



ECON HEALTHCARE (ASIA) LIMITED
(Company Registration Number: 200400965N)
(Incorporated in Singapore on 28 January 2004)

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of Econ Healthcare (Asia) Limited (“**Econ**” or the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the queries received from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 13 January 2022 in relation to the Company’s announcements on 7 January 2022 and 9 January 2022 on its investment in Crosstec Group Holdings Limited (“**Crosstec**”), and would like to respond to the queries as follows.

SGX Query 1

1. **The Company’s announcement on 9 Jan and 12 Jan 2022 are made in relation to Chapter 10 requirements. It was stated in these announcements that while one of the Directors and controlling shareholder has and had interest in Crosstec shares, none of the Directors or controlling shareholders of the Company has or had any interest, direct or indirect, for 5% or more in the shares of Crosstec (other than their respective shareholding interests in the Company, if any).**

CR1010(11) requires disclosure of whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests. Please explain the reasons for the Company’s disclosures.

Company’s Response to SGX Query 1

The Company wishes to clarify that none of the directors or controlling shareholders of the Company has or had any interest in the transactions disclosed in the Company’s announcements on 9 January 2022 and 12 January 2022, namely the acquisition and subsequent disposal by the Company of shares of Crosstec.

Between 24 November 2021 and 7 January 2022, Mr Ong Chu Poh, the Executive Chairman and Group CEO and a controlling shareholder of the Company, acquired an aggregate of 2,700,000 Crosstec shares, which he sold on 7 January 2022. He acquired a further 1,200,000 Crosstec shares on 7 January 2022, which he sold on 13 January 2022. As at the date of this announcement, Mr Ong has no shareholding in Crosstec. Based on publicly available information on the issued share capital of Crosstec, his holding of Crosstec shares amounted to less than 5% of the issued shares of Crosstec.

For the avoidance of doubt, notwithstanding Mr Ong Chu Poh’s less than 5% interest in the issued shares of Crosstec and apart from his shareholding interest in the Company, he did not have any interest in the acquisition and subsequent disposal of Crosstec shares by the Company.

Crosstec is a company listed on the Hong Kong Stock Exchange (the “HKEx”), and the respective acquisition and disposal of Crosstec shares by the Company and Mr Ong Chu Poh were done on-market. The Company did not acquire Crosstec shares from nor did the Company sell Crosstec shares to any of its directors or controlling shareholders, including Mr Ong Chu Poh.

SGX Query 2

- 2. What is Econ’s shareholding percentage in Crosstec at each point in time (31 Dec 2021, 7 Jan, 9 Jan and 12 Jan 2022)?**

Company’s Response to SGX Query 2

The Company acquired 6,800,000 Crosstec shares on 30 December 2021 and 5,000,000 Crosstec shares on 6 January 2022. On 12 January 2022, the Company sold all 11,800,000 of its Crosstec shares.

As at 31 December 2021, the Company held 6,800,000 Crosstec shares. To the Company’s knowledge based on publicly available information on Crosstec’s issued share capital as at such date, this comprised approximately 0.94% of the issued share capital of Crosstec as at such date.

As at 7 January 2022 and 9 January 2022, the Company held 11,800,000 Crosstec shares. To the Company’s knowledge based on publicly available information on Crosstec’s issued share capital as at such dates, this comprised approximately 1.64% of the issued share capital of Crosstec as at such dates.

After the sale of all its 11,800,000 Crosstec shares on 12 January 2022, the Company has no shareholding interest in Crosstec.

SGX Query 3

- 3. Who introduced Crosstec to Econ? Is Econ familiar with the business, industry and/or jurisdiction in which Crosstec operates?**

Company’s Response to SGX Query 3

Crosstec was recommended as an investment to Mr Ong Chu Poh by an individual purporting to be Dr Chan Yan Chong, an established academic and stock commentator who was a past acquaintance of Mr Ong.

After being made aware of this potential investment and after the Company considered publicly available information on Crosstec, including information on Crosstec available on the website of the HKEx such as its annual report and financial statements, a decision was made by Mr Ong to invest in Crosstec shares. Please refer to paragraph 4 below for further information on the Company’s investment in Crosstec.

As described above, the Company had considered publicly available information on Crosstec and is aware of the nature of Crosstec’s business, that it is a provider of interior design solutions

listed on the HKEx and whose headquarters and principal place of business is Hong Kong. As the Company's investment in Crosstec was an investment in listed securities on a reputable stock exchange and not an acquisition of a company or business, the Company does not have operational familiarity with the business of Crosstec.

As set out in paragraph 8 below, the Audit Committee of the Company (the "AC") will imminently be undertaking a comprehensive review of the Company's investment policy and related controls and safeguards, including to strengthen the due diligence to be undertaken prior to an investment in listed equity securities and to impose requirements regarding asset mix and portfolio diversification.

SGX Query 4

- 4. Please explain and elaborate on the Company's investment mandate and policy and procedures in respect of investments in quoted securities. Specific to the investment in Crosstec, please detail the due diligence performed and approvals sought by Management, etc, prior to entering into such investment.**

Company's Response to SGX Query 4

Investment Policy

A summary of the Company's investment policy is set out below:

- (a) **Investment Committee.** The Board shall appoint an investment committee (the "IC") which shall comprise at least three persons, comprising (1) the Group CEO who will be the Chairman of the IC and also be responsible for the execution of all approved investments, (2) the Group CFO and (3) other member(s) nominated by the Nominating Committee from time to time.

The Board will imminently be undertaking a review of the composition of the IC, including appointing a third member to the IC.

The IC has the primary function of oversight of the Company's investment portfolio on behalf of the Board. In particular, the IC shall carry out the following activities:

- (i) propose recommendations to the Board on investment policy and strategy;
- (ii) monitor the Company's investment to assess the appropriateness of the investment strategy and recommend changes to the Board as appropriate;
- (iii) report to the Board two times a year in conjunction with the Board meeting on investment performance and on area of risk within the investment strategy, or as and when it is required;
- (iv) ensure that investments are made in accordance with strategy and related asset allocation limits; and
- (v) consider and if appropriate approve any specific investments in excess of asset allocation limit with the Board's approval.

- (b) **Rationale and Objectives.** The investment objectives of short to medium term idle cash (“**Funds**”) are to maintain a level of liquidity to meet cash needs of the Company, to achieve a target return of higher than Singapore inflation rate or higher than the Singapore prevailing fixed deposit rate per annum and to achieve better yield from any liquid reserves.

Average three months of the Company’s expenditure or S\$7 million (whichever is higher) in capital value (aggregate cash and bank balances) is to be kept intact, from which annual cash flows will be generated for the Company’s budgetary use. This fund is to act as a reserve for the Company to meet emergency cash needs and for meeting operational objectives set out by the Board. This objective is met by achieving the target return set and asset class and allocation.

- (c) **Policy and Asset Allocation.** The Funds should be structured such that it is invested in equities mainly for capital appreciation and dividend; and in fixed income investments for yield. The asset mix will be for portfolio diversification. The Funds may be invested in start-up companies with a view for business collaboration, business expansion and capital appreciation.

- (d) **Asset Classes and Investment Instruments.** The asset classes and investment instruments envisaged by the investment policy are equity, fixed income securities, non-convertible preference shares, collective investment schemes or funds, cash and deposits and money market instruments and fixed assets as defined under Singapore Financial Reporting Standards.

In respect of equities, the investment policy sets out that:

- (i) This asset class consists of investments representing ownership interest in corporations including, but not limited to, common shares and securities convertible to shares (including warrants).
 - (ii) Securities must be those listed and traded on reputable stock exchanges.
 - (iii) Equities that are invested in start-up companies, the aggregate investment has to be kept under 20% of the Funds, and the IC needs to discuss and approve the total stake of the target start-up company.
- (e) **Investment Responsibility.** The IC will oversee the overall investment of the Funds. The sale of any investment that would result in capital losses greater than 10% of its book value must be brought to the attention of the IC, and the approval of the IC is required for any deviations by the fund managers (if any) from the established investment guidelines as stated in the investment policy, and other decisions documented in the minutes of the IC meetings.
- (f) **Reporting and Oversight.** The Company’s internal auditor shall perform periodic compliance audit of the management controls and adherence to the investment policy. The audit results will be reported to the IC and the Board.

The IC is to prepare and submit an investment report to Board semi-annually. The report will be prepared in accordance with generally accepted accounting principles and will detail, by asset and fund type, changes in book and market values, dates of maturity and accrued interest.

Investment in Crosstec

In November 2021, the Board authorised Mr Ong Chu Poh, the Executive Chairman and Group CEO and Chairman of the IC, to transact the investment in quoted securities at an amount of S\$1.2 million and in December 2021, the Board approved a further mandate of S\$4.2 million for the investment in quoted securities and gave authority to Mr Ong for the investment in quoted securities.

The limits of the mandate to invest in quoted securities were determined taking into account the Company's working capital requirements for its core business and after setting aside the proceeds from the Company's initial public offering.

The Board's authorisation of Mr Ong Chu Poh to transact the investment in quoted securities within the limits authorised by the Board is in line with the Company's investment policy which provides that the Group CEO (i.e. Mr Ong Chu Poh) as Chairman of the IC will be responsible for the execution of all approved investments.

The investment in Crosstec was in line with the Company's investment policy, which permits investments in equity securities which are listed and traded on reputable stock exchanges. Crosstec is listed on the HKEx.

As the investment was an investment in securities listed on the HKEx, the due diligence was primarily based on consideration of publicly available information on Crosstec, including information on Crosstec available on the website of the HKEx, such as its annual report and financial statements.

Notwithstanding the foregoing, as set out in paragraph 8 below, the AC will imminently be undertaking a comprehensive review of the Company's investment policy and related controls and safeguards, including to strengthen the due diligence to be undertaken prior to an investment in listed equity securities and to impose requirements regarding asset mix and portfolio diversification.

SGX Query 5

- 5. Please disclose the Board's considerations in approving the Company's investments in Crosstec.**

Company's Response to SGX Query 5

As described above, in line with the Company's investment policy, the IC oversees the overall investment of the Funds and the Chairman of the IC is responsible for the execution of all approved investments. The investment in Crosstec was in line with the Company's investment policy, which permits investments in equity securities which are listed and traded on reputable stock exchanges. In line with the Company's investment policy, the Board had authorised Mr Ong Chu Poh, as Chairman of the IC, to transact investments in quoted securities.

As set out in the Company's announcement dated 9 January 2022, the rationale for the acquisition of Crosstec shares was to improve the yield on idle cash through dividends and share price appreciation. Prior to the first acquisition of Crosstec shares on 30 December 2021, the Company had observed that the share price was on a rising trend for Crosstec. Since the first acquisition on 30 December 2021 and based on the volume weighted average price on 6 January 2022, Crosstec's share price had increased by approximately 33.7%. The Company was of the view that the potential gain on investment on quoted security will improve the yield of idle cash and therefore the return of the Company's shareholders.

As set out in paragraph 8 below, the AC will imminently be undertaking a comprehensive review of the Company's investment policy and related controls and safeguards, including to strengthen the due diligence to be undertaken prior to an investment in listed equity securities and to impose requirements regarding asset mix and portfolio diversification.

SGX Query 6

6. **Apart from Crosstec Group Holdings Limited, please list all of Econ's other investments in quoted or unquoted securities at the various points in time (31 Dec 2021, 7 Jan, 9 Jan and 12 Jan 2022 and current).**

Company's Response to SGX Query 6

The Company acquired 14,000 shares of United Overseas Bank Limited and 23,000 shares of DBS Group Holdings Ltd on 11 November 2021 and sold all of such shares on 6 January 2022.

Apart from the foregoing and Crosstec shares (and other than, for the avoidance of doubt, the Company's holdings in its subsidiaries and associated companies), the Company does not and did not have any other investments in quoted or unquoted securities on 31 December 2021, 7 January 2022, 9 January 2022, 12 January 2022 and as at the date of this announcement.

SGX Query 7(a)

7. **On 12 Jan 2022, it was disclosed that the controlling shareholder (i.e. CEO Ong Chu Poh) has less than 5% interest in Crosstec.**

- (a) **Please disclose his exact shareholding in Crosstec.**

Company's Response to SGX Query 7(a)

As set out in paragraph 1, between 24 November 2021 and 7 January 2022, Mr Ong Chu Poh acquired an aggregate of 2,700,000 Crosstec shares, which he sold on 7 January 2022. He acquired a further 1,200,000 Crosstec shares on 7 January 2022, which he sold on 13 January 2022. Based on publicly available information on the issued share capital of Crosstec, his holding of Crosstec shares amounted to less than 5% of the issued shares of Crosstec.

As at the date of this announcement, Mr Ong Chu Poh has no shareholding in Crosstec.

SGX Query 7(b)

- (b) Please disclose and confirm if he has any relationship with Crosstec, its directors or controlling shareholders.

Company's Response to SGX Query 7(b)

Mr Ong Chu Poh has confirmed that he does not have any relationship with Crosstec, its directors or controlling shareholders. To the best of the knowledge of the Company, Mr Ong Chu Poh does not have any relationship with Crosstec, its directors or controlling shareholders.

SGX Query 7(c)

- (c) How was he introduced to Crosstec?

Company's Response to SGX Query 7(b)

Please refer to paragraph 3 above.

SGX Query 8

8. In view of its investment in Crosstec and the realised loss of S\$3.4m as announced on 12 Jan 2022, what is AC's views as to the adequacy and effectiveness of the Company's controls, safeguards and investment mandate, policy and procedure?

Company's Response to SGX Query 8

In view of the recent investment loss of S\$3.4 million, the AC is of the view that the current investment mandate and policy of the Company and related controls and safeguards will need to be reviewed and strengthened to include more effective measures including (without limitation) that (i) the due diligence undertaken prior to investing in listed equity securities should include consideration of the target company's dividend policy, financial position, geographic location and industry (taking into consideration macroeconomic factors which may impact the geographical location and industry in question), (ii) lowering the maximum investment limits, imposing sub-limits by asset class and imposing daily trading limits and (iii) imposing requirements regarding asset mix and portfolio diversification. The AC will imminently be undertaking such review, including engaging external professional advisers to assist with the review. In addition, as set out in paragraph 4 above, the Board will imminently be undertaking a review of the composition of the IC, including appointing a third member to the IC.

Save for the need to review and strengthen the current investment mandate and policy of the Company and related controls and safeguards as described above, the AC is of the view that the internal controls over the other areas of the Company's operations remain adequate and effective.

BY ORDER OF THE BOARD

Ong Chu Poh
Executive Chairman and Group Chief Executive Officer
14 January 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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