

PROSPERITY INTERNATIONAL HOLDINGS (HONGKONG) LTD :
THIS IS A HIGHLY GEARED COMPANY

It could, logically, be argued that the latest candidate for a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd is just hanging on by its fingernails, and, if one 'nail' should break, then down could fall the entire, seemingly '*prosperous*' situation.

TARGET is referring to that manufacturer of decorative sheets – decorative sheets were, formerly, known as high-pressure laminate boards – Prosperity International Holdings (Hongkong) Ltd, to be known as Stock Code: 8139.

According to the Placing Prospectus of Prosperity International, as at the close of business on March 31, 2001, it had outstanding borrowings of about \$HK57.10 million.

Those borrowings comprised:

1. Secured Bank Loans	\$HK40.20 million
2. Unsecured Bank Loans	\$HK2.30 million
3. Secured Trust Receipts Loans	\$HK1.70 million
4. Unsecured Trust Receipt Loans	\$HK2.10 million
5. Unsecured Other Loans	\$HK4.70 million
6. Finance Lease Obligations	\$HK6.10 million
TOTAL	\$HK57.10 MILLION

In addition to the above, Prosperity International owes about \$HK8 million to certain of its suppliers, classified as '*Long-Term Payables*'. (Page 80 of the Placing Prospectus)

A debt of \$HK65.10 million is no great shakes to a banking organisation, such as HSBC Holdings plc (Code: 5, Main Board, The Stock Exchange of Hongkong Ltd), but for a company with Net Tangible Assets of just about \$HK38.55 million (the figure as at March 31, 2001, as shown at Page 119 of the Prospectus), it must be a heavy weight to bear.

Because the debt is about 169 percent of the Net Tangible Assets.

And that should be most worrying to Management of Prosperity International.

But it gets much worse than just the plain statement about outstanding borrowings because, according to Page 121 of the Prospectus, the clock is ticking on repayment of \$HK40,187,000 of the borrowings.

Under Appendix I, located at Page 121, it is stated:

'Bank loans of a total of HK\$40,187,000 were rolled-over to be repayable in the second quarter of 2002 and were classified as non-current liabilities accordingly.'

All loan facilities, afforded to this Company, have been guaranteed by Well Success Group Ltd, the Ultimate Holding Company of Prosperity International.

Well Success is owned and controlled by Mr Wong Ben Koon, the Chairman and Co-Founder of Prosperity International, as to 20.80 percent, Mr Ng Hon Fai, Executive Director and Co-Founder of Prosperity International, as to 20.80 percent, and Advance Success Ltd, which is owned 50 percent by Mr Wong Ben Koon

and 50 percent by Ms Hon Ching Fong, Ms Hon, being an Executive Director ... [CLICK TO ORDER FULL ARTICLE](#)

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