

Issuer: APTT Management Pte. Limited

Security: Asian Pay Television Trust

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: Phoenix Grand Ballroom, Level 6, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031

Company Description

Asian Pay Television Trust owns, operates, and maintains pay-TV and broadband businesses in Taiwan, Hong Kong, Japan, and Singapore. The company provides basic cable TV and premium digital cable TV services; and value-added services, such as broadband Internet access and premium digital television programming services to households and businesses. It serves approximately 1.2 million homes. Asian Pay Television Trust was founded in 1999 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S7OU)

Q1. On 13 April 2017, the sale of the trustee-manager of Asian Pay Television Trust (APTT) to Dynami Vision Pte. Ltd was completed. Dynami Vision Pte. Ltd became the sole shareholder of the Trustee-Manager and Mr Lu Fang-Ming has been appointed as Non-Executive Director of the Trustee-Manager and Vice Chairman of the Board.

Mr Brian McKinley was also appointed as Chief Executive Officer of the Trustee-Manager and Executive Director of the Board and Mr Somnath Adak as Chief Financial Officer of the Trustee-Manager.

The profile of Mr Lu is extracted from the annual report (page 31) and reproduced below:

LU FANG-MING

Vice-Chair and Non-Executive Director

Lu Fang-Ming is a non-executive director and vice-chair of the Trustee-Manager. He was appointed on 13 April 2017. Mr Lu has been a Corporate Executive Vice President of Hon Hai/Foxconn Technology Group since the intelligent hub and switch products ODM manufacturing company he founded was acquired by Hon Hai/Foxconn Technology Group in May 2000. In 2014, Mr Lu took over as Chairman of Asia Pacific Telecom Group, Taiwan's fourth largest mobile carrier. Prior to joining Hon Hai/Foxconn Technology Group, Mr Lu was a Vice President and General Manager at Cirrus Logic/Crystal Semiconductor in charge of its Asia Pacific operations. Mr Lu spent the first twenty years of his career at Hewlett-Packard Taiwan & Asia Pacific in various positions including Country General Manager of the HP Taiwan Computer System Group and QMS Director of the HP Asia Pacific Test & Measurement Group. Mr Lu obtained his Masters of Applied Physics from Chung-Yuan University, Taiwan, in 1980.



(Source: APTT Annual Report 2017)

In the Chair's Statement, it was stated that the group will continue to build on the initiatives to up-sell and cross-sell services across TBC's subscriber base to drive growth in future cash flows.

- a) **With the significant change in ownership of the Trustee-Manager (TM), can the TM update unitholders on the strategic direction of the trust? What are the things that will be done differently under this new leadership?**
- b) **In terms of any tie-ups and synergy, what are the possible areas of collaboration so that the trust can position itself even better to meet consumers' needs?**
- c) **Since the change in the ownership of the TM, the arrangement fees on the Onshore Facilities have been lowered from 2.4% to 1.6%, and the interest margin on the Onshore Facilities has decreased by 30 basis points. Can the TM help unitholders understand if there are more cost-savings to be realised?**

Q2. Could the TM provide better clarity on the following operational matters to help unitholders better understand the trust and its performance?

- a) **Basic cable TV:** In constant NT\$ terms, the decrease in Basic cable TV revenue for the financial year was attributed mainly to "lower subscription revenue", which resulted from "a marginally lower Basic cable TV rate in one of TBC's five franchise areas". **What are the factors that determine the Basic cable TV rates? Is the Basic cable TV rate reviewed annually?**
- b) **Broadcast and production costs:** **Has the TM been able to resolve the issue of obtaining Premium digital cable TV content for its franchise areas?**
- c) **Average Monthly Churn Rate ("AMCR"):** As can be seen from the Operational and Financial review (page 24), the AMCRs for Basic cable TV and Broadband have moderated but still negative while the AMCR for Premium digital cable TV has increased to an elevated (5.1)%. **Has the TM investigated the reasons for the high AMCR for Premium digital cable TV? What are the pro-active efforts to reduce the AMCR?**

- d) **Capital expenditure:** The total capital expenditure as a percentage of total revenue for 2017 and 2016 was 25.6% and 28.0% respectively. In FY2017, the total capital expenditure was S\$85.6 million, of which S\$42.9 million was for capital expenditure related to Premium digital cable TV. **What is the TM's budget for capital expenditure going forward? What are the projected/realised returns from the capital expenditure in Premium digital cable TV?**

Q3. In Note 25(iv) (page 102 – Trustee-Manager fees), the trust has stated that the “Trustee-Manager is entitled to base fees and performance fees as specified under the Trust Deed.” The annual report does not further explain how the base fees and the performance fees are calculated, other than stating that there were no performance fees payable to the Trustee-Manager for the years 2017 and 2016.

- a) **How can a unitholder get a copy of the Trust Deed for reference?**
- b) **For the benefit of both new and old unitholders, and for better transparency, would the board consider including the structure and the design of the fees for the TM in the annual report?**
- c) Under the new ownership, the TM has been able to achieve cost savings for the trust and should be able to run the TM itself more efficiently. **Given that the base fee for the TM is a fixed fee of \$7.2 million, would the board consider a review of the base fees since the TM is much more efficiently run now?**
- d) **How can unitholders know what is the current CPI Adjusted Base DPU that would be used to calculate the performance fees, if any?**
- e) The TM has the option to elect for Base Fee, Performance Fee, Acquisition Fee and Divestment Fee to be paid in the form of cash and/ or Units. **Given that Dynami Vision Pte. Ltd has an insignificant stake in the trust itself, would it commit to receiving its fees in units to better align itself with the minority unitholders?**