



## CORPORATE EARNINGS

Reits hold steady as quarterly results come in **TOP STORIES / 5**

## HOCK LOCK SIEW

SIA could deliver more positive surprises **COMPANIES & MARKETS / 6**

## GRAND VISION

Singapore eDevelopment's CEO puts his money where his mouth is **COMPANIES & MARKETS / 8**



## MARKETS

STI	Weekly Change
KL COMP	CLOSED
Nikkei 225	16,083.44 -918.84
HANG SENG	CLOSED
SHENZHEN B	CLOSED
DOW JONES	15,923.47 -103.58

## S'pore eDevelopment's CEO puts his money where his mouth is

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SINGAPORE eDevelopment chief executive officer Chan Heng Fai has a grand vision that includes US real estate, private equity and even mobile technology in the future of the former construction company. Like many grand visions, Mr Chan requires capital. The problem for him is that minority shareholders balked when he tried in December to persuade them to help provide that capital.

So the veteran restructurer of companies, who became a shareholder of Singapore eDevelopment only three years ago, has decided to put up his own money and prove his doubters wrong. "I've been beaten up many, many times, but I'm a die-hard person," he said. "I'll never say die. When I put my mind to it, I get it to work."

Mr Chan on Feb 2 agreed to buy \$57 million of new Singapore eDevelopment shares at six Singapore cents apiece, which was just slightly double the 2.94 cents volume-weighted price on Jan 29. About \$56.42 million of the proceeds will be used to fully redeem a \$55 million series of 18 per cent exchangeable bonds due February 2017, of which Mr Chan holds 70 per cent, or \$33.5 million, of the outstanding nominal principal amount. Each bond can be exchanged for new Singapore eDevelopment shares at six Singapore cents per share.

The placement is conditional upon regulators and independent shareholders agreeing to a whitewash waiver, in the absence of which Mr Chan will have to make a general offer for the company when his stake is raised to 48.4 per cent from the current 28.3 per cent following the placement. Singapore eDevelopment minority shareholders who have faith in Mr Chan's vision and his ability to achieve his goals may see little harm in supporting the waiver. But those with less confidence may find it hard to express their lack of confidence by demanding an exit offer from Mr Chan.

For such shareholders, blocking the waiver would leave them probably without an exit offer anyway, and with the company still paying 18 per cent every year on the exchangeable notes, of which seven-tenths will go to Mr Chan. Singapore eDevelopment estimated that the redemption of the bonds before June 30, 2016, would save the company about \$5680,000.

When asked about the need to have the whitewash waiver, Mr Chan said he was doubtful whether minority shareholders would be satisfied with a general offer at the placement price of six Singapore cents. He also did not think a general offer would benefit the company and its remaining shareholders. "You make a GO (general offer), Number 1, nobody will give you the stock at this price. I know for sure," Mr Chan said. "Number 2, you make a GO, the money doesn't go into the company. The company needs working capital."

The fact that independent shareholders in December had rejected a rights-and-warrants issue suggests that a non-trivial proportion of disgruntled minority shareholders exists. After all, since Mr Chan became a shareholder of the company, in 2013, when it was still called CCM Group, Singapore eDevelopment has tapped its shareholders twice to raise at least \$550 million. The first was a cash call in 2013 wrapped as an issue of "bonus warrants", and the second a rights issue in 2014.

Shareholders approved the cash calls both times, but in 2015, when Singapore eDevelopment and Mr Chan tried again, minority shareholders said no. Mr Chan was coy about what went on at the shareholders' meeting, but it was clear that he was not happy about the rejection.

His new strategic plans for the company are actually close to showing actual results, he said. The biggest part of those plans sits in the United States, where Singapore eDevelopment is developing one residential project in Texas and another in Maryland. The company continues to expect to be able to begin recognising revenue from both projects in 2016.

The capital markets services business that the company is branching into will leverage Mr Chan's connections from years as a banker and businessman, and present the company with potential pre-listing investment opportunities. The technology business, in which Singapore eDevelopment invested in a communications app, is currently on the backburner because of a lack of funds.

All of those plans require capital, and Mr Chan took pains to point out that, by his calculation, he has put \$534.4 million of his own money into the company since 2013. That calculation comprises his initial investment,



Mr Chan says that his new strategic plans for Singapore eDevelopment are actually close to showing actual results

the exchangeable notes, warrants bought on the open market, the 2014 rights issue and a US\$10.5 million interest-free bridging loan he provided to the company to allow the Maryland project to proceed.

The planned \$57 million placement would not be all new money that he will be injecting into the company. About \$53.5 million will essentially be a swap of his bonds into equity; he will presumably also receive some cash-back from the redemption premium and accrued interest. In fact, his critics have pointed to examples such as the exchangeable notes as signs that the businessman may be prone to enriching himself at the cost of the company. Mr Chan rejected any such notion, explaining that the high coupon was necessary to attract the investment by the bondholders.

"It was a bankruptcy company! It was a bankruptcy company!" he said. "Even 18 per cent is cheap, and I had to take the lead because people believed in me, not because of anything else. But all the big companies in Hong Kong, blue-chip Hong Kong, China public companies, they float a bond, they're doing 15 per cent. So 18 per cent, they believed in me, so I need to make sure they all get paid back."

Mr Chan also cited his track record of turning around companies, including his involvement in and subsequent exit from the company that is now called SingHaiyi Group. In fact, he views Singapore eDevelopment as a personal obligation because he believes that investors may have bought into Singapore eDevelopment on the strength of his reputation, even though the company's shares today are trading at a fraction of their price when Mr Chan first stepped in.

"People buy on my name and my track record, and that's what gets me today," he said. "And I feel so responsible. I feel so responsible not to let people invest in me to just take an easy profit on my investment."