

Issuer: Plato Capital Limited

Security: Plato Capital Limited

Meeting details:

Date: 12 April 2018

Time: 2.00 p.m.

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 Malaysia and other Asian countries. It operates through three segments: IT Operations, Investment Activities, and Corporate and Others segments. The company 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, it provides credit facilities; and management, aviation, and investment fund services, as well as develops and operates a hotel. The company is based in Kuala Lumpur, Malaysia. Plato Capital Limited is a subsidiary of Citibank Nominees Singapore Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5PI)

1. As noted in the Chairman's Statement (page 3 of the annual report), the group registered a profit before tax of \$8.42 million and it was lauded as *"another remarkable year of performance"*.

The bulk of the profit of the year was attributed to the group's share of profits from the sale of property at Haymarket House, Clifton Terrace, Edinburgh and hotel business. This transaction, completed on 14 June 2017, contributed \$11.9 million to the profit of the group for FY2017.

The group actually registered a loss of \$(3.48) million if the one-time disposal gain of \$11.9 million was excluded. In addition to the highlights mentioned on page 3, the following information can be derived from the financial statements and the notes:

- EDUC8: In the past two years, an allowance of \$2.27 million has been recognised as impairment on the notional goodwill arising from the acquisition of incremental interest in EDUC8
- TYKC: revenue dropped by more than 30% to \$85 million, while profit dropped from \$6.0 million to \$4.95 million; the strong net cash position of \$14.75 million at the end of FY2017 was a slight drop from the \$20.9 million TYKC had at the end of FY2016
- ECMLIB: Included in the net carrying amount is an amount of \$3,267,392 which relates to the excess of the Group's 25.89% 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 the investment in ECMLIB
- IT Division: On top of the drop in revenue from \$1.1 million to \$880,000, the segment loss remains high at \$(579,551) (2016: \$(673,082))
- Other subsidiaries: An impairment of \$2,097,178 (2016: \$1,624,636) was recognised following an impairment test on the investments in Plato Solutions Sdn Bhd ("PSSB"), Plato Capital Sdn Bhd ("PCSB") and Plato Private Limited ("PPL")

In addition, investment in associates accounted for \$29.0 million or over 40% of the group's total assets.

Given that the group is leveraging on the good performance of the hospitality investments to support other segments and its associates, would the board consider it opportune to carry out a strategic review of the group's structure and operations and refine the group's capital allocation policy?

2. The group holds an effective stake of 44.12% (2016: 44.10%; 2015: 31.99%) in Educ8 Group Sdn Bhd, which wholly owns Epsom College Malaysia Sdn Bhd and Spanish Sports Venture Sdn Bhd.

- (i) **Can the audit committee help shareholders understand the reasons why, despite the group's 44.12% interest, the Educ8 Group is recognised as an associate?**
- (ii) **Can the audit committee confirm that the results of the Educ8 Group are not consolidated into the group's results?**
- (iii) **What is the group's level of influence on the strategic, financial and operational policies of Educ8?**
- (iv) **Given the large and increasing investment in Educ8, has the board evaluated the need for the group to increase its influence and control and take on an active role in Educ8?**

In addition, can the audit committee explain in greater detail how the group determines the carrying value of the 19.8% stake in ECM Libra Financial Group Berhad?

3. Mr Michael Kan Yuet Yun and Mr Chong Huai Seng were appointed on 29 November 2002 and on 12 September 2008 respectively. Accordingly, Mr Kan and Mr Chong have each served on the board for more than 15 years and more than 9 years respectively.

Guideline 2.4 of the 2012 Code of Corporate Governance calls for the particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment.

- (i) **Can the board help shareholders understand how it had carried out particularly rigorous review of the independence of Mr Kan and Mr Chong?**

Notwithstanding that the board has considered Mr Kan and Mr Chong independent, both of the independent directors on the board have now served for more than 9 years. Guideline 2.4 also calls for the board to “take into account the need for progressive refreshing of the Board”.

- (ii) **What are the company’s near-term plans to progressively refresh the board?**
- (iii) **Can the board describe in greater detail its search and nomination process for new directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Plato%20Capital%20Ltd>

The company’s response could be found here: -----