

**HENDERSON INVESTMENT LTD :
IT NEEDS AN INJECTION OF DECENT MANAGMENT**

As in the case of its parent company, Henderson Land Development Company Ltd (Code: 12, Main Board, The Stock Exchange of Hongkong Ltd), had it not been for wheeling and dealing on The Stock Exchange of Hongkong Ltd, Henderson Investment Ltd (Code: 97, Main Board, The Stock Exchange of Hongkong Ltd) would have reported a much lower Net Profit Attributable to Shareholders for its Financial Year, ended June 30, 2000.

According to TARGET's calculations, if there had not been a \$HK1.24-billion profit on disposal of investments in securities, Henderson Investment's 2000 Bottom Line would have been about 45 percent that of the 1999 Financial Year.

As it turned out, the Company was able to report a Net Profit Attributable to Shareholders of about \$HK1.61 billion, compared with the 1999 Net Profit of about \$HK1.11 billion.

But the composition of the 2000 Year's Net Profit was, that about 77 percent of it was derived from stock-market activities, the volume of activity in this division, being about \$HK2.03 billion.

In the 1999 Financial Year, the Company booked only about \$HK173.56 million from selling shares on The Stock Exchange of Hongkong Ltd, the surplus, being achieved on a turnover from such activities of about \$HK972. 26 million.

Henderson Investment is 64.28 percent owned by Henderson Land Development so that deconsolidation of parts of the Lee Shau Kee Empire, one of the largest financial empires of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), is not too difficult, thanks to the reporting requirements in the 416 square miles that comprises this enclave of the PRC.

Henderson Investment is, as its name suggests, an investment holding company with its principal activities, being property development and property investment, investment holding, information technology, retailing, and hotel operations in the HKSAR.

In the 2000 Financial Year, the Total Turnover of this Company was about \$HK817.21 million, not unlike the 1999 Turnover of about \$HK812.61 million.

The Company booked an Operating Profit of about \$HK1.22 billion, which compared favourably, of course, with the 1999 Operating Profit of about \$HK488.58 million.

The 1999 Operating Profit included securities wheeling and dealing profits of about \$HK173.56 million, which, of course, did not measure up to the \$HK1.24-billion worth of securities wheeling and dealing profits, logged in in the 2000 Financial Year.

A breakdown of the Contribution to the Operating Profits, before financing costs, is given in the 2000 Annual Report, at Page 14, as follows:

TABLE A

	Turnover		Contribution to Operating Profit before Financing Costs	
	2000	1999	2000	1999

	All Figures are Denominated in \$HK'000			
Sales of Properties	25,613	14,702	18,039	5,452
Property Investment	383,531	400,799	245,213	259,934
Hotel, Retailing and Others	408,064	397,113	26,118	33,416

The single sector of this Company that did the worst in the 2000 Year was, clearly, in the Hotel and Retailing Division.

Page 11 of the 2000 Annual Report states, inter alia: *'Hotel operations of the Group showed continuous improvement in their operating results whilst the retailing business of the Group continued to generate profit for the Group in the financial Year under review ...'*

TARGET interprets this statement to mean that the hotel operations are not contributing to the Operating Profits, whereas the retailing businesses are contributing.

Henderson Investment owns, directly, 2 hotels: Newton Hotel Hongkong; and, Newton Hotel Kowloon.

According to Chairman Lee Shau Kee, the hotels' occupancy rate averaged about 86 percent throughout the 2000 Financial Year.

The 2 hotels have, in aggregate, 538 rooms; they are described by the Company as being *'medium-tariff hotels'*.

According to TOLFIN (TARGET's Online, Computerised Information System), there is no record of the 2 hotels, ever having made a profit, going back to 1997.

Which makes one wonder as to whether or not, considering the costs of building and operating the hotels, and considering Opportunity Cost Loss, Henderson Investment is being hamstrung by the Hotel Division of the Company because, if they are not making a profit, then, logically, they must be making a loss.

The Core Business

Henderson Investment is the owner of a not inconsiderable portfolio of properties in Hongkong, Kowloon, and the New Territories.

Income from the management of these properties, as Table A indicates, amounted to about \$HK245.21 million in the 2000 Financial Year, which was a 5.66-percent decrease in contribution to the Operating Profits, compared with the 1999 figure of about \$HK259.93 million.

The properties are as follows:

TABLE B

Property	Usage	Gross Floor Area (Square Feet)	Number of Carparks	Group's Interest (Percent)
Hongkong				
Eva Court	Residential	108,214	49	100.00
Silver Fortune Plaza	Commercial	28,953	None	50.00

Kowloon				
Hollywood Plaza	Office Commercial	193,284 100,543	None	33.33
Kowloon Building	Office Commercial	84,626 28,656	None	100.00
Well Tech Centre	Office Industrial	136,376	49	100.00
New Territories				
Fanling Centre	Commercial	151,513	302	23.04
Hang Wai Industrial Centre, Block C	Industrial	292,264	182	100.00
Shatin Centre	Commercial	100,029	545	94.40
City Landmark II	Commercial	155,022	127	26.00
The Trend Plaza	Commercial	195,280	78	100.00
City One Plaza, Ngan Shing Shopping Centre, Wet Market and Various Shops under the Residential Towers of City One Shatin	Commercial	413,273	986	25.00

In addition to the above, Henderson Investment has equity interests in properties, owned by its 3 publicly listed associated companies.

These associates, all listed on the Main Board of The Stock Exchange of Hongkong Ltd, are:

TABLE C

Name of Company	Percentage of Ordinary Shares, held by Henderson Investment	Principal Activity
The Hongkong and China Gas Company Ltd (Code: 3)	33.07	Towngas Supply
Hongkong Ferry (Holdings) Company Ltd (Code: 50)	30.48	Property Development
Miramar Hotel and Investment Company Ltd (Code: 71)	34.97	Hotel Operation

According to Chairman Lee Shau Kee, Henderson Investment held an *'investment property portfolio ... amounted to approximately 1.8 million sq. ft. (square feet) in attributable gross floor area which included the Group's attributable interests in investment properties owned by listed companies.'* (Page 5 of the 2000 Annual Report)

By simple arithmetic, therefore, property investments, held by listed associates, amounted to about 570,000 square feet of gross floor area (1.23 million square feet of attributable gross floor area, as listed in TARGET's

Table B, minus the aggregate of the total attributable gross floor areas of Henderson Investment plus Henderson Investment's interests in investment properties, held by listed associates).

The Financials

It seems very apparent that Henderson Investment has been having more than a little trouble in selling its properties, during the past few Financial Years.

This is evident by the rather large amounts of completed properties in its Consolidated Balance Sheet at Years' end, while profits from the sales of completed properties have been sparse, to be very polite.

The following is TARGET's table of known sales of properties, over the past 4 Years.

The statistics speak for themselves:

TABLE D

	Financial Year ended June 30			
	2000	1999	1998	1997
	All Figures are Denominated in \$HK'000			
Sales of Properties	25,613	14,702	719,340	411,545
Properties for Sale as at Balance Sheet Date	301,277	297,863	307,493	548,148

While sales of properties may have been poor since the 1998 Financial Year, the Company has been building up a sizeable portfolio of shares, listed on The Stock Exchange of Hongkong Ltd.

Aside from listed associates, the shares of which, presumably, cannot be considered as being trading securities, the following is TARGET's calculations of the build-up of shares, ... [CLICK TO ORDER FULL ARTICLE](#)

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