

34 creditors now back Wah Kwong

By JAN ALTINK

SHIPPING group Wah Kwong enters its sixth week after the expiry of a temporary operating scheme with a total of 34 creditors having now signed a long-term restructuring agreement.

In the latest moves, Hongkong and Shanghai Banking Corp subsidiary Marine Midland Bank and the Bank of Montreal have both lifted arrest orders on the two ships they seized a fortnight ago.

They were able to resolve minor outstanding issues and this accord has been accepted by the advisory committee of creditors.

Their participation in the plan was sealed on Friday night and the addition of another Japanese secured creditor, which signed on Saturday, will add even more momentum to Wah Kwong's efforts to get all 46 creditors to sign the debt restructuring agreement (DRA).

Further signatures are expected today, while tomorrow a number of other major Japanese creditors hold board meetings in Tokyo to finalise their participation in the DRA.

Once all other creditors have signed, the last remaining hurdle for Wah Kwong, its financial adviser, Amex Asia Ltd, and the advisory committee of banks will be securing the participation of Chase Manhattan Bank and, to a lesser degree, First Interstate Asia, an affiliate of the First Interstate Bank of California.

Still under arrest are three ships mortgaged to Chase - Nigeria Venture, Sabodine Venture and Eastern Ranger. The last is co-mortgaged to First Interstate.

Chase, which at the end of last week additionally filed writs against Wah Kwong and the Chao family for breach of contract as guarantors of loans, is being put into an increasingly isolated position.

Sources claim this is a deliberate course being pursued by Wah Kwong and Amex and has unsettled the bank.

They said this was what prompted Chase to file the writs in order to resolve its position as soon as possible in any eventual debt restructuring.

But the sources were confident an arrangement with Chase can be reached by the end of this week.

Chase has all along maintained that it supports the DRA, even though it wants to come in on its own terms.

The expression of support for the DRA in principle has heartened those close to the group. "There's plenty of room for flexibility on both sides," one said yesterday.

If an agreement with Chase and First Interstate can be reached by the end of this week, it will mark the first time such a debt-restructuring deal by consensus for a private company has been put into effect in Hongkong.

Unlike the US and Japan, for example, Hongkong has no laws by which a financially ailing company can go to the courts to file for bankruptcy protection from creditors.

Wah Kwong announced in January that it had called in financial advisers to help restructure the group's US\$850 million worth of debts and had trading in its shares suspended.