

**PRESTIGE PROPERTIES HOLDINGS LTD :
ONLY THE NAME IS GOOD**

Prestige Properties Holdings Ltd (Code: 75 - \$HK0.55) is facing a cash-crunch; it is having to raise money through Private Placements as a matter of necessity.

In the first week of March, it raised \$HK65 million, net of expenses, by Placing 132.80 million shares, representing about 20 percent of the Pre-Enlarged Issued Share Capital of the Company, in order to reduce bank borrowings and to boost the Working Capital Account.

And more Share Placements are likely to follow unless there is a dramatic turn for the better in the property market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

If the stock market starts to run hot, of course, one may expect to hear from Chairman Thomas Chan Chun Hoo when he raises the banner of the Company in a call for more cash from shareholders by way of a Rights Issue ... if all else fails, that is.

Prestige Properties is, as its name implies, a property investment company.

For the past Financial Year, ended December 31, 1999, it reported a Turnover of just \$HK186.73 million, on which the Profit Attributable to Shareholders was about \$HK125.84 million.

The main reason that it was able to report such a relatively large Net Profit, relative to the Turnover, that is, was due to a write-back of a previous Provision in respect of the carrying values of some of its properties.

The \$HK75.45-million Surplus, arising on Revaluation of Investment Properties, held by the Company, was fortunate and it had nothing to do with Management expertise: It was strictly an accounting entry, brought about by luck rather than design.

In addition, there was a \$HK7.59-million Reversal of a (previous) Provision for Diminution in the Value of Properties, held for development.

These 2 (lucky) accounting entries pushed up the Profits by about \$HK83 million, thus boosting the Bottom Line from about \$HK44 million to the published figure of \$HK127.17 million.

But the 1999 Bottom Line, regardless of how one looks at it, was a considerable improvement over the 1998 figure, which stood at a \$HK1.02-billion negative figure.

The 1998 Loss Attributable to Shareholders was, in large, brought about by the requirement for an \$HK852.67-million Provision for Deficits, arising on Revaluation of Investment Properties.

But the improved 1999 situation is not going to help the Company when it comes to solving the problem of reducing its debt burden, which is equal to about 33 percent of the Market Value of the Company's Investment Properties, as at December 31, 1999.

According to the 1999 Annual Report, the Group's Bank Loans amounted to about \$HK809.28 million, of which figure, \$HK154.41 million was classified under Current Liabilities, meaning that it has to be retired in the Financial Year, ending December 31, 2000.

It would appear to be quite impossible to accomplish this feat under the current situation.

As at the 1999 Balance Sheet Date, Current Liabilities exceeded Current Assets by about \$HK41.51 million.

This situation was brought about by the requirement to repay bank loans, amounting to \$HK154.41 million, during the past Current Year.

The Current Year's Prospects

Strangely, there is no indication that the situation with regard to this Company's fortunes will stage a comeback in the Current Financial Year.

If anything, one can expect pretty much of the same situation, as was witnessed in the 1999 Year, with, perhaps, no more accounting entries which could boost the Bottom Line.

Chairman Thomas Chan Chun Hoo, in his Statement to Shareholders, has made it very plain that, at the time of his writing his Statement (March 23, 2000), there were no Company plans for very much.

He said, among other things: *'The Group will capture these opportunities (a further improvement in the HKSAR property market) to liquidate its non-core assets. The sales proceeds of which will be applied to reduction of debts as well as re-investment into business of high potentials, such as information technology sector ...'*. (All mistakes in grammar are for the credit of Chairman Thomas Chan Chun Hoo)

Taking the Chairman at his word, the Company is just waiting to see which way the winds of change will blow, hoping for the best: There are no definitive plans, being hatched, of that one may be sure.

And, so, watch out for Rights Issues and more Share Placements.

This Company has investment properties in the HKSAR with an open market value of about \$HK2.44 billion, according to Brooke International (China) Ltd.

The investment properties are 2 commercial buildings, located in Tsimshatsui, Kowloon, one industrial building, located in Tuenmun, New Territories, one second-floor commercial unit in Tsimshatsui East, and one commercial building in the heart of Central, Hongkong.

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