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## Heng Fai Enterprises Limited

恒輝企業控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

#### RESULTS

The Board of Directors (the “Board”) of Heng Fai Enterprises Limited (the “Company”) hereby announce the consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 March 2015 together with the comparative figures of the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	3	60,661	32,483
Cost of operations		<u>(15,343)</u>	<u>(13,532)</u>
Gross profit		45,318	18,951
Other income		2,631	1,655
Other gains and losses	4	11,888	11,557
Administrative expenses		(99,417)	(69,513)
Finance costs	5	(10,248)	(4,651)
Share of loss of an associate		(1,288)	(222)
Share of loss of a joint venture		<u>(209)</u>	<u>–</u>

	<i>NOTES</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation	6	<b>(51,325)</b>	(42,223)
Income tax (expense) credit	7	<b>(4,005)</b>	113
Loss for the year		<u><b>(55,330)</b></u>	<u>(42,110)</u>
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<b>(46,340)</b>	(15,963)
Reclassification of exchange reserve on disposal of subsidiaries to profit or loss		–	(31,461)
		<u><b>(46,340)</b></u>	<u>(47,424)</u>
<b>Total comprehensive expense for the year</b>		<u><b>(101,670)</b></u>	<u>(89,534)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(54,920)</b>	(43,503)
Non-controlling interests		<b>(410)</b>	1,393
		<u><b>(55,330)</b></u>	<u>(42,110)</u>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		<b>(99,727)</b>	(89,168)
Non-controlling interests		<b>(1,943)</b>	(366)
		<u><b>(101,670)</b></u>	<u>(89,534)</u>
<b>Loss per share (HK cents)</b>	8		(restated)
Basic and diluted		<u><b>(1.42)</b></u>	<u>(1.14)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 31 MARCH 2015*

	<i>NOTES</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>34,685</b>	36,379
Investment properties		<b>844,901</b>	711,914
Interest in an associate		<b>2,782</b>	3,120
Interest in a joint venture		<b>731</b>	–
Deposit for acquisition of investment properties		<b>775</b>	–
Available-for-sale financial assets		<b>2,718</b>	3,334
Pledged bank deposits		<b>6,711</b>	4,738
		<hr/>	<hr/>
		<b>893,303</b>	759,485
<b>Current assets</b>			
Inventories		<b>200</b>	215
Accounts receivable, deposits and prepayments	9	<b>31,298</b>	48,948
Loan receivables		–	612
Financial assets at fair value through profit or loss		<b>39,855</b>	126,350
Pledged bank deposits		<b>56,649</b>	49,535
Restricted bank balances		<b>1,335</b>	–
Bank balances and cash		<b>47,087</b>	102,732
		<hr/>	<hr/>
		<b>176,424</b>	328,392
Investment properties classified as held for sale	10	<b>99,142</b>	6,450
		<hr/>	<hr/>
		<b>275,566</b>	334,842
<b>Current liabilities</b>			
Accounts payable and accruals	11	<b>23,419</b>	8,887
Bank and other borrowings – due within one year		<b>210,564</b>	165,681
Obligations under finance leases		<b>205</b>	103
Amounts due to a director		–	61,165
Tax liabilities		<b>282</b>	481
		<hr/>	<hr/>
		<b>234,470</b>	236,317
<b>Net current assets</b>		<hr/> <b>41,096</b> <hr/>	98,525
<b>Total assets less current liabilities</b>		<hr/> <b>934,399</b> <hr/>	<hr/> 858,010 <hr/>

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>189,595</b>	970,951
Reserves	<b>557,265</b>	(144,153)
	<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>	<b>746,860</b>	826,798
Non-controlling interests	<b>(7,568)</b>	(5,028)
	<hr/>	<hr/>
<b>Total equity</b>	<b>739,292</b>	821,770
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Rental deposits received	<b>1,609</b>	–
Bank and other borrowings – due after one year	<b>188,937</b>	35,625
Obligations under finance leases	<b>561</b>	345
Deferred tax liabilities	<b>4,000</b>	270
	<hr/>	<hr/>
	<b>195,107</b>	36,240
	<hr/>	<hr/>
<b>Total equity and non-current liabilities</b>	<b>934,399</b>	858,010
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2015

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and by the Hong Kong Companies Ordinance (Cap. 622). In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements. The consolidated financial statements have been prepared on the historical cost basis except for investments properties and certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and a new Interpretation in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

### 3. REVENUE AND SEGMENT INFORMATION

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue is analysed as follows:		
Rental income	<b>41,086</b>	18,968
Income from hotel operations	<b>6,666</b>	7,090
Dividend income from financial assets at fair value through profit or loss	<b>6,343</b>	5,987
Property management fee income	<b>6,276</b>	–
Interest income	<b>290</b>	438
	<b>60,661</b>	32,483

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is based on different business activities of the Group. This is also the basis upon which the Group is organised and managed. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year, the Group has expanded its property investment business in the United States of America (the “USA”) through two subsidiaries namely American Housing REIT Inc. (“AHR”) and Global Medical REIT Inc. (“GMR”). Accordingly, the Group’s reportable segments under HKFRS 8 are as follows:

- a) Securities trading and investment
- b) Property investment and management in the USA by AHR and GMR
- c) Property investment other than AHR and GMR
- d) Hotel operations

In addition, the money lending operations and property development businesses are included under “Others” and not presented as separate reportable segments. The Group has continued to identify new property development projects in Singapore, the USA and other jurisdictions.

The following is an analysis of the Group's revenue, results and assets by reportable and operating segments:

**Segment revenue, results and assets**

*For the year ended 31 March 2015*

	Securities trading and investment <i>HK\$'000</i>	Property investment and management in the USA by AHR and GMR <i>HK\$'000</i>	Property investment other than AHR and GMR <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>6,393</u>	<u>30,389</u>	<u>16,973</u>	<u>6,666</u>	<u>240</u>	<u>60,661</u>
Segment results	<u>16,432</u>	<u>(3,079)</u>	<u>9,400</u>	<u>(4,658)</u>	<u>(133)</u>	17,962
Unallocated corporate income						102
Unallocated corporate expenses						(67,175)
Unallocated finance costs						(717)
Share of loss of an associate						(1,288)
Share of loss of a joint venture						<u>(209)</u>
Loss before taxation						(51,325)
Income tax expenses						<u>(4,005)</u>
Loss for the year						<u>(55,330)</u>
Segment assets	58,944	230,499	716,156	7,790	–	1,013,389
Interest in an associate						2,782
Interest in a joint venture						731
Unallocated assets						<u>151,967</u>
Total assets						<u>1,168,869</u>

For the year ended 31 March 2014

	Securities trading and investment <i>HK\$'000</i>	Property investment and management in the USA by AHR and GMR <i>HK\$'000</i>	Property investment other than AHR and GMR <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>6,380</u>	<u>1,422</u>	<u>17,546</u>	<u>7,090</u>	<u>45</u>	<u>32,483</u>
Segment results	<u>(2,319)</u>	<u>(3,633)</u>	<u>21,417</u>	<u>(5,352)</u>	<u>(1,833)</u>	<u>8,280</u>
Unallocated corporate income						1,341
Unallocated corporate expenses						(84,492)
Unallocated finance costs						(1,760)
Gain on disposal of subsidiaries						34,630
Share of results of an associate						<u>(222)</u>
Loss before taxation						(42,223)
Income tax credit						<u>113</u>
Loss for the year						<u>(42,110)</u>
Segment assets	138,176	63,087	658,015	9,320	756	869,354
Interest in an associate						3,120
Unallocated assets						<u>221,853</u>
Total assets						<u>1,094,327</u>

#### 4. OTHER GAINS AND LOSSES

	<b>2015</b> <b><i>HK\$'000</i></b>	2014 <i>HK\$'000</i>
Increase (decrease) in fair value of financial assets at fair value through profit or loss	<b>10,764</b>	(7,225)
Increase in fair value of investment properties	<b>6,996</b>	4,590
Loss arising from acquisition of subsidiaries	–	(4,410)
Impairment loss recognised in respect of goodwill	–	(10,544)
Impairment loss recognised in respect of available-for-sale financial assets	<b>(616)</b>	–
Impairment loss recognised in respect of other receivables ( <i>note 9</i> )	<b>(1,721)</b>	–
Gain on disposal of subsidiaries	–	34,630
Bad debts written-off in respect of trade and other receivables	<b>(851)</b>	(1,509)
Loss on disposal of property, plant and equipment	<b>(10)</b>	(30)
Exchange loss, net	<b>(2,674)</b>	(3,945)
	<b><u>11,888</u></b>	<u>11,557</u>



## 5. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interests on:		
bank and other borrowings	9,985	3,298
finance leases	20	7
bonds	–	1,346
Other finance costs	243	–
	<u>10,248</u>	<u>4,651</u>

## 6. LOSS BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Total staff costs:		
Directors' emoluments	19,480	35,966
Other staffs:		
Salaries and other benefits	22,254	17,134
Retirement benefit scheme contributions	821	526
	42,555	53,626
Auditor's remuneration		
– audit services	1,710	805
– non-audit services	168	–
Operating lease payments	2,617	904
Depreciation of property, plant and equipment	2,164	1,738
Cost of inventories recognised as an expense	1,700	1,745
after crediting:		
Rental income from investment properties	41,086	18,968
Less: direct outgoings	(10,293)	(8,718)
	<u>30,793</u>	<u>10,250</u>

## 7. INCOME TAX EXPENSE (CREDIT)

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The charge (credit) comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	–	(680)
Tax in other jurisdictions	275	297
Deferred taxation	3,730	270
	<u>4,005</u>	<u>(113)</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as there is no assessable profits in Hong Kong for both years.

Singapore income tax is calculated at 17% of profit before income tax. According to the relevant Singapore tax regulations, certain Singapore subsidiaries of the Group enjoyed the partial tax exemption during the years ended 31 March 2015 and 31 March 2014.

The subsidiaries in the USA are subject to Federal Income Tax of 35% and State Tax of 5% to 8.25% on the taxable income. Certain subsidiaries are LLCs which are by default disregarded entities (i.e. viewed as divisions of the holding company) and taxed as part of their holding company for federal and state tax purposes.

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following information:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(54,920)</u>	<u>(43,503)</u>
	<b>2015</b> <b>'000</b>	2014 '000 (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>3,867,147</u>	<u>3,811,266</u>

The computation of the diluted loss per share for the current and prior years does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

Weighted average number of ordinary shares for 2015 and 2014 has been calculated taking into account the bonus element of the open offer of one share of the Company for every ten existing shares that completed in April 2015.

## 9. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivable	1,836	7,984
Prepayments for professional fees in respect of the proposed secondary listing	–	9,177
Deposits placed in brokers' accounts	19,089	11,826
Other receivables, deposits and prepayments	5,534	13,059
	<u>26,459</u>	<u>42,046</u>
Amounts due from an investee	6,560	6,902
Impairment in relation to amounts due from an investee	(1,721)	–
	<u>4,839</u>	<u>6,902</u>
	<u>31,298</u>	<u>48,948</u>

Trade receivables represents the rental receivables and hotel room revenue receivables.

The settlement terms of rentals receivable are upon presentation of demand notes. Rental receivables in the USA are initially received by the property managers appointed by the Group as collection agent. Pursuant to agreements between the property managers and the Group, the property managers shall pay the rental collected on behalf of the Group within 30 days.

Hotel room revenue is normally settled by cash or credit card.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates, which approximates the respective dates on which revenue was recognised.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–60 days	1,836	414
61–90 days	–	38
Over 90 days	–	7,532
	<u>1,836</u>	<u>7,984</u>

The aging of accounts receivable which is past due but not impaired at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–60 days	–	38
Over 90 days	–	7,532
	<u>–</u>	<u>7,570</u>

Accounts receivable that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Accounts receivable that was past due but not impaired as the Group has hold collaterals over the balances. Based on past experience, the management believes that no additional provision for impairment is necessary as there is no significant change in credit quality and the balances are considered to be fully recoverable.

During the year, the Group has reviewed the recoverable amount, with reference to the estimated proceeds from the disposal, of amounts due from an investee and considered an impairment of HK\$1,721,000 is required.

#### 10. INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE

In March 2015, the Group entered into agreements with independent third parties for the disposal of certain investment properties located in Singapore for an aggregate cash consideration of approximately HK\$99,142,000. The fair value of investment properties classified as held for sale is determined with reference to the contracted selling price, which is classified as a Level 3 fair value measurement. The Directors of the Company assessed whether the held-for-sale criteria set out in HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are met. Taking into account (a) the fact that the subject properties are immediately available for sale and (b) the conditions to be met to complete the disposal as set out in the terms of the relevant agreement, the Directors of the Company believe that the disposals are expected to complete in July 2015 and accordingly the relevant investment properties were classified as held for sale at 31 March 2015.

All investment properties classified as held for sale are under charge to secure bank borrowings of the relevant group entities.

Investment properties classified as held for sale at 31 March 2014 represented the investment properties located in Hong Kong with the carrying amount of HK\$6,450,000. The disposal was completed during the current year.

#### 11. ACCOUNTS PAYABLE AND ACCRUALS

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Accounts payable	<b>561</b>	153
Rental deposits	<b>2,821</b>	3,422
Real estate tax payable	<b>1,052</b>	–
Deposits received for disposal of investment properties	<b>851</b>	372
Receipt in advance in relation to the open offer of the Company's shares	<b>11,299</b>	–
Other payables and accruals	<b>6,835</b>	4,940
	<b><u>23,419</u></b>	<u>8,887</u>

All trade payables are aged within 60 days.

## **DIVIDEND**

The Board does not recommend the payment of a dividend in respect of the year ended 31 March 2015 (2014: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining Shareholders who are entitled to attend and vote at the 2015 AGM, the register of members of the Company will be closed from Wednesday, 26 August 2015 to Friday, 28 August 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2015 AGM, unregistered holders of shares of the Company should ensure that all transfers of Shares accompanied by the relevant Share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 August 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group recorded a turnover of approximately HK\$60.7 million for the year ended 31 March 2015 ("FY2015"), representing an increase of approximately 86.7% as compared to the preceding year ("FY2014") of HK\$32.5 million. The increase was mainly attributable to an increase in revenue from property investment and management in the United States of America ("U.S." or "USA") by AHR (as defined below) and GMR (as defined below) by approximately HK\$29.0 million from approximately HK\$1.4 million for FY2014 to approximately HK\$30.4 million for FY2015, which was a new stable operating segment under the new corporate strategy to transform the Company from an investment holding company to an owner and manager of real estate investment trusts since December 2013. American Housing REIT Inc. ("AHR") and Global Medical REIT Inc. ("GMR") are two subsidiaries of the Group in the U.S. which primarily invests in single-family rentals ("SFRs") and in specialized, high-acuity medical facilities respectively. The loss attributable to owners of the Company for FY2015 was approximately HK\$54.9 million compared to profit of HK\$43.5 million in FY2014.

The basic loss per share for the year was HK1.42 cents as compared to HK1.14 cents (restated) in the previous year.

#### *(a) Property development*

In FY2013, the Group disposed of its entire equity interest in a former subsidiary – Singapore Exchange Catalist-listed SingHaiyi Group Ltd ("SingHaiyi") – which accounted for the bulk of its property development revenue. The Group has continued to identify new development projects and attractive investment opportunities. It is also evaluating the feasibility of redeveloping certain older properties within its investment portfolio so as to facilitate long-term growth.

(b) *Hotels operations Division*

The FY2015 turnover of the hotel operation division was approximately HK\$6.7 million, representing a decrease of 6.0% from last year. The segment loss of approximately HK\$4.7 million represents a 13.0% decrease compared to the preceding year.

(c) *Securities Trading and Investment*

During FY2015, the Group's securities business recorded an operating profit of approximately HK\$16.4 million compared to a loss of HK\$2.3 million in FY2014.

(d) *Property Investment and Management in the USA by AHR and GMR*

The property investment and management in the USA by AHR and GMR division contributed revenues of approximately HK\$30.4 million (FY2014: HK\$1.4 million) and operating loss of approximately HK\$3.1 million (FY2014: HK\$3.6 million) to the Group, including a fair value gain on investment properties of approximately HK\$4.4 million (FY2014: nil).

(e) *Property Investment other than AHR and GMR*

The property investment other than AHR and GMR division contributed revenues of approximately HK\$17.0 million (FY2014: HK\$17.5 million) and operating profit of approximately HK\$9.4 million (FY2014: HK\$21.4 million) to the Group, including a fair value gain on revaluation of investment properties of approximately HK\$2.6 million compared to approximately HK\$4.6 million in 2013.

(f) *Other Investments*

As at 31 March 2015, the Group held approximately 22% voting rights of the issued share capital in RSI International Systems Inc. ("RSI"), a company listed on the TSX Venture Exchange of Canada. During the year, the Group shared RSI's loss of approximately HK\$1.3 million.

Despite the segment profits of the Group was approximately HK\$18.0 million for FY2015, representing an increase of approximately 116.9% to the segment profits of the Group of approximately HK\$8.3 million for FY2014, there was no booking for a gain on disposal of subsidiaries for FY2015 which, there was a gain on disposal of subsidiaries amounted to approximately HK\$34.6 million for FY2014.

### **Liquidity and Capital Resources**

As at 31 March 2015, the total equity of the Group was approximately HK\$739.3 million (31 March 2014: HK\$821.8 million) and the Group had bank balances and cash, restricted bank balances and pledged bank deposits amounting to approximately HK\$111.8 million (31 March 2014: HK\$157.0 million) mainly denominated in U.S. dollars, Hong Kong dollars, Singapore dollars and Japanese Yen. The increase of total borrowings to approximately HK\$400.3

million (31 March 2014: HK\$201.8 million) was mainly due to the bank financing for the acquisition of SFRs under AHR and medical facilities under GMR in the USA during the year. The borrowings were mainly denominated in United States dollars, Hong Kong dollars and Singapore dollars. As at 31 March 2015, the Group recorded a current ratio of 1.2 (31 March 2014: 1.4) and gearing ratio of 24.7% (31 March 2014: 4.1%). Gearing ratio is defined as the ratio of total borrowings less bank balances and cash and pledged bank deposits to total assets.

### **Material Acquisitions and Disposals for Material Investments**

On 6 December 2013 the Group outlined a three-pronged strategy (the “Corporate and Business Update”) involving (i) the seeding and growing of real estate investment trusts (“REITs”), principally in the U.S., with a target annualized yield of 8.0%; (ii) developing a steady stream of recurring income from the Group’s direct management of these REITs via an 85%-owned U.S. subsidiary, Inter-American Group Holdings Inc. (“IA”); and (iii) raising capital for both the Company and the REITs through listings on various international exchanges.

In line with this strategy:

- (a) The Group acquired an approximately 95%-stake in U.S.– domiciled OnTarget360 Group, Inc., which merged with American Housing REIT, Inc. (“AHR”) for the purpose of facilitating a re-domicile into the State of Maryland in FY2014. AHR intends to elect to be treated as a REIT for U.S. federal income tax purposes. Shares of AHR are traded over the counter in the United States of America. In FY2015, AHR acquired 115 single family homes located in the metropolitan regions of Texas, Georgia, Florida and North Carolina, for an aggregate purchase price of approximately US\$11.4 million. On 24 April 2014, AHR distributed its first quarterly dividend with an annualized yield of 8.39%, thereafter it consistently generating higher-than-average annualized yield in excess of 8%.
- (b) The Group acquired an approximately 94%-stake in Scoop Media, Inc., which merged with Global Medical REIT, Inc. (“GMR”) for the purpose of facilitating a re-domicile into the State of Maryland in FY2014, GMR intends to elect to be treated as a REIT for U.S. federal income tax purposes. Shares of GMR are traded over the counter in the U.S.. During FY2015, GMR acquired a long term acute care hospital located in Omaha, Nebraska, and an orthopedic surgery center located in Asheville, North Carolina, U.S.A (“Medical Facilities”) for approximately US\$24.4 million. GMR has been distributing higher-than-average annualized dividend yield in excess of 8.0% since July 2014.

On 9 February 2015, the Group entered into a conditional option agreement with an independent third party to dispose a residential unit located at 38 Dakota Crescent #14-09 Singapore 399938 for a consideration of S\$2,550,000. The disposal was completed on 20 April 2015.

On 25 March 2015, the Group entered into a conditional option agreement with an independent third party to dispose the investment properties situated at No. 35 & No. 36 North Canal Road, Singapore 059291 for a cash consideration of S\$15,000,000. The option was exercised on 15 April 2015 and the completion is expected to be on 8 July 2015.

## **Capital Commitments**

At 31 March 2015, the Group had authorized but not contracted for acquisition of investment properties amounting to approximately HK\$8.3 million (31 March 2014: HK\$20.2 million).

## **Events After The Reporting Period**

- (a) On 14 April 2015, the Group entered into an option agreement with an independent third party to dispose of one investment property located in Singapore for a cash consideration of S\$2,530,000. The option was exercised on 29 April 2015 and the completion is expected to be on 14 July 2015.
- (b) On 22 April 2015, the Company completed an open offer of one share of the Company for every ten existing shares. Gross proceeds amounting to approximately HK\$36.6 million were raised for the Group's operating cash flow purpose.

## **Contingent Liabilities**

As at 31 March 2015, the Group has financial guarantee outstanding to a bank in respect of banking facilities granted to a then subsidiary (which was disposed of and the retained interest by the Group was now 10% and classified as available-for-sale financial assets). The aggregate amount that could be required to be paid if the guarantee was called upon is approximately HK\$11.9 million (31 March 2014: HK\$12.9 million). In the opinion of the directors of the Company, the fair value of the guarantee is insignificant at initial recognition and the directors of the Company consider that the possibility of default is remote. Accordingly, no value has been recognised on the consolidated statement of financial position. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

## **Foreign Exchange Exposure**

The revenues, expenses, assets and liabilities are denominated substantially in Singapore dollars, Hong Kong dollars, U.S. dollars and Japanese Yen. Due to the currency peg of the Hong Kong dollar to the U.S. dollar, the exchange rate between these two currencies has remained stable and thus the Group has not implemented any hedging or other alternatives. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety for its exposure to Japanese Yen and Singapore dollars through transactions, assets and liabilities.

## **Human Resources**

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

At the end of the reporting period, the Group had approximately 60 employees.



## **Pledge of Assets**

As at 31 March 2015, the Group's borrowings of approximately HK\$400.3 million (31 March 2014: HK\$201.8 million) were mainly secured by its investment properties, property, plant and equipment, financial assets at fair value through profit or loss and bank deposits with an aggregate carrying value of approximately HK\$921.8 million (31 March 2014: HK\$662.2 million).

## **OUTLOOK**

As disclosed in the joint announcement of the Company dated 6 May 2015, Joy Town Inc. ("Joy Town") signed agreement on 25 April 2015 to purchase in aggregate 2,212,547,776 shares of the Company at the price of HK\$731,247,040, equivalent to HK\$0.3305 per sale share. Completion of the agreement is expected to take place on 29 June 2015. Immediately following the completion of the purchase of 2,212,547,776 shares of the Company by Joy Town, it will become the controlling shareholder of the Company and will be required to make an unconditional mandatory cash offer.

Joy Town intends to conduct a detail review about the existing businesses, assets, investments, employments and balance sheet structure of the Group with a view to streamlining the Group's businesses. Joy Town intends to maintain the principal business of the Group in the property related business and will explore suitable investment and expansion opportunity for bringing returns for all shareholders. In particular, Joy Town intends to analyze feasibility of expanding the Group's business into China. Subject to the future business development plan and the market conditions, Joy Town intends to provide personnel, technology, financials and other resources to support the Group's existing or new development plan.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 March 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of a Director subsequent to the date of 2014 Annual Report of the Company are set out below:

Dr. Lam Lee, G., a non-executive Director and vice-chairman of the Company, was appointed as an independent non-executive director of Mingyuan Medicare Development Company Limited and China LNG Group Limited (both companies listed on the Stock Exchange) on 12 September 2014 and 23 October 2014 respectively and has ceased to act as an independent non-executive director of Next-Generation Satellite Communications Limited (listed on the Singapore Exchange), Far East Holdings International Limited, Hutchison Harbour Ring Limited (the company name was changed to China Oceanwide Holdings Limited on December 29, 2014), Ruifeng Petroleum Chemical Holdings Limited and Mingyuan Medicare Development Company Limited (all of these four companies listed on the Stock Exchange)

with effect from 14 August 2014, 21 October 2014, 19 December 2014, 30 March 2015 and 26 May 2015, respectively. On 2 April 2015, Dr. Lam, Lee G. has been re-designated from independent non-executive director of China LNG Group Limited to non-executive Director.

Mr. Teh Wing Kwan resigned from the position of a non-executive director of the Company on 23 September 2014.

Mr. Tan Choon Seng resigned from the position of an independent non-executive director and the members of the remuneration committee and nomination committee of the Company on 31 October 2014.

On 31 October 2014, Mr. Wong Tat Keung, an independent non-executive Director and member of remuneration committee of the Company, has been re-designated as the chairman of the remuneration committee of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company follows the Model Code in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with Directors, all Directors confirmed that they fully complied with the Model Code during the year ended 31 March 2015.

## **AUDIT COMMITTEE**

The company has established an audit committee (the “Audit Committee”) with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the group. The Audit Committee comprises a total of three independent non-executive Directors. The annual results of the Group for the year ended 31 March 2015 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

## **PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS**

The financial information relating to the years ended 31 March 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2015 in due course.

The Company's auditor has reported on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2015. The auditor's report was unqualified but included an other matter paragraph stating that the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2014; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the consolidated statement of financial position of the Company and its subsidiaries as at 31 March 2015, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended 31 March 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect of the Company and its subsidiaries did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **CORPORATE GOVERNANCE**

Throughout the year ended 31 March 2015, the Company has complied with all the provisions of the Code on Corporate Governance Practices/Corporate Governance Code (the "Code Provision") from time to time as set out in Appendix 14 to the Listing Rules (except Code Provision A.4.1 and A.6.7 as stated below) and with most of the recommended best practices contained therein.

- i. None of the non-executive Directors has been appointed for a specific term, which is a deviation from the requirement under Code A.4.1 of the Code Provision. However, as the Directors are subject to the retirement by rotation provisions under the Articles of Association of the Company, the Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than the Code Provision.
- ii. Pursuant to Code A.6.7 of the Code Provision, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. Dr. Lam, Lee G., the non-executive Director, was unable to attend the annual general meeting of the Company held on 28 August 2014 as he was not in Hong Kong at that time.

## **PUBLIC FLOAT**

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 28 August 2015 and the notice of the Annual General Meeting will be published and despatched in the manner as required by the Listing Rules and the Company's articles of association in due course.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S AND COMPANY'S WEBSITE**

The Company's annual report for the year ended 31 March 2015 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Company Information" and on the website of the Company at <http://www.hengfaienterprises.com> under "Investor Relations" in due course.

By Order of the Board  
**Heng Fai Enterprises Limited**  
**Chan Tong Wan**  
*Managing Director*

Hong Kong SAR, 26 June 2015

*As at the date of this announcement, the executive Directors are Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow; the non-executive Directors are Dr. Lam Lee, G. and Mr. Fong Kwok Jen and the independent non-executive Directors are Mr. Wong Tat Keung, Mr. Wong Dor Luk, Peter and Mr. Chan King Fai.*