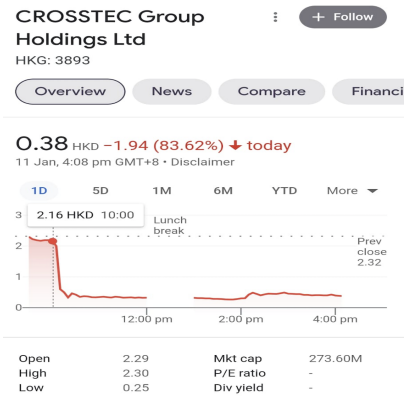

Econ Healthcare Lost 3.2 Million on a HK Stock. But How Did Crosstec Even Appear on Its Radar?

Description

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In a previous article about Econ Healthcare, I wrote about how I wasnâ??t interested to invest in the company for various reasons. Today, I add another key reason to that list and question their managementâ??s investment decisions.

On January 9, it was reported that Econ Healthcare spent S$4 million buying shares of a Hong Kong listed firm Crosstec. The reason provided was that [they] â??**observed that â??shares are on a rising trendâ??**â??, and that â??the company is 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 companyâ??s shareholdersâ?•.

So, it was reported that Econ Healthcare had bought the shares at 29.26 cents and 40.04 cents (SGD). The next trading day , ð•??ð•?¿ð•?¼ð•??ð•??ð•?•ð•?²ð•?° ð•??ð•?µð•?®ð•?¿ð•?² ð•?½ð•?¿ð•?¶ð•?°ð•?² ð•?½ð•?¹ð•??ð•?»ð•?´ð•?²ð•?± ð•?´ð•?¯% to close at 0.38 HKD (6.6 cents SGD).

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CROSSTEC Group Holdings Ltd

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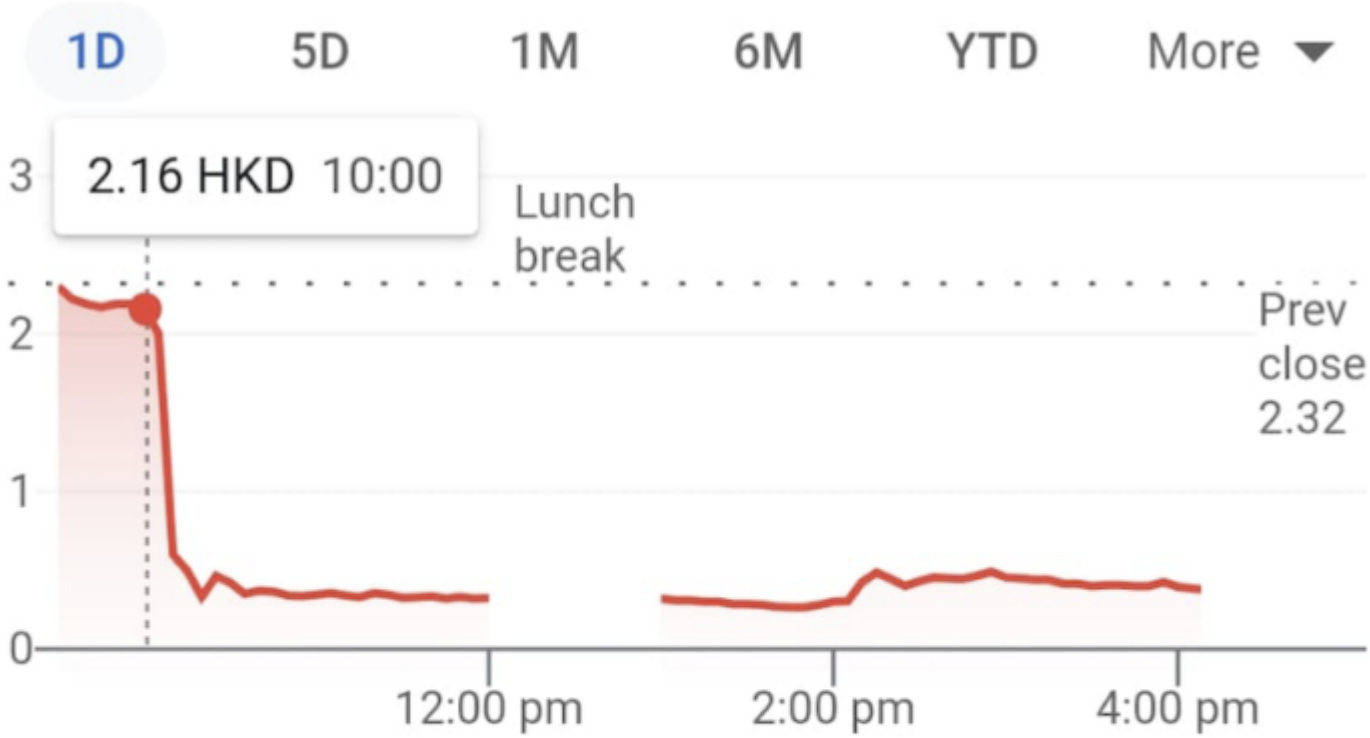
0.38 HKD −1.94 (83.62%) today

11 Jan, 4:08 pm GMT+8 • Disclaimer



Open	2.29	Mkt cap	273.60M
High	2.30	P/E ratio	-
Low	0.25	Div yield	-

When we zoom further out on the charts, we can see that the so-called uptrend only started in November.



And plunged the day immediately after news of Econ Healthcareâ??s investment was made public.

I shared on my Instagram on Friday that I suspected Econ Healthcare did NOT manage to exit its shares on time i.e. sell within the first 30 minutes of that fateful trading day, before the price crashed.

On my Facebook, I asked if they had lost S$3.2 million.

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Budget Babe
11 January at 17:07 ·

Econ Healthcare spent $4 million buying shares of Crosstec, citing the reason "observed that shares are “on a rising trend”" (quoted from the interview they Edge).

They bought at 29.26 cents and 40.04 cents (SGD).

The next trading day (today), **Crosstec share price plunged 83%** to close at 0.3 6.6 cents in SGD.

That's a 77% and 83.5%, amounting to $1.53 million and $1.67 million loss resp

Which begs the question - **did Econ Healthcare just lose S$3.2 million** by spec stock? Or did they get lucky and sold all of their 3.99 million shares within the of today's trading hours before the dump happened?

P.S. My friends say Crosstec was shared in a HK pump-and-dump chat group. observed this too?

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Econ Healthcare spends $4 million to buy shares of Hong Kong liste design firm Crosstec

Well, it has since been confirmed that Econ Healthcare lost S$3.4 million on this failed trade. The loss is estimated to be more than 100% of the companyâ??s net earnings that was initially projected for FY2022, and the original S$4 million cash represents 10% of Econâ??s shareholder equity.

Now, **how this company got onto Econ Healthcareâ??s radar** or why they even chose to **invest their entire position into a single stock** is anyoneâ??s guess.

2 of my readers told me that Crosstec was a stock promoted in several Hong Kong pump-and-dump telegram groups. It is uncertain if this was the same manner in how Econ Healthcareâ??s management came to know of it as well.

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You can read what MAS has to say about these Hong Kong pump-and-dump scams here.

Update: SGX has queried Econ Healthcare on this saga and you can read their answers here. I highlight the following:

SGX Query 3

3. Who introduced Crosstec to Econ? Is Econ familiar with th jurisdiction in which Crosstec operates?

Company's Response to SGX Query 3

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Crosstec was recommended as an investment to Mr Ong Chu P to be Dr Chan Yan Chong, an established academic and stock acquaintance of Mr Ong.

After being made aware of this potential investment and after the available information on Crosstec, including information on Cros of the HKEx such as its annual report and financial statements Ong to invest in Crosstec shares. Please refer to paragraph 4 be the Company's investment in Crosstec.

What does â??purporting to be Dr Chanâ?• means? So was he, or was he not?

In my view, the DBS analyst who downgraded Econ Healthcare to a â??holdâ?• in the aftermath of this saga was being too kind. Econ Healthcare was never a â??buyâ?• in Budget Babeâ??s books, and after this incident, Iâ??m even more convinced that Iâ??ll stay far away from their stock as an investment.



When management has a history of doing actions that destroy shareholder value, that is a clear no for me.

Aside from that, Iâ??m gonna tell you why I think these are terrible reasons to invest:

- *buying shares because price is rising*
- *investing your entire capital into a single stock*
- *NOT diversifying*

As long-term investors, we should seek to invest in companies that are fundamentally strong or undervalued, or has strong growth prospects. Not just because you observe that prices are rising.

Only traders chase rising prices, and then the question of whether youâ??re able to get out in time before the trend reverses is one that remains to be answered. In reality, not everyone ends up being

able to exit in time.

The other thing NOT to do is to invest your entire capital into a single stock.

Whether you have S$4 million to invest or less, the key is to spread out your risks, because there will always be a chance that your investment could go south. And when that happens, your losses will also be significantly large. In the worst case, your entire portfolio could be wiped out.

So to end off this article, hereâ??s the 3 key takeaways:

1. Do not invest in stocks simply because its share price is rising.

2. Do not invest your entire capital position into a single stock unless youâ??re willing to risk a 100% capital loss.

The 3rd takeaway is buried somewhere in this article, and Iâ??ll leave you to conclude that for yourself.

Category

1. Investing
2. Stocks

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