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Meeting details:

Date: 10 April 2019

Time: 2.00 p.m.

Venue: Melbourne Room, Level 2, Park Regis Singapore, 23 Merchant Road, Singapore 058268

Company Description

Plato Capital Limited, an investment holding company, provides e-commerce and system integration services in Malaysia. The company operates through IT Operations and Investment Activities segments. It also distributes and markets computer hardware and software; manages investments in quoted and unquoted equity shares; and provides money lending services. In addition, the company offers credit facilities; and management, aviation, and investment fund services, as well as develops and operates a hotel. The company was incorporated in 1999 and is based in Kuala Lumpur, Malaysia.

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

1. In the absence of one-off disposal gain of hotel in 2018, the group slipped into a loss of \$(3.4) million for the financial year ended 31 December 2018. Other operating expenses jumped from \$(771,366) to \$(2,235,357). In the one-page statement by the chairman (page 3 of the annual report), shareholders were updated briefly on the performance of the group's hospitality investments, education business, manufacturing segment and the IT division.

There was no discussion of the opportunities and prospects of the different segments and no mention of how the company would be delivering value to shareholders.

- (i) **Would the chairman consider how he could lead the senior management team to improve on the company's communications with shareholders so as to help shareholders better understand the group through the chairman's statement and the annual report?**

An example of a more comprehensive annual report covering important sections is shown below for reference:

INSIDE OUR REPORT		MANAGEMENT DISCUSSION AND ANALYSIS	
Design Concept	inner front cover	CEO's Review of Operations	22
MESSAGE TO SHAREHOLDERS		Operation Summary	24
	02	Property Portfolio	31
COMPANY AND STRATEGY		Review of Financial Performance	34
Our Vision and Our Mission	04	Managing Risk in Delivering Our Strategy	40
Our Corporate Profile	05	Business Dynamics & Risk Factors Statement	41
Our Value Statement	06	CORPORATE INFORMATION	
Our Business Strategy	06	Corporate Structure	48
Our Competitive Edge	06	Corporate Data	50
Our Business Philosophy	07	Stock Market Statistics	51
HIGHLIGHTS OF THE YEAR		Financial Calendar	52
Financial Highlights	08	SUSTAINABILITY REPORT	
Quarterly Results	09		53
Five-Year Performance	10	CORPORATE GOVERNANCE	
CORPORATE STEWARDSHIP			65
CEO & CFO's Responsibility Statement	13	STATUTORY REPORTS AND ACCOUNTS	
Awards & Accolades	14		88
Directors' Profile	15	BUSINESS DIRECTORY	
Management Profile	20		189
		SGX-ST LISTING MANUAL REQUIREMENTS	
			190
		SHAREHOLDING STATISTICS	
			192
		NOTICE OF ANNUAL GENERAL MEETING	
			194
		PROXY FORM	
			199
		2018 ANNUAL REPORT, DISCLAIMER, CAUTIONARY STATEMENT	
			inner back cover

Extract: Sample index page of a mid-cap company listed on the SGX

- (ii) As seen in Note 15 (Investment in associates - pages 83 to 88), there were many changes to the group's interests in associates. The interest in TYK Capital Sdn Bhd decreased from 20.5% to 18.9% while the interest in Educ8 Group Sdn Bhd slipped from 44.12% to 43.35%. In addition, the 19.78% interest in ECM Libra Financial Group Berhad ("ECMLIB") was diluted to 11.80% and ECMLIB was

derecognised as an associate of the group and the group's remaining interest in ECMLIB was classified as a quoted investment security at fair value through other comprehensive income (FVOCI).

Has the board considered making individual announcements when there are changes to the corporate structure, such as changes to the interests of its investments and especially when there is derecognition of any subsidiaries and associates?

How does the board protect the interests of the company and its shareholders (especially the minority shareholders) by avoid undue dilution to its investments?

- (iii) In the fourth year of operations, the education segment continues to struggle, with the group's share of loss from EDUC8 amounting to \$(1.22) million as the enrolment dipped in FY2018. **Has the board considered bringing in new strategic partner/investor who can contribute both capital and expertise to support the school? Given the economic conditions in Malaysia and the supply of foreign school, has the board evaluated when it would be able to reach the breakeven enrolment?**

2. As seen in the Consolidated cash flow statement for the financial year ended 31 December 2018, there was net cash flow generated from investing activities of \$8.919 million in FY2018. This was due to a sum of \$11.49 million received as dividends from joint venture (the proceeds from the sale of Tune Hotel in Edinburgh, United Kingdom) and \$3.76 million received as dividends from associates (from ECM Libra).

However, the board has not declared or recommended a dividend in FY2017 nor FY2018. As at 30 December 2018, cash and cash equivalents amounted to \$10.3 million, up from \$4.3 million a year ago.

The board has stated the following:

The Board made this decision with the aim of balancing returns to shareholders with investment to support future growth while at the same time preserving a strong capital base. The turnaround of the profitability of the Group is at a relatively early stage and a number of economic and regulatory uncertainties remain. Therefore, until there is stability in its profitability and sustainability in its financial returns, the Board will keep the matter under close review.

- (i) **Has the board evaluated how it could balance the need to invest for growth and the need to provide a sustainable dividend to the capital providers? After all, the one-off sale of Tune Hotel in Edinburgh and the dividends from ECM Libra were long term investments made by the group. Upon the successful sale of the asset, did the board consider it reasonable to declare a dividend to shareholders who have supported the growth of the group?**

In addition, the group has not paid out a dividend to shareholders since 2003.

- (ii) **Has the board evaluated the group's cost of capital?**
- (iii) **What is the return achieved by the group in the past 5 or past 10 years from its investments?**
- (iv) **Has the board evaluated the total shareholder returns? The chart below shows the share price movement from about 2007 to 2019.**



(Source: Yahoo finance <https://sg.finance.yahoo.com/quote/5PI.SI/>)

- (v) **Can the board articulate how it is going to allocate the group's capital and what is the ability of the group to generate sustainable long-term return for the benefit of all shareholders?**

3. The board comprises four directors, two of whom are independent, namely Michael Kan Yuet Yun PBM and Chong Huai Seng.

Mr Gareth Lim Tze Xiang was appointed as the alternate director to the non executive non independent chairman, Lim Kian Onn.

- (i) **Can the company help shareholders know the roles and responsibilities of an alternate director?**
- (ii) **Specifically, does the alternate director attend board and board committee meetings together with the principal director? If so, does the alternate director actively participate in the board discussion and vote in the board meetings?**

Guideline 4.5 of the 2012 Code of Corporate Governance (CG Code) states that boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a

director has a medical emergency. The CG Code further recommends that alternate directors be appointed for limited periods only.

- (iii) Can the board help shareholders understand the rationale for the appointment of Mr Gareth Lim Tze Xiang as alternate director?**
- (iv) If the alternate director plays an active role and attends board meetings notwithstanding the attendance or presence of the principal director, does it mean that the board may not have independent directors making up more than half of the board (given that the chairman is non-independent)?**
- (v) Would the nominating committee consider “converting” the alternate director to a proper full-fledged executive director if the NC deem the alternate director qualified and able to contribute to the board?**

In addition, in August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

Both the independent directors on the board, namely Michael Kan Yuet Yun PBM and Chong Huai Seng, have each served beyond nine years since the date of their respective first appointments.

- (vi) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (vii) What are the company’s other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Plato%20Capital%20Ltd&cid=6308,4463,4231>

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