Issuer: Plato Capital Limited
Security: Plato Capital Limited

Meeting details:
Date: 18 April 2017
Time: 14:15H
Venue: Paprika Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031

Company Description
Plato Capital Limited, an investment holding company, provides e-commerce systems and services, and system integration related services in Asia and internationally. The company operates through three segments: IT Operations; Investment Activities; and Corporate and Others segments. It also distributes and markets computer hardware and software; manages investments in quoted and unquoted equity shares; provides money lending services; and holds investment in related companies. In addition, the company provides credit facilities; property management services; and management, aviation, and investment fund services, as well as develops and operates a hotel. Plato Capital Limited is based in Kuala Lumpur, Malaysia.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code= 5PI)

Q1. Following the successful sale of Tune @ Melbourne Hotel by TP Real Estate Holdings Pte Ltd, the joint venture (JV) reported a gain after tax of $S15.5 million and had since redeployed the proceeds into the "purchase of a central business district site on Flinders Lane in Melbourne with plans being finalised to redevelop it into another hospitality based asset" (page 3 of the annual report – Chairman's Statement).

a) **Can the group provide shareholders with more detail of the new acquisition on Flinders Lane?**

b) **What are the redevelopment options for this new site? Will the asset be redeveloped into a new Tune-branded hotel?**

c) **What are the estimated redevelopment costs and how is the JV going to fund this?**

d) Similarly, the group's 60% subsidiary, Monteco Holdings Limited, is pursuing to redevelop the Dublin site into a 120-room hotel. **What are the estimated redevelopment costs and how is the group going to fund this?**

Q2. In the second year of its operations, the Epsom College in Malaysia has managed to increase the student count from 340 students to 390 students. However, given the sub-optimal scale in operations of the 50 acre campus, the group's share of loss from EDUC8 has increased from $3.0 million to $4.32 million in FY2016 (page 3 – Chairman's Statement).

a) **What is the estimated enrolment that will allow the school to breakeven?**

b) **Given the intense competition from new international schools and the challenging economic climate, how does management intend to boost the school's student count?**

c) **How much longer does management expect the school to be loss-making and what are the projected losses before the school can turn profitable?**

As disclosed in Note 15 (page 87 – Investment in associates), the group's "cost of investment in Educ8 increased by $7,748,561 from $13,118,275 to $20,866,836 as at 31 December 2016, following the subscription of rights issued by this associate". The group's effective interest in this associate increased from 31.99% to 44.10% in 2016.

As an associate, it means that the group has "the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies". Of the group's total assets of $64.4 million, $20.9 million has been invested in the associate, EDUC8.

d) **Can shareholders understand the strategic importance of the education sector (EDUC8) in the group's growth plans?**

e) **Can the board or management explain the rationale of the additional investment into the associate?**

f) **How much more can the group contribute to support the associate?**

Q3. In the section of "Key audit matters" (page 41 - Independent Auditor's Report), the group's investment in associates and joint venture was a key audit area due to "the significant carrying amount of the investments in associates and joint venture as at 31 December 2016".

Specifically, on 31 May 2016, the group acquired 25.89% of the total issued and paid-up capital of ECM Libra Financial Group Berhad and its subsidiaries for a total cash consideration of approximately $9.3 million. On 20 December 2016, the Group disposed of 6.11% of its interest in ECMLIB for a total consideration of approximately $2.1 million.

As at 31 December 2016, the net carrying amount of the investment amounted to $9.2 million. Included in the net carrying amount are equity accounted results of the associate and adjustment for provisional fair value which relates to the identifiable assets and liabilities, based on the preliminary purchase price allocation ("PPA") exercise.

The group has reported the performance of ECM Libra as follows:

> In May 2016, the Group purchased a 25.9% stake in ECMLIB which was subsequently pared down to 19.8% in December 2016 through market trades on Bursa Malaysia. The Group's share of profit from ECMLIB amounted to S$3.33 million in FY2016 primarily due to the gain of S$3.267 million recognised, being the excess of the Group's share of the provisional net fair value of the identifiable assets and liabilities of ECMLIB as at the date of acquisition over the allocated cost of investment in ECMLIB.

a) Is the $3.267 million gain based on the initial 25.9% stake or the stake of 19.8% as at 31 December 2016?

b) Would the audit committee comment further on the key audit matter, especially on the carrying value of the 19.8% stake in ECMLIB?

c) Would the audit committee also comment on the impact on the carrying value of $9.2 million of (a) the disposal of 6.11% interest and the (b) finalisation of the purchase price allocation?

On 26 March 2017, the group disclosed that there have been "certain material variances between the Unaudited Financial Statements and audited financial statements for FY2016" following the finalisation of audit.

The reasons given for the changes included (a)Reclassification of the equity component from fair value and other reserves to share capital, (b) Interest received from provision of credit facilities from financing activities to operating activities and (c) Advances from a joint venture from financing activities to investing activities.

d) Can the audit committee elaborate further on the causes of the material variances?

e) Can the audit committee explain its role in the preparation and review of financial statements?

f) How can management better ensure that the quarterly results and the unaudited financial statements give true and fair view of the company's operations and finances?