Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Econ Healthcare (Asia) Limited

Stock code: EHG

Meeting details:
Date: 26 July 2022
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.

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Q1. Noting that we are already in the third year of the pandemic, the executive chairman and Group CEO highlighted the resilient performance of the group as revenue for FY2022 increased by 3.3% to $38.9 million.

The chairman's discussions on the financial performance in the past two years have been reproduced below for reference:

Annual report 2021

FY2021 PERFORMANCE AND FUTURE PIPELINE

The Group continued to be resilient and performed well in FY2021 despite the COVID-19 pandemic. We turned in a healthy performance which saw a rise in our aggregate revenue and operating subvention grants to S$37.9 million and delivered an increase in net profit year-on-year to S$5.4 million.

Annual report 2022

Against this challenging backdrop, the Group was able to deliver a resilient performance in the year under review. Total revenue grew 3.3% to reach S$38.9 million in FY2022 from S$37.7 million in the previous year. The increase in income is largely due to improvement in top line performance in Singapore and contributions from new nursing homes in Malaysia and China. The Group remains in a healthy financial position with cash and short-term deposits amounting to S$26.1 million as at 31 March 2022 compared to S$16.1 million a year ago.

(Source: company annual reports; emphasis added)

In FY2022, there was no mention of the group's profit or loss unlike in the previous year. If one were to look at the annual report, the first mention of the profit/(loss) of $(55,964) can only be found on page 53 (Consolidated income statement). Profit attributable to owners of the company remains positive at $350,114 for FY2022.

Consolidated Income Statement

For the financial year ended 31 March 2022

	Note	2022 $	2021 $
Revenue	4	38,905,123	37,660,316
Other income	5	5,208,467	6,467,830
Supplies and consumables		(5,849,093)	(5,462,264)
Staff costs		(19,356,718)	(18,469,430)
Depreciation of property, plant and equipment	10	(1,379,308)	(1,123,158)
Depreciation of right-of-use assets	11	(6,014,296)	(5,174,426)
Utilities expenses		(1,050,627)	(947,815)
Impairment losses on trade receivables		(100,757)	(13,955)
Loss on investment in quoted securities		(3,354,476)	–
Other operating expenses		(4,657,506)	(4,762,498)
		2,350,809	8,174,600
Finance costs, net	6	(1,460,231)	(1,352,684)
Share of (loss)/profit of associate and joint venture, net of tax	14, 15	(29,902)	4,591
Profit before tax	7	860,676	6,826,507
Tax expense	8	(916,640)	(1,455,543)
(Loss)/profit for the year		(55,964)	5,370,964
(Loss)/profit attributable to:			
Owners of the Company		350,114	5,700,049
Non-controlling interests		(406,078)	(329,085)
(Loss)/profit for the year		(55,964)	5,370,964

(Source: company annual report; emphasis added)

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The weak FY2022 financial performance was attributed mainly to a significant loss on investment in quoted securities of $(3.35) million. This material loss of $(3.35) million was not mentioned by the chairman nor discussed in the section titled "Year in review" (pages 4 to 7).

(i) **For the benefit of shareholders, would the chairman and CEO consider providing shareholders with a holistic, balanced and candid overview of the achievements and challenges faced by the group in the year so that shareholders get a true and fair view of the progress made and the setbacks faced by the group?**

(ii) **In particular, to provide more clarity and for shareholders' better understanding, would senior management, especially the chairman and Group CEO, address the issue of the material loss related to quoted securities so that shareholders can have better assurance that the board and management are addressing the matter diligently and are committed to a high standard of good governance, risk management, internal controls and safeguards?**

(iii) **Did the directors, especially independent directors, review the annual report and deliberated on providing an update on the matter to shareholders?**

As noted in the corporate governance report, in January 2022, the board appointed RSM to perform a comprehensive review of the group's investment policy and related controls and safeguards, including the strengthening of the due diligence to be undertaken prior to an investment in listed equity securities and imposing requirements regarding asset mix and portfolio diversification. The recommendation arising from weaknesses in the internal controls and management's follow-up action plans were reported to the audit committee (AC). As at the date of this report, the management is in the process of implementing the recommendations and will be reporting to the AC and the board on the implementation status.

(iv) **Can the AC update shareholders on the progress of the implementation of the recommendations by RSM? Has there been any delay in the implementation of the recommendations and if so, what are the causes of the delay?**

Q2. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

(i) **Econ Care Residence, Henderson: What is the occupancy rate at the group's new nursing home that was opened in April 2022?**

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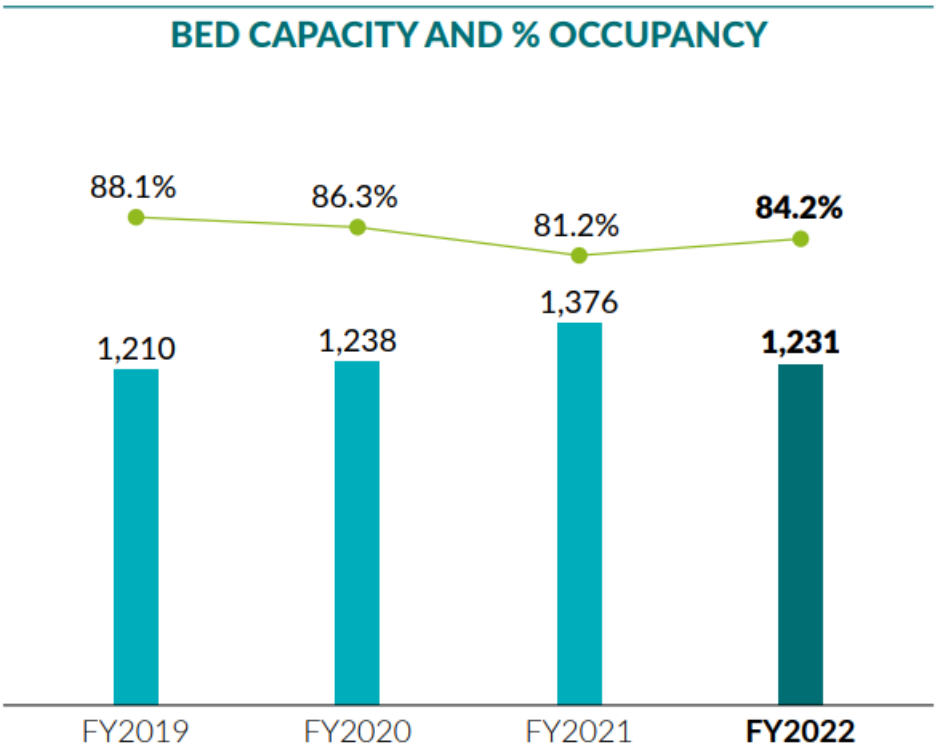
(ii) **732-bed nursing home (co-located with Jurong Polyclinic):** The new nursing home is expected to be operational in 2025. It will be the group's largest facility and will significantly increase the group's capacity when it opens in 2025. **Can management provide more information on the group's capital expenditure and commitment/deliverables for this new nursing home that is co-located with the new Jurong Polyclinic?**

(iii) **Capacity: Can management help shareholders better understand the reasons for the decrease in bed capacity from 1,376 in FY2021 to 1,231 in FY2022?**



(Source: company annual report)

(iv) **Occupancy rate: Can management show the occupancy rates by country as well? What are the levers available to management to further improve the occupancy rate? What is the target set by the board in terms of occupancy rate?**

(v) **Econ Medicare Centre and Nursing Home – Chongqing: What are the reasons that the newly-opened nursing home in Chongqing has a capacity of just 44-beds? Is a nursing home able to operate efficiently at such a small scale?**

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Q3. Would the board provide shareholders more clarity on the following governance matters? Specifically:

(i) **Attendance:** The attendance of directors at board and board committee meetings is shown in the table below (page 14 of the annual report).

The table below sets out the number of Board and Board Committees meetings held during FY2022 and the attendance of each Director at these meetings:

	Board	AC	NC	RC	AGM
Number of meetings held	11	2	1	1	1
Directors			**Attendance**		
Mr Ong Chu Poh	11	2*	1*	1*	1
Ms Ong Hui Ming	11	2*	1	0	1
Mr Siau Kai Bing	11	2	1	1	1
Mr Lim Yian Poh	11	2	1	1	1
Dr Ong Seh Hong	10	2	1	1	1

* By invitation

(Source: company annual report)

Such board committee meetings would have included agenda items on interested person transactions, performance assessment, remuneration of the executive directors and the audit/financial reporting/internal controls of the group.

Is it a board-approved practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?

What are the board's governance structure and "Chinese walls" that are put in place at the board committee meetings when the independent directors on the board committees may be reviewing and discussing matters that are related to or affect the executive directors?

Are the independent directors able to conduct the board committee meetings without the executive directors in attendance?

Are the committees able to make decisions objectively and independently?

(ii) **Executive remuneration and bonus:** As noted in the corporate governance report, the remuneration of executive directors comprises a fixed and variable component, with the latter being linked to the group's performance as well as the performance of each individual executive director (page 30). The performance of the executive directors and the CEO (together with other key management personnel) will be periodically reviewed by the remuneration committee (RC) and the board.

The remuneration of the executive chairman and CEO increased from "$250,001 and up to $500,000 per annum" to "$500,001 and up to $750,000 per annum" in FY2022. As noted earlier, loss for the year was $(55,964) in FY2022, which included $(3.35) million in loss on investment in quoted securities. In FY2021, the

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group recognised profit of $5.37 million. The chairman and CEO was given a bonus of 7.4% for FY2022 (FY2021: 8.48%).

For shareholders' benefit, would the RC consider disclosing the actual remuneration of the executive directors as required by Provision 8.1 of the Code of corporate governance 2018?

Would the RC also help shareholders to understand the justifications, if any, for the increase in the remuneration of the executive chairman given the significant drop in net profit which resulted in a loss to the group for FY2022?

How effective are the group's remuneration practices in achieving "pay-for-performance"?

^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. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

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.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

^ 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)

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