HK-Listed Heng Fai Enterprises Releases FY2014 Results; New REIT Strategy To Contribute To Revenue And Profit In FY2015

HK$'000	FY2014	FY2013	Change (%)
Revenue	35,592	56,634	(37.2)
Cost of Sales	(1,745)	(5,957)	(70.7)
Gross Profit	33,847	50,677	(33.2)
Gross Profit Margin (%)	95.1	89.5	5.6
Net (Loss)/ Profit Attributable to equity holders	(43,503)	33,375	N.M[1]
(Loss) / Earnings Per Share On A Fully Diluted Basis (Cent) [2]	(1.21)	0.96	N.M

1 N.M. - Not meaningful
2 EPS on a fully diluted basis is calculated based on 3,595,534,000weighted average number of shares in issue as at 31 March 2014 (*31 March 2013: 3,493,891,000*)

HONG KONG, 27 June 2014 - Heng Fai Enterprises Limited ("**HFE**" or the "**Company**"), which is executing a strategic shift from investment holding to owning and managing REITs ("**REITs strategy**") in the United States, announced today it expects to record its maiden REIT management fees in the financial year ending 31 March 2015 ("**FY2015**").

Releasing its results for the financial year ended 31 March 2014 ("**FY2014**"), Hong Kong Stock Exchange-listed HFE said it recorded revenue of HK$35.6 million and a net loss of HK$42.1 million – mostly derived from its pre-REIT legacy businesses.

The Company's revenue declined 37.2% in FY2014 revenue from HK$56.6 million in the preceding year ("**FY2013**") and recorded a net loss of HK$42.1 million compared to a profit of HK$30.0 million over the comparative periods.

The loss included expenses incurred in executing its new REIT ownership and management strategy, including the acquisition of an initial 46 Single Family Homes ("**SFHs**") valued at US$6.1 million (approximately HK$47.4 million) for a U.S. REIT subsidiary, American Housing REIT ("**AHR**"), and other administrative and professional fees.

Other factors contributing to the lower revenue and loss included the disposal of Hotel Plaza Miyazaki in Japan which lowered revenue for the hotels and hospitality segment by 73.8% to HK$7.1 million compared to HK$27.0 million, and decrease in the gain from the sale of subsidiaries and associated businesses.

The securities business segment recorded an operating loss of HK$12.2 million compared to a profit of HK$16.0 million in FY2013.

As a result of a fair value gain in FY2014 of HK$4.6 million on a revaluation of its investment properties (FY2013: HK$37.4 million), the property investments and trading segment contributed revenue of HK$19.0 million (FY2013: HK$21.8 million) and operating profit of HK$17.8 million (FY2013: HK$46.4 million).

HFE's Managing Chairman, Mr. Chan Heng Fai, said: "*FY2014 was a year of transformation. We have invested heavily in our future and long-term growth through a strategic shift from the legacy business of investment holdings – which has produced lumpy earnings – to our new REIT strategy, already being executed, allowing us to derive a steady stream of recurring REIT management income starting from FY2015.*"

Having unveiled this strategy on 6 December 2013,HFE has seeded two REITs listed on the U.S. Over-The-Counter Bulletin Board. AHR owns a portfolio of SFHs primarily in Texas while the Global Medical REIT ("**GMR**") owns a medical facility in Omaha, Nebraska. AHR has commenced paying annualised dividend yields of 8% and GMR will commence this from July 2014.

AHR has closed its first 100 SFHs and will seek bank financing as it seeks to increase its portfolio to 1,000 SFHs by the end of FY2015. GMR completed the acquisition of the medical facility on 6 June 2014 and hopes to grow its net asset value to US$400 million by the end of FY2015.

HFE is managing these REITs via an 85%-owned U.S. subsidiary, Inter-American Group Holdings Inc. ("**IA**"), for management fees of 1.5% to 2% of assets under management. The Company expects to start earning management fees from FY2015.

HFE, which disposed of its Singapore property development subsidiary in FY2013, also intends to embark on property development in the United States via an IA subsidiary, Inter-American Development, LLC, which is identifying projects for sub-division or for which it can be a master developer.

HFE has appointed Allenby Capital Limited as nominated adviser and broker for a proposed secondary listing on the U.K. Alternative Investment Market to raise additional capital to accelerate its new corporate strategy.

Mr Chan said: "*HFE's future performance will be driven by our new U.S. REIT and property development strategy which we intend to accelerate in FY2015. Apart from raising funds to fuel this growth, we hope to migrate both REITs to the NASDAQ main market by the end of FY2015. Barring unforeseen circumstances, we are reasonably confident that this new strategy will lead to a better financial performance in FY2015 compared to FY2014.*"

As at 31 March 2014, HFE's cash and cash equivalents stood at HK$102.7 million compared to HK$353.4 million at 31 March 2013. Total borrowings fell to HK$201.8 million from HK$257.5 million a year earlier mainly due to the early redemption of non-convertible HFE bonds and acquisition of investment properties, including SFHs.

HFE reported loss per share of 1.21 Hong Kong cents in FY2014 compared to earnings per share of 0.99 Hong Kong cents a year ago. Net asset value per share decreased to 22.9 Hong Kong cents as at 31 March 2014 from 25.6 Hong Kong cents as at 31 March 2013.

End of release###

Issued on behalf of the Company by WeR1 Consultants Pte Ltd.

Media & Investor Contact Information
WeR1 Consultants Pte Ltd
38A Circular Road
Singapore 049394 Tel: (65) 6737 4844, Fax: (65) 6737 4944
Amelia Lee, Amelia@wer1.net
Lai Kwok Kin, Laikkin@wer1.net

About Heng Fai Enterprises Limited

Heng Fai Enterprises Limited, formerly known as Xpress Group Limited, has been listed on the Hong Kong Stock Exchange since 1972 and has a current market capitalisation of approximately HK$1.4 billion (~US$174.5 million). The Chan family has majority control of the Company's share capital base.

The Company is led by directors with strong finance and property experience as well as an established track record on Wall Street, and in Hong Kong and Singapore.