

Heng Fai Enterprises Limited

恆輝企業控股有限公司

Stock code: 185.HK

[April 2014]



Opportunity For Early-Stage Investment In Game-Changing High-Yield U.S. REITs

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Company Overview

About Heng Fai Enterprises Limited (“HFE”)

Stock code	:	185.HK
Listing date	:	Dec 1972
No. of issued shares	:	3,602,657,172
Stock price (as at April 4 2014)	:	HK\$0.425
Market cap (as at April 4 2014)	:	HK\$1,531m

Transformation into a property & medical REIT management company in the U.S. property market

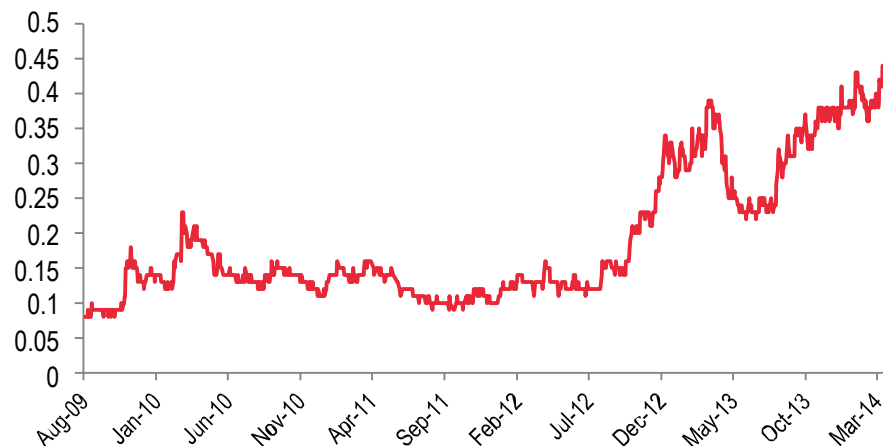
- Sustainable growth in AUM
- High & stable dividend income

Veteran management team led by Chairman Chan Heng Fai

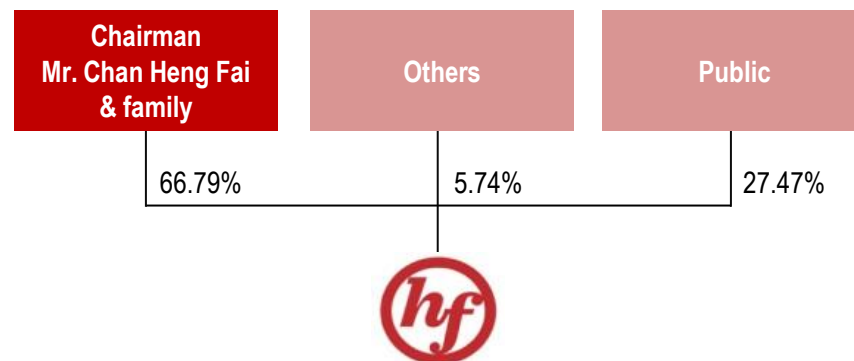
- Over 40 years of international corporate restructuring experience
- Successfully restructured over 35 companies in different industries and countries

Stock Price Performance

Share price (HK\$) *hi/lo: HK\$0.08 – 0.44*

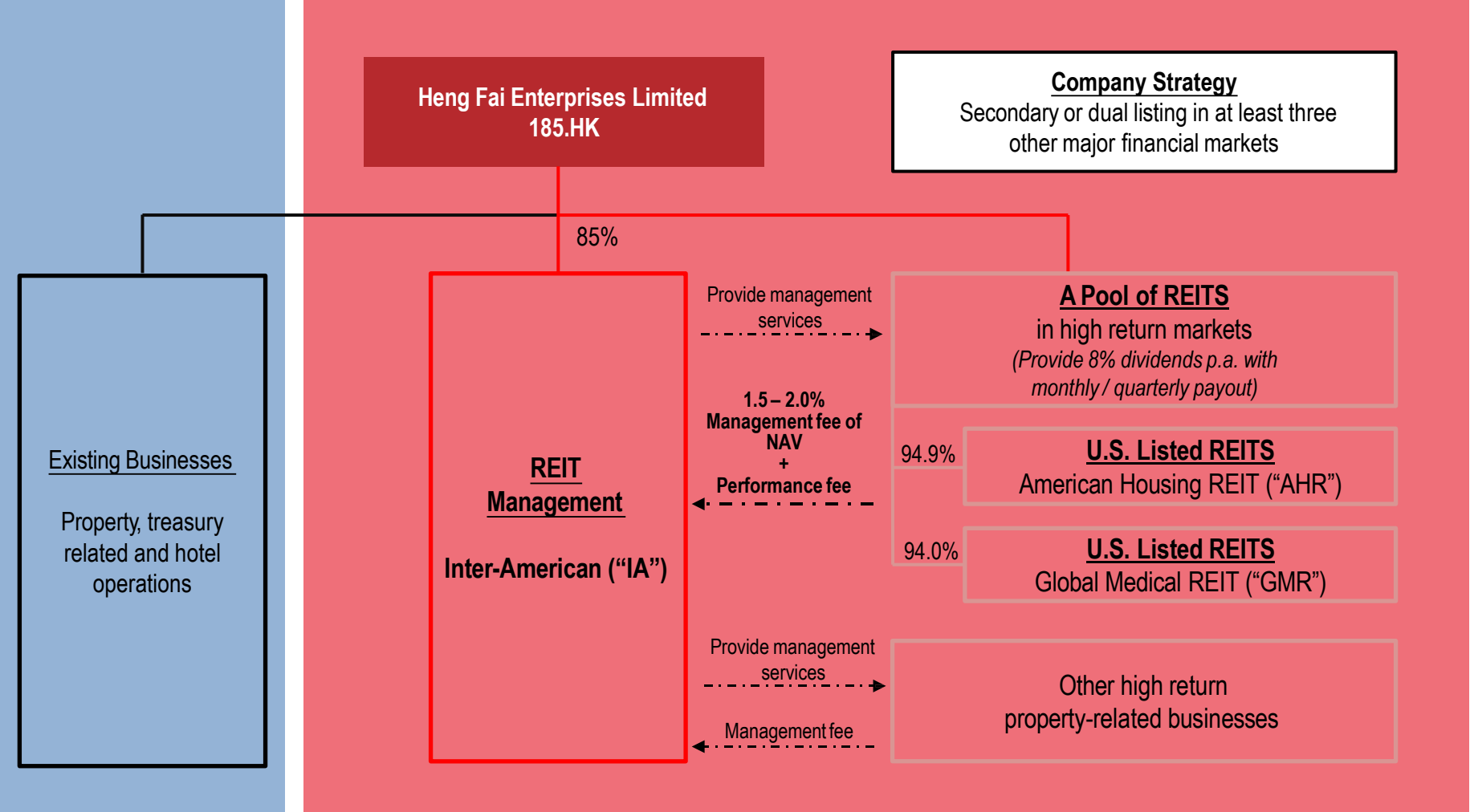


Shareholding Structure *(for the year ended 31 March 2014)*



Business Transformation

Strategic shift to high-yield U.S. REITs in property and medical market



Strategic Direction of HFE

In December 2013, HFE unveiled a major strategic shift in its business focus

Previous HFE business approach

Business value proposition:

Operational restructuring business transformation oriented to a future disposal

Financials:

Non-recurrent revenue. Lumpy profits and long term value orientation



New HFE orientation

Business value proposition:

Sustainable growth, visibility of revenue stream and recurrent dividend income to shareholders

Financials:

Attractive yield and recurrent dividend paid monthly or quarterly



REIT management in the U.S.

About HFE

✓ Heng Fai Enterprises Limited (formerly Xpress Group Limited)

Transformed from a pure construction company to an enterprise that focuses on restructuring opportunities

- Market cap grew from HK\$30 million (US\$3.8 million) in 1992 to **over HK\$1.4 billion (US\$180 million) in 2014**

Company Milestone



Management Team



Chan Heng Fai, Chairman

- Successfully restructured over 35 companies in different industries and countries
- Outstanding experience in managing funds for over 40 years

- Remarkable success stories in transforming companies in the past 40 years



Management Team (Cont')

Selected achievements

American Pacific Bank

✓ American Pacific Bank

Acquired out of bankruptcy for US\$0.25 per share in 1987

After transformation: A US NASDAQ high asset quality bank, with zero loan losses for over 5 consecutive years

- Ranked #21 for performance among all the U.S. listed banks in 1997
- Ranked #13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for 2003
- **Ultimately sold for US\$12 per share in 2005**



✓ China Gas Holdings Limited

Acquired the failing Japanese fashion company listed in Hong Kong at HK\$0.50 per share in 1997

After transformation: One of the biggest gas distributors in China

- China Gas is now trading at HK\$11 and its market cap is HK\$56 billion

Management Team (Cont')

Selected achievements



✓ Global Med Technologies, Inc.

Financed to develop information management software products for blood banks, hospitals and centralized transfusion centers since 1998

After transformation: The overall leader in the U.S. with a 28% market share

- **Sold to Haemonetics Corp, a major U.S. listed healthcare company and the global leader in blood management solutions for US\$60 million in 2010**
- A multi-fold increase in value over the initial investment



✓ SingHaiyi Group Ltd (formerly SingXpress Land Ltd)

A fixtures and fittings company then known as Futuristic Image Builder

After transformation: A growth-focus company in property development

- Grew from a market cap of S\$4 million to over S\$500 million within 3 years

Management Team (Cont')



Tony Chan, Managing Director

- Over 15 years experience in investment banking-related activities on Wall Street and in Asia
- Specialized in Asian equity financial products for two investment banking firms
- Was an executive director of the SGX-listed SingHaiyi Group from November 2003 to September 2013
- Acted as a securities' principal in a NASD-licensed brokerage house
- Holds a Bachelor of Commerce degree with honors, with a finance specialization, from the University of British Columbia

Growth Driver: REIT Management in the U.S.



Why REITs and Why the U.S. Market?

A clear strategic shift from Asian property to the U.S. property market

1 The U.S. real estate and medical asset markets are at much more attractive entry levels compared to Asia

- Higher yield
- Low-cost entry
- Larger capital appreciation potential

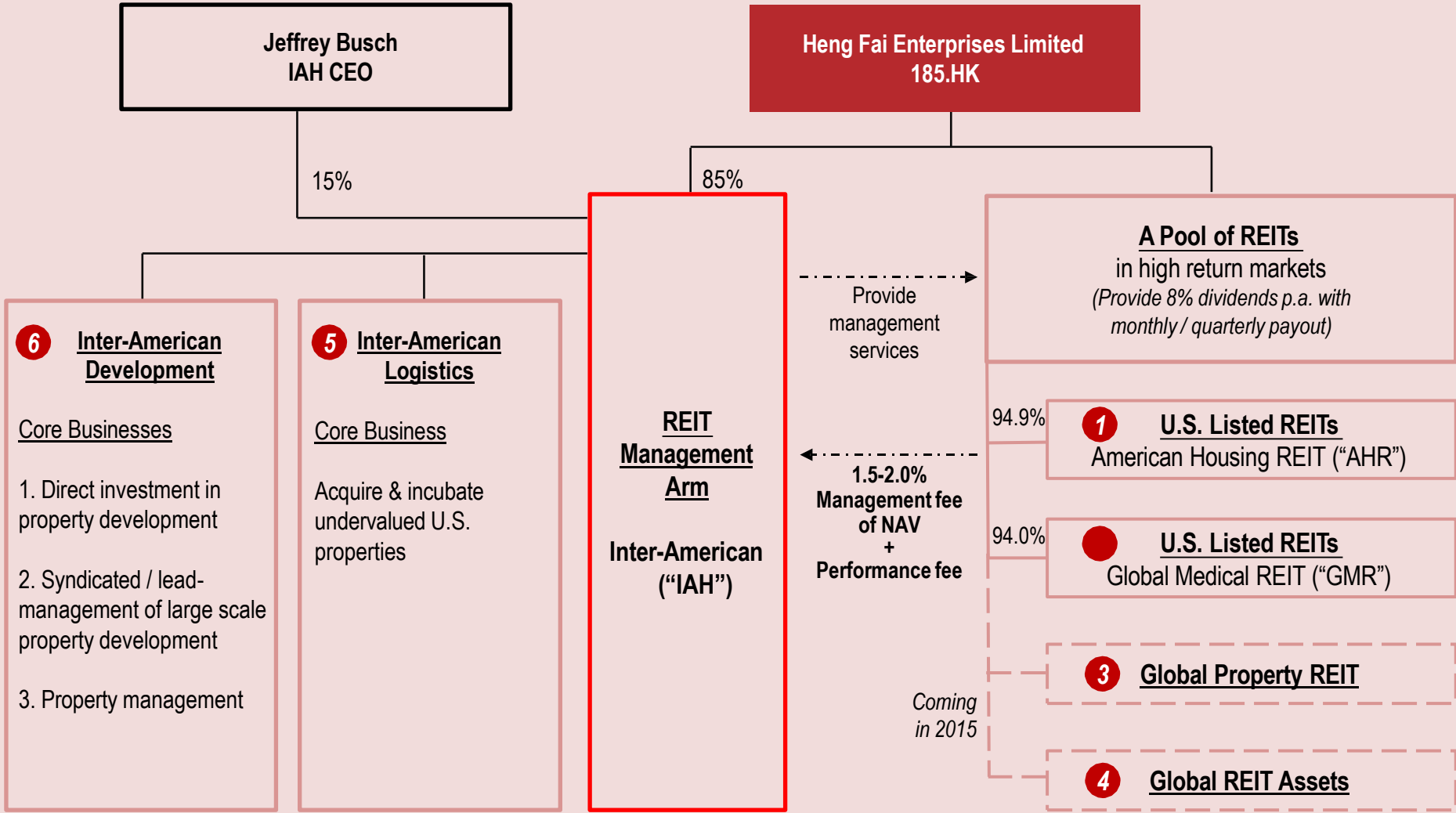
2 Asian investors are looking for recurrent yields and future capital gains, which HFE and its REITs portfolio can offer

Our REIT Management Vision

Strategy oriented to growth and recurrent dividend payments

- 1** Seeding and growing REITs, principally in the U.S., which can offer attractive and sustainable yields (i.e. 8% p.a.)
- 2** Developing a highly scalable and potentially significant stream of recurring income by directly managing these REITs via Inter-American Group Holdings Inc. (“IAH”)
- 3** Raising capital for the Company and the REITs through secondary or dual listings on various international exchanges including UK AIM and Singapore Exchange

Business Overview



REITs under Management

1 American Housing REIT ("AHR")

- A U.S. public company, which **invests in carefully selected tenanted single family homes in high employment and high occupancy areas**
- Strict underwriting criteria include location, condition, tenant profile, and potential for capital appreciation; supported by in-market management
- Targeting **dividend yield of 8% per annum paid quarterly**



REITs under Management (Cont')

2 Global Medical REIT ("GMR")

- A U.S. public company, which will invest in **triple net lease medical real estate facilities**
- **No management costs** to maintain facilities or equipment
- Monthly payments (suitable for retirement needs)
- Targeting **dividend yield of 8% per annum paid monthly**



REITs under Management (Cont')

Coming in 2015

3 Global Property REIT (“GPR”)

- AREIT which will orient to **buy global niche properties with high sustainable yield** in Japan, the U.S., Canada, China, Singapore, Malaysia, Hong Kong and Europe
- Targeting **dividend yields of 8% per annum paid monthly**

Global REIT Assets (“GRA”)

- AREIT which will **invest in high yield, high cash-flow assets** with strong balance sheets, e.g. data centres, industrial/ manufacturing facilities
- Targeting **dividend yields of 10% per annum paid monthly**

Other Businesses under Management

5 Inter-American Logistics – “Incubating” Property

- Acquire undervalued U.S. properties which do not immediately meet AHR’s criteria, e.g. temporarily untenanted
- Refurbish and increase rental yields of these properties

Exit Strategies

- Inject into AHR once they have been upgraded to meet AHR’s strict underwriting criteria and return targets
- Sell directly to overseas investors who want direct high-yield property ownership

Other Businesses under Management (Cont')

6 Inter-American Development (“IAD”) – Property Development

- With extensive experience, management team is well positioned to undertake low-risk high-return U.S. property development opportunities

IAD’s business focuses on 3 revenue streams

- Directly investing in unique development opportunities
- Syndicating or lead-managing larger scale property developments
- Managing third-party U.S. properties including performance incentives

Executive Team of IA



Jeffrey Busch
Chief Executive Officer



- Served under two U.S. presidents as assistant to the Secretary of Housing and Urban Development (“HUD”) and the U.S. Ambassador to the United Nations in Geneva, Switzerland
- Oversaw a yearly budget of US\$3.2 billion for housing and commercial real estate developments at HUD
- Over 20 years of real estate industry experience as developer, manager and investor
- Has developed properties valued at hundreds of millions dollars in large scale residential, commercial, hospitality, and retail projects
- Graduate of New York University Stern School of Business, and holds a Masters of Public Administration from New York University and a Doctor of Jurist Prudence from Emory University

Executive Team of IA (Cont')



Eric Illowsky
Chief Operating Officer



- Has worked on both the “buy” and “sell” sides of large commercial transactions and joint venture partnerships for The Walt Disney Company, Cox Communications, USA Networks, and Hollywood Media Corp
- A seasoned real estate professional, with investments in hard assets through Georgetown Investments, JLR Realty and Grand Avenue Associates

- As a principal and a consultant, he sourced, evaluated and closed commercial and multi-family acquisitions, including risk analysis and financial oversight
- Oversaw acquisitions, distribution, partnership development and various operating integrations for Hollywood Media Corp. from 1998 - 2008
- Holds business degrees from the Wharton School of Finance and Commerce and UCLA

Executive Team of IA (Cont')



David Young
Chief Executive Officer,
Global Medical REIT

- Led business development for Healthcare Property Investors (NYSE/HCP) and steered portfolio growth of this leading REIT from \$300 million to over \$3.5 billion in assets, delivering a 23% annual IRR to investors during the 1990s



- Designed and co-launched Windrose REIT (NYSE/WRS) for investors in 2002. WRS was merged into Healthcare REIT (NYSE/HCN), of Toledo, OH, in 2007

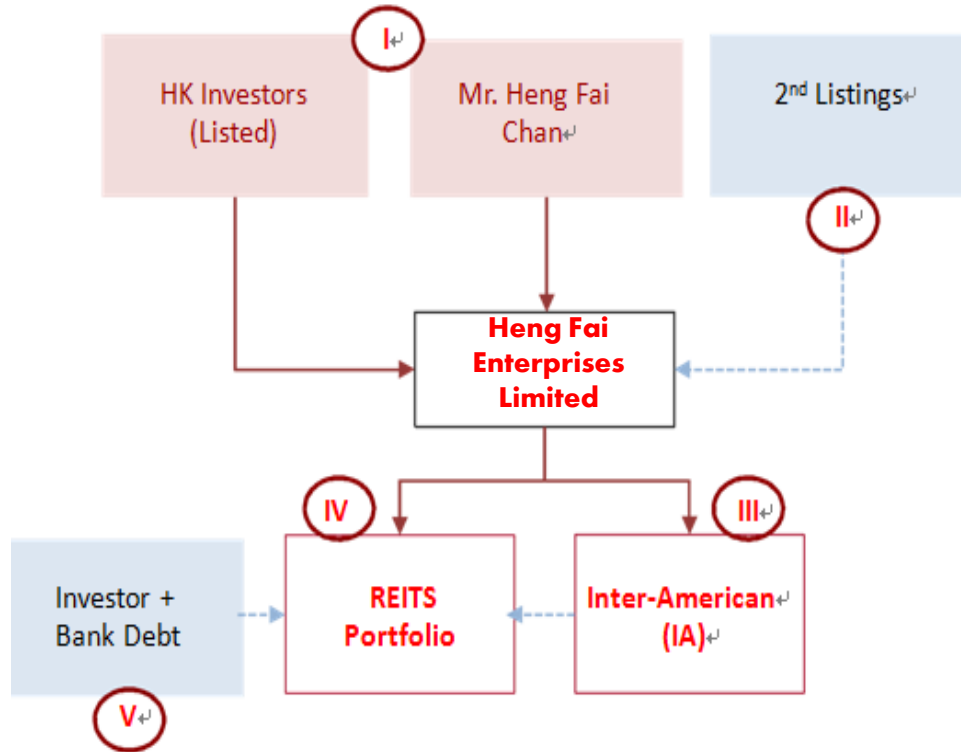


- Designed and initiated a dedicated hospital real estate finance business for GE Capital, and has personally overseen the successful funding of numerous major large hospital and physician practice real estate projects



REITs Portfolio Management Structure

HFE will maintain a 85% of IA and has invested in the launch of REITs and property development



Description:

- I. Current investors in HFE
- II. Secondary listing of HFE on the London AIM Exchange and subsequently Singapore and the U.S.
- III. IA: REIT Management company and property development
- IV. REITs Portfolio: American Housing REIT, Global Medical REIT, Global Property REIT and Global REIT Assets
- V. Future REIT investors and banking debt for REITs' development

How HFE has begun enhancing the value Of AHR

OTC-listed American Housing REIT (“AHR”) (expected to obtain REIT status by June 2014); **to be upgraded to NASDAQ Global Market** upon qualifying

Acquiring refurbished revenue-generating single family home (SFHs) which meet its strict underwriting criteria

Target to **deliver its first quarterly dividend payment of 8% per annum** for the quarter ended March 31 2014

Assets Acquired by AHR

U.S. single-family homes



Cities covered:

- Dallas, TX
- Houston, TX
- Atlanta, GA
- Charlotte, NC
- Tampa, FL
- Orlando, FL



Our REIT Management Strategy

1 Capitalize REIT subsidiary AHR and demonstrate distribution of approx. 8% dividend per annum

2 Establish a long-term agreement for AHR to be managed by 85%-owned IA

3 Management fees to IA effectively equate 1.5-2% of NAV for the REITs' under management

4 Economies of scale as REITs expand in size will enhance management fees and margin

5 IA receives 20% of incremental earnings of REITs' performance over 8%

6 Develop high-return ancillary revenues e.g. sale of insurance, utilities, home monitoring, etc.

Appendix



HFE Financial History

	2013	2012	2011	2010	2009
HK\$'000		For the year ended March 31			
Profit / loss for the year	30,004	(188,286)	51,282	190,974	(111,587)
HK\$'000		As at March 31			
Equity attributable to owners of the Company	904,396	820,040	962,685	772,679	427,704



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