Heng Fai eyes Reits, secondary listings

HK firm outlines growth strategy after sale of its stake in SingHaiyi

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HONG KONG-listed Heng Fai Enterprises (HFE), backed by the former controlling shareholder of Catalist-quoted SingHaiyi, Chan Heng Fai, could do a secondary listing in Singapore as it shifts focus to real estate investment trusts (Reits).

Mr Chan, who is managing chairman at HFE, and his son Tony Chan, who is managing director, yesterday detailed their plans for the company, which had just completed a strategic review following the disposal of its entire stake in SingHaiyi early in the year.

With the gains made from the disposal, HFE will concentrate on seeding and growing Reits starting with the US market. The younger Mr Chan said earnings have been lumpy over the years with HFE historically focused on turning troubled companies around.

"Our goal now is to re-engineer the company to focus on an ongoing, recurring business because we recognise that the lumpiness that we have created in our historical P&L (profit and loss) statement is not conducive for a listed company," he said.

HFE recorded a loss of HK$36.3 million (S$5.85 million) for the six months ended Sept 30, 2013, an improvement from the loss of HK$45.3 million the year before.

Further, Asian markets such as Singapore, Hong Kong and China are becoming riskier with higher costs, local cooling measures and uncertainty over interest rates. Meanwhile, the US property market is still on the upswing, Mr Tony Chan said.

HFE also plans to raise capital for the company and the Reits under its management through listings on other exchanges. Among those considered are Singapore, London and the United States.

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The company has taken the first steps in its new direction. It is in the process of buying 100 homes in Texas by the end of 2013 for a US-listed vehicle to be renamed American Housing Reit. The plan is to grow this number to 300 homes by the end of next March.

American Housing Reit, in which HFE owns 94.9 per cent, will focus on single-family homes and is expected to have an annual yield of 8 per cent. The first payout is slated for the quarter ending next March.

"We are actually able to pay at maturity yields right off the bat," Mr Tony Chan said, as the Reit will not buy a home without an acceptable tenant in place.

In the quarter following that first distribution, the Reit is likely to raise capital by issuing new shares in the US market, with a view to moving from its current over-the-counter listing to the Nasdaq Global Market by the end of financial year 2015.

"The plan is once we are able to pay out our first dividend and demonstrate the viability of the model . . . we can then raise money for that Reit vehicle," said Mr Tony Chan.

Mr Chan Heng Fai said "our hope is ultimately we will be diluted to one per cent" interest, as the Reit raises more capital to invest in more homes as it becomes increasingly successful, which feeds back into management fees for HFE.

He also has a bold vision for the parent company. "I think this will be definitely the number one fastest growth company listed on the Hong Kong Stock Exchange in the next five years."

Future moves: *Mr Chan Heng Fai (left) and his son Tony Chan detailed their plans for Heng Fai Enterprises yesterday.*

PHOTO: YEN MENG JIIN