

Group managing director Tony Chan with his father, managing chairman Chan Heng Fai of Hong Kong-listed Heng Fai Enterprises. The company has acquired a US firm through which it will enter the recovering US property market to achieve steady and fast-growth business.
ST PHOTO NG SOR LUAN



'White knight' looks to US property market to fuel returns

Reit can harness potential for capital appreciation

By RACHEL SCULLY

BUSINESS veteran Chan Heng Fai often earns the epithet "white knight" for his ability to turn around ailing companies.

The chairman of Hong Kong-listed Heng Fai Enterprises, who is now a Singaporean, has saved several businesses, including the former SingXpress Land, a Singapore-listed property player.

With a colourful career spanning more than four decades, Mr Chan, 68, and his son Tony, 39, are now looking to the recovering United States property market to achieve steady and fast-growth business for Heng Fai.

The firm wants to buy hundreds of low-priced homes battered by the sub-prime mortgage crisis that triggered the global financial crisis.

Heng Fai entered the American housing market in June by acquiring a US firm, which it is renaming American Housing Reit (real estate investment trust).

"Asian property cycles have been on an uptrend and are starting to peak, as evident by the cooling measures imposed in many mature economies," said Mr Tony Chan, Heng Fai's managing director, in an interview with The Straits Times.

"Since US property prices fell to an all-time low during the sub-prime crisis, there are still pockets of opportunities for capital appreciation."

The new engine of business is part of Heng Fai's move to reduce the lumpiness in its turnover.

In a statement last Friday, it said its business model of restructuring, developing and selling firms has led to spikes and troughs in its earnings.

A US-based Reit could help mitigate those effects.

It aims to buy 100 freehold land-locked properties in Texas before the end of the year and 200 more similar houses by March. The properties are about 15 years old.

Each house has a net liveable area of about 2,000 sq ft and costs between US\$140,000 and US\$150,000 (from S\$175,000 to S\$187,000).

Heng Fai will finance about half of these acquisitions, and borrow the rest.

"We are seeing more Singaporeans and Asians looking to buy US properties," said Mr Chan senior.

"Our Reit will give them exposure to the property market there but with less risk... a good investment option for more conservative investors."

Mr Chan said the company intends to offer unitholders an 8 per cent annual yield, paid out quarterly. This is higher than the average yield on available US housing Reits, which offer unitholders yields of between 4 per cent and 6 per cent.

The duo said it is able to offer this premium because of its strict checks and requirements on the properties acquired and tenants it takes in.

For this first phase, each property will be leased to one family for a two-year tenure.

"Families lease the property for a longer average tenure of about 3.5 years compared to students or multiple individuals," said Mr Tony Chan.

To reduce the strain on its balance sheet, Heng Fai's strategy is for the listed Reit to purchase more properties from capital it raises on its own.

It aims to focus on playing the role of a Reit manager which looks after and maintains the properties in the portfolio.

By taking on the role of property manager, it will be able to expand its management services for other residential Reits, said Mr Tony Chan.

Separately, Heng Fai had said earlier this year that it was seeking a secondary listing.

Mr Chan Heng Fai said he could not disclose further details, only that they have narrowed down the options to the US, London and Singapore.

"I've been a Singaporean for four years now and like it here. So I won't rule out the possibility of having Heng Fai listed on the local bourse."

Heng Fai hopes to conclude the secondary listing before the end of next year, and use the proceeds for further investments in the US property sector.

rsjcsully@sph.com.sg



INITIAL PUBLIC OFFERING

LINC ENERGY LTD

(incorporated in Australia under the Australian Corporations Act 2001 (Cth) on 29 October 1996)

Linc Energy is a diversified energy company with operating control of a global portfolio of conventional and unconventional oil, gas and coal assets, and proven Underground Coal Gasification (UCG) technology ready for commercialisation.

Offering in respect of 47,850,000 Offering Shares (subject to the Over-allotment Option (as defined in the prospectus of Linc Energy Ltd dated 11 December 2013))

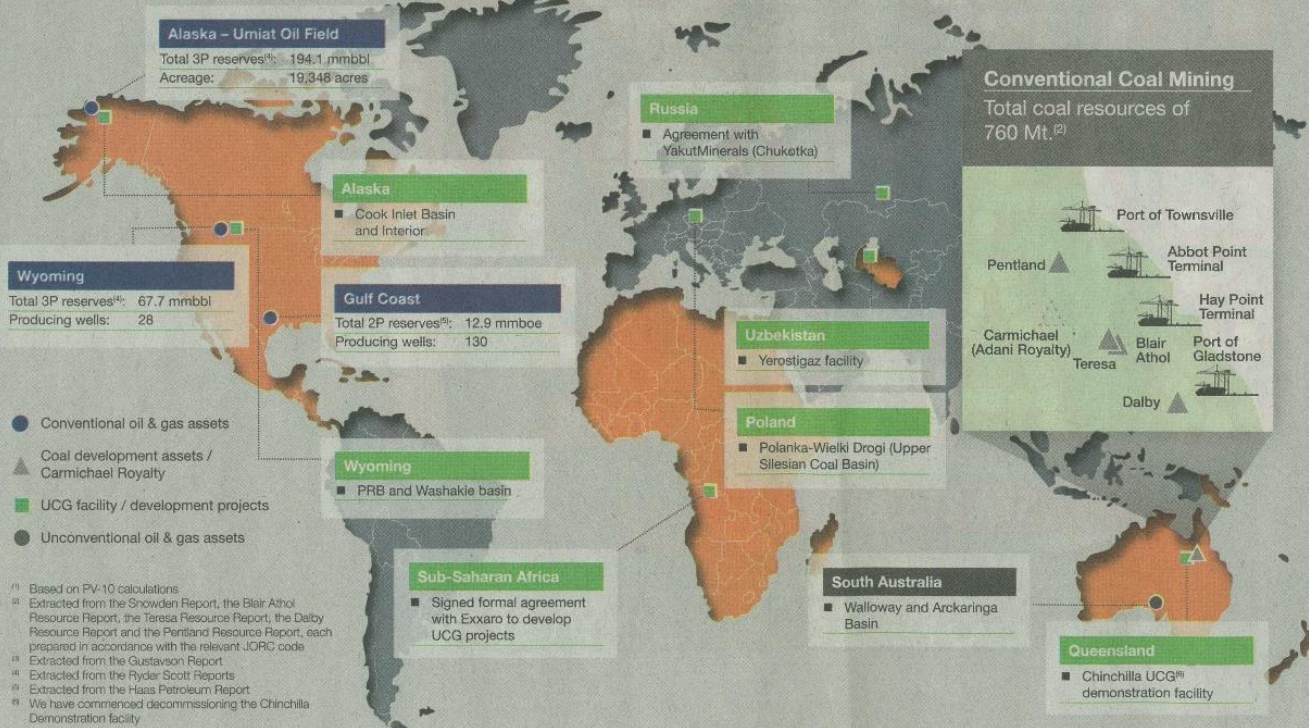
Offering Price: S\$1.20 per Offering Share

Investment Merits

- High quality, low risk and oil-levered **Oil and Gas** assets with estimated 3P reserves exceeding US\$4.6bn⁽¹⁾
- **Largest** listed independent upstream oil & gas exploration and production company in Singapore and one of the largest in South East Asia, in each case, by proved and probable reserves⁽¹⁾
- Will be largest Singapore-listed **Coal** company by total resources (approximately 760 Mt in accordance with the JORC Code)⁽²⁾ with contracted payments from the Carmichael coal tenement anticipated to provide stable medium- to long-term cashflows
- A leader in **UCG Technology**, and believes it is the only company in the world to have produced diesel and jet fuel using its proprietary UCG technology
- Potential **Shale Oil and Gas Resources** with estimated unrisks prospective resources for unconventional reservoirs of 232.8 BBOE⁽³⁾ and estimated gross prospective oil, gas,

condensate and solution gas prospective resources to be 102,800 MBOE based on unrisks mean

• **Proven management** team with development, operational and technical expertise



⁽¹⁾ Based on PV-10 calculations
⁽²⁾ Extracted from the Snowden Report, the Blair Athol Resource Report, the Teresa Resource Report, the Dalby Resource Report and the Pentland Resource Report, each prepared in accordance with the relevant JORC code
⁽³⁾ Extracted from the Gustavson Report
⁽⁴⁾ Extracted from the Ryder Scott Reports
⁽⁵⁾ Extracted from the Haas Petroleum Report
⁽⁶⁾ We have commenced decommissioning the Chinchilla Demonstration facility