TV subscribers benefit from content rich, inexpensive TV service – over 100 channels at around 22 Singapore dollars per month.

Although Basic cable TV churn and ARPU have shown some signs of stabilising over the past few quarters, we expect continued downward pressure on key metrics such as the number of subscribers and ARPU. This is consistent with the trends recorded by industry peers globally.

3) On Broadband business, what were the key drivers behind the growth in ARPU? Are users actively being moved up to higher speed plans via effective marketing and targeting?

To grow our Broadband business, we have been i) intensifying marketing efforts to focus on the Broadband only segment; ii) offering competitively-priced higher speed plans; and iii) moving our existing subscribers to higher speed plans which are of higher value.

Our partnership programmes with mobile operators to drive the fixed-line Broadband only segment has enabled us to attract new subscribers who are often outside of TBC's existing pool of cable TV subscribers. These mobile operators view our fixed-line service offering as complementary, and a value-add to their customers.

Today, we are working with two out of the three biggest mobile operators in Taiwan. The other operator is the national telco, which is our competitor. At the same time, we continue to cross-sell Broadband to our existing cable TV subscribers, over half of whom do not currently subscribe to our Broadband services. This continues to be an opportunity for us.

At present, approximately 84% of our existing subscribers are still on speed plans below 300 Mbps. This means there is still a lot of runway to up-sell and further improve our ARPU and revenue. Overall, there is a lot of room to grow our number of Broadband subscribers and up-sell existing subscribers to higher speed plans.

4) Are new investments in the infrastructure needed to provide additional bandwidth or speed upgrades?

We are past the peak for capital expenditure. Over the last few years, we have built a sufficiently dense underground fibre network. TBC's fibre density has now reached a level that can support our broadband growth strategy.

To future-proof our growing Broadband business and meet the demand for higher speed plans, we will continue to invest, within industry norms, in our network. We will limit our investments to areas that will support our aggressive push to grow the Broadband business.

5) Data backhaul revenue accounts for less than 0.8% of total revenue, even after 5 years of providing data backhaul services in Taiwan. When does the Trustee-Manager expect to see a more meaningful contribution from data backhaul?

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. As such, it will be a multi-year investment for the mobile operators in Taiwan to efficiently build out their 5G networks.

As mobile operators in Taiwan gradually roll out and extend their 5G networks over multiple years, we aim to continue our involvement in their planning process and achieve steady incremental revenue growth from data backhaul.

In our 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 (the other is the national telco). As we do not compete in the wireless space, it is more attractive for wireless operators to lease our network for data backhaul, as opposed to leasing from their biggest competitor, the national telco.

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.

Since the start of our data backhaul service in 2018, mobile operators have been gradually leasing fibre circuits from us. This modest subscription-based revenue stream now accounts for approximately 3.5% of our Broadband revenue for the year.

6) The Trustee-Manager disclosed in the corporate governance report that As APTT is subject to and complies with the Business Trusts Act 2004 (“BTA”) and regulations made thereunder, pursuant to Practice Note 4.2 of the Listing Manual, Listing Rule 210(5)(d)(iv) (which came into effect from 11 January 2023), which relates to the independence of directors serving beyond nine years, does not apply to APTT. Has the Trustee-Manager consulted SGX-ST on its position that Practice Note 4.2 of the Listing Manual does not apply to a business trust listed on SGX?

Paragraph 3.2 of Practice Note 4.2 clearly states that “.....the corporate governance requirements stipulated in Rules 210(5)(d)(iv).....do not apply to a business trust so long as the business trust continues to comply with the statutory stipulations.”

7) Please explain APTT’s approach to board renewal.

The majority of the current Board members are independent directors. Based on the Nominating Committee’s (“NC”) assessment, the current Board has a good level of diverse industry expertise to bring value to APTT. In searching for potential candidates for progressive renewal of the Board or to fill Board vacancies as and when they arise, the NC reviews the attributes and competencies of the Board, including independence, in order to determine the desired expertise or experience required to strengthen or supplement the Board. The NC then recommends to the Board the number of directors that shall comprise the Board in compliance with the Constitution of the Trustee-Manager and the applicable laws and regulations (including the BTA and the Business Trusts Regulations).

8) Can the Board help unitholders better understand its methods to mitigate the risk of groupthink? Have they been effective?

In line with the guidance under Provision 2.4 of the Code, the current directors have the necessary core competencies set out in the Code and, as a group, provide an appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age so as to avoid groupthink and foster constructive debates. Core competencies include accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. Gender diversity is also taken into account in relation to the composition of the Board. The Board is of an appropriate size to facilitate effective decision making, considering the nature and scope of operations of APTT.

9) In RegCo’s announcement dated 11 January 2023, Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term. Has the NC reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?

The NC reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board, and recommends to the Board the number of directors that shall comprise the Board in compliance with the Constitution of the Trustee-Manager and the applicable laws and regulations (including the BTA and the Business Trusts

Regulations), taking into account the need for progressive renewal of the Board. Such reviews assist the NC in identifying and nominating suitable candidates for appointment to the Board.

The NC has been monitoring the implementation of its Board Diversity policy and is of the view that each director on the Board of the Trustee-Manager has different core competencies, including accounting, finance, business and management experience, strategic planning and customer-based knowledge, and offers an appropriate balance of perspectives, skills and experiences in the boardroom. The Board chair and NC are satisfied that the Board as a whole and the various Board Committees are operating effectively, and that each individual director is contributing to the overall effectiveness of the Board. Moving forward, the NC and the Board will seek to improve the level of female representation on the Board and target to raise female representation on the Board to around 25% by 2026.

10) As disclosed in the corporate governance report, the internal audit function of the group is outsourced to KPMG. The audit committee (AC) monitors the scope of any internal audit to be conducted. What is the level of the AC's input on the scope of the internal audit and what criteria does the AC use to determine and approve the scope of the annual internal audit plan?

The AC monitors the scope of internal audit and the independence of the internal audit team, reviews and approves the appointment and reappointment of the internal auditor and the remuneration of the internal auditor, in line with the guidance under Provision 10.4 of the Code. The AC reviews and approves the scope of the internal audit plan. In reviewing the scope the AC takes into account the key risk areas including emerging risks, if any, criticality of processes, and the year in which such risk areas or processes were last audited. The AC monitors the formal risk management policies that are in place. In particular, the AC reviews with the internal auditor the internal auditor's evaluation of the system of internal accounting controls; the internal auditor's management letter and management's responses to the letter.

The AC reviews the adequacy and effectiveness of the internal audit procedures. The AC also reviews the internal audit report including results and observations included therein, to understand the nature of observations, and discusses the implementation plan to ensure that internal controls are working effectively. Additionally, where the AC or management becomes aware of or suspects any inadequacies, deficiencies or matters of concern, the AC will report this to the Board or management will report this to the AC and the Board (as the case may be) and undertake remedial action to resolve the same.

11) Does the internal audit include the subsidiaries incorporated in Bermuda, Luxembourg, Netherlands, and Taiwan?

The scope of internal audit includes the TBC Group in Taiwan, as it is a material subsidiary for the operations of APTT. Subsidiaries incorporated in Bermuda, Luxembourg and the Netherlands are not material and have thus been excluded from the scope of internal audit thus far.

12) What were the scope, key findings and recommendations by the internal auditor for FY2022 and what is the level of oversight by the AC/ARMC on the actions taken by management to follow up on the recommendations?

For 2022, the AC approved the scope of internal audit to include a i) review of risks, ii) review of control activities for Tier 1 and Tier 2 risks to obtain independent assurance, iii) follow-up on the remediation of findings from the FY2021 internal audit report, and iv) detailed internal audit review of two key processes: Outsourcing and Channel Leasing.

The 2022 internal audit report had a total of seven findings on the review of TBC's high risks processes of which none was a significant finding, one was a reportable finding and the remaining six were classified as observation findings. Six out of the seven findings were remediated before 31 December 2022 and internal controls and risk management systems for those processes were strengthened. The one remaining finding will be remediated in 2023. The report also noted that all nine internal audit findings from FY2021 were fully remediated. The AC reviews the status of strengthening internal controls and remediating outstanding internal audit findings on a quarterly basis.

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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