

**NEW WORLD DEVELOPMENT COMPANY LTD :
WHAT A LOAD OF RUBBISH !
SHOULD HENRY CHENG KAR SHUN GET THE SACK ?**

One of the many problems, involved in investing in publicly listed companies, which are controlled, almost completely, by one family, is that, when a member of the family screws up, you are unlikely to be able to sack him, or obtain any kind of redress.

This appears to be the case with regard to publicly listed New World Development Company Ltd (Code: 17), one of the largest, diversified companies, listed on the Main Board of The Stock Exchange of Hongkong Ltd.

This Company is held as to about 37 percent, indirectly, by the Cheng Yu Tung Family Faction, Mr Cheng Yu Tung, being the Chairman of New World Development and thought to be one of the richest men in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The Annual Report of New World Development, for the Financial Year, ended June 30, 2000, states, at Page 83, that Chow Tai Fook Enterprises Ltd, a privately held company, controlled by the Cheng Yu Tung Family, holds about 785.92 million shares of the Issued and Fully Paid-Up Share Capital of New World Development, which, as at June 30, 2000, had an Issued Share Capital of about 2.11 billion shares.

Emphasis on the controlling shareholding structure of this Company has long been sidelined due to the many corporate aspects of this corporate monolith, with its myriad activities, but the bottom line is, simply put, that, for the past 4 Financial Years, it has been doing very poorly.

And shareholders of this Company have suffered as a direct result of its poor performances.

Management ineptitude is the only answer to the declining fortunes of this Group of Companies, whose day-to-day operations are controlled – or are supposed to be controlled -- by Managing Director, Mr Henry Cheng Kar Shun, a son of Paterfamilias Cheng Yu Tung.

The following table is taken, directly, from Page 159 of the 2000 Annual Report:

	Financial Year ended June 30				
	2000	1999	1998	1997	1996
	All Figures are Denominated in \$HK millions				
Turnover	20,535.2	17,527.1	20,389.9	19,975.9	16,715.5
Profit from Ordinary Activities	2,638.6	2,134.9	3,699.6	6,276.5	6,014.9
Net Financing Costs	(1,485.1)	(840.3)	(754.6)	(656.7)	(747.2)
Share of Results of Associated Companies and Jointly Controlled Entities	774.2	1,351.0	637.1	2,020.7	359.6
Profit before Taxation	1,927.7	2,645.6	3,582.1	7,640.5	5,627.3
Taxation	(567.2)	(545.6)	(735.2)	(963.0)	(827.3)
Profit after Taxation	1,360.5	2,100.0	2,846.9	6,677.5	4,800.0
Minority Interests	(1,145.5)	(771.6)	(704.0)	(1,365.5)	(642.3)
Profit Attributable to Shareholders	215.0	1,328.4	2,142.9	5,312.0	4,157.7
Dividends Per Share (HK Cents)	20	30	64	120	114
Earnings Per Share (HK Cents) – Basic	10	65	111	286	244

The above Financial Results were obtained on the employment of Gross Assets which, in the 2000 Financial Year, hit a record high of about \$HK110.30 billion, up from the 1996 figure of about \$HK76.13 billion, an

increase of about 45 percent, over the 5-Year period.

If the above situation had been the financial results, recorded for a US or European institutionalised, publicly listed company, shareholders of such a company would have been screaming for, and probably would have obtained, a complete change of Management.

But in Asia, with its low-trust mentality, where powerful families control huge slices of an economy, directly or indirectly, as is, definitely, the case in the HKSAR, nothing will ever happen to families with beneficial control of companies of the ilk of New World Development.

Because, if a powerful family cannot obtain retribution from somebody, who is seen to be at odds with the family, or some family member, from one direction, it will obtain it from another.

In Singapore, if one outwardly goes against the '*Government*' of Senior Minister Lee Kuan Yew, it is more than likely that that person will be sued – with an almost guarantee of a success – for libel.

In the HKSAR, there are other methods that are employed by powerful moguls when it is apparent that a party or person has fallen out of favour: The mogul makes certain that all business with the perceived unloved one stops.

Such an unspoken declaration would include not only the mogul's immediate interests, but, also, all of his friends and business acquaintances.

And, if the mogul's friends and business acquaintances do not see it the way of the mogul, they, too, will suffer, similarly.

This is not to suggest that the Cheng Yu Tung Family employs such tactics, but it is a fact that the Family is still in power – and still doing a bungling job of running one of the most powerful companies in the HKSAR.

The Numerous Assets of New World Development

To list all the assets of this huge company would take many reams of paper, so TARGET has limited its New World Development list of assets to what appears to be the major assets and accomplishments – or the lack of accomplishments – for the Financial Year, ended June 30, 2000.

Properties:

On the property front, in the 2000 Financial Year, this Company completed about 3.09 million square feet of Attributable Gross Floor Area in 9 property projects in the HKSAR.

A breakdown of these projects shows that about 1.06 million square feet were created in the commercial and office sector of the property market, while the remaining 2.03 million square feet were created in the residential sector.

Also, in the 2000 Year, New World Development acquired 6 development projects with a total Attributable Gross Floor Area of about 1.70 million square feet.

Of these 6 projects, 2 projects were solely for the residential market while the remaining 4 property projects were a combination of residential and commercial projects.

In the retail sector of the property market, New World Development must rank right up there with the best of them, holding 3 major buildings in the Central Business District (CBD), and the most important commercial/retail complex in Wanchai, by far ... [CLICK TO ORDER FULL ARTICLE](#)

This completes TARGET's in-depth look at the New World Group of publicly listed companies, those companies that are listed on The Stock Exchange of Hongkong Ltd.
The New World reports may be viewed by revisiting the following TARGET publications:

Volume III, Number 26 --- [NEW WORLD CHINA LAND LTD](#)
Volume III, Number 31 --- [NEW WORLD CYBERBASE LTD](#)
Volume III, Number 36 --- [NEW WORLD INFRASTRUCTURE LTD](#)

Starting next Friday, TARGET will be putting the Henderson Group of companies under our microscope.

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