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Business Trust: Asian Pay Television Trust
(Trustee-Manager: APTT Management Pte. Limited)

Stock code: S70U

Meeting details:

Date: 29 April 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Would the board/trustee-manager provide unitholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Basic cable TV RGU:** Basic cable TV subscribers decreased by 20,000 or 2.7% in FY2020. In the past 2 years, it was a loss of 21,000 subscribers or 2.8% for FY2019 and a loss of 12,000 subscribers or 1.6% for FY2018. In FY2017, the number of basic cable TV RGUs was stable at ~762,000. ARPU has decreased from NT\$529 (FY2016), to NT\$519 (FY2017), to NT\$500 (FY2018), to NT\$490 (FY2019) and to NT\$484 (FY2020). **What is the trustee-manager doing to reduce the churn and to maintain the ARPU? With the current trend in the basic cable TV segment, would the group be able to generate sufficient cash flow to meet the trust's cash flow needs?**
- (ii) **Capital expenditure: What determines the pace of capital expenditure for the trust in the next 18-24 months?**
- (iii) **5G: When can the trust start providing its data-backhaul network to wireless operators as they roll out their 5G services? In terms of additional revenue stream for the trust, how significant can this be?**
- (iv) **Cable TV licences:** In the key audit matter, the group has disclosed that it successfully renewed two licences in 2020 for up to 2029. Out of the three licences due for renewal in 2021, one licence has already been successfully renewed until 2030 and for the remaining two licences, the group has submitted the renewal application and business plans to the National Communications Commission (NCC). **When does the trustee-manager expect to obtain the licence renewal? Are there outstanding concerns and queries by the NCC?** It was reported in the media that the NCC has queries over the debt and the ownership of TBC¹.
- (v) **Strategic review: What was the cost of the strategic review? Is the trustee-manager satisfied with the outcome? How did the trustee-manager measure the success of the strategic review and its success in extracting greater value for unitholders?**

Q2. Net proceeds of \$45.0 million from the rights issue were used to pare down the trust's outstanding offshore facilities. The trustee-manager has stated that this would lead to an annual interest cost savings of approximately \$2.9 million. The trust's gearing decreased from 53.8% in 2019 to 51.7% in 2020.

- (i) **Can the trustee-manager help unitholders understand if the lenders for the offshore facilities were unwilling to refinance its existing facilities without the lump-sum repayment of \$45 million?**

¹ <https://www.taipeitimes.com/News/taiwan/archives/2021/01/28/2003751356>

- (ii) **Can the trust clarify if it managed to secure a lower spread given the \$45 million repayment under the new loan amendment agreement?** In Note 12, it was disclosed that the offshore facilities bear a floating interest rate of Singapore Interbank Offered Rate plus an interest margin of 4.1% to 5.5% (2019: 4.1% to 5.5%) per annum based on the leverage ratio of the group.
- (iii) **Did the trust look for other sources of financing?**

Q3. On 22 June 2020, the trust announced that valid acceptances amounting to 83,678,486 rights units or 23.2% were received at the close of the rights issue. Total excess applications of 390,982,737 rights units (or 108.2%) were received.

The issue price of each rights unit was set at \$0.128 and unitholders were entitled to one rights unit for every four existing units held by entitled unitholders. The rights issue was proposed to pare down the trust's borrowings and to strengthen the financial position and capital base of the group.

The undertaking unitholders had given irrevocable undertaking for 361,270,970 rights units. It is estimated that unitholders, other than the undertaking unitholders, took up 20.4% of their entitlement (not considering excess application), and 31.4% if excess applications of the non-undertaking unitholders are considered.

- (i) **Has the board carried out a review to understand the reasons for the low valid acceptances by unitholders (other than the undertaking unitholders)?**
- (ii) **With the benefit of hindsight, what could the trust have done differently?**
- (iii) **Has the board/trustee-manager evaluated the market's understanding of the trusts and the appreciation of the trust's business model and growth prospects?**
- (iv) **Did the board consider the attractiveness of the rights issue given that the net proceeds were mainly to be used to reduce debt?**
- (v) The trustee-manager had also stated that the rights issue will provide existing holders of units who are confident of the future prospects of the trust with an opportunity to subscribe for additional units. Given the low valid acceptance rate by minority unitholders, it seems that only a small proportion of unitholders is confident of the future prospects of the trust. **In this regard, what can the trustee-manager do to improve the business prospects and to earn back the trust from unitholders (by creating and delivering value to unitholders)?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)