

\$500m fund injection in BCC deal

By LORNA WONG

THE firm which hopes to buy out Hongkong's Bank of Credit and Commerce (BCC) will inject around \$500 million into the beleaguered operation if the deal finally goes through, it was revealed last night.

A provisional takeover of BCC by the Hongkong Chinese Bank (HKCB) was announced last Friday.

Sources said the cash investment would be needed if BCC - with 26 outlets and around 1,000 employees - was to become a viable operation once it re-opened under a new name.

The plan came to light at the first meeting yesterday since the takeover deal was made public, between BCC depositors, HKCB, BCC officials and provisional liquidator Mr Noel Gleeson.

HKCB, part of the Indonesian Lippo group, hopes to take over BCC, but only with the full support of depositors and possibly other investors.

Mr Jawaharlal Panjabi, of the BCC Depositors' Forum, said it was made clear during the discussion that the 15 per cent of funds large depositors were set to lose under the proposed deal was not to finance the provisional liquidation costs.

Mr Panjabi, whose group controls around \$2 billion in

deposits, said they wanted a precise explanation of why they might lose 15 per cent of their funds. Under the terms of the sale, depositors with less than \$100,000 will get all their money back once the new bank starts operating.

But customers with larger deposits will initially get just 85 per cent of their cash, then wait three years before collecting all of their money.

He said Mr Gleeson had explained that liquidation costs were "negligible", but added: "The bank is earning interest from deposits and frozen funds. It is also recovering loans from local customers."

"I don't see why the HKCB should be getting the bank for free while we have to forgo part of our money."

Mr Panjabi said the major depositors believed their 15 per cent should be converted into shares in the new bank. He also said large depositors would only get 65 to 70 per cent of money in real terms if they were not paid any interest for three years.

But HKCB vice-chairman, legislator Mr Jimmy McGregor, reiterated that some hard bargaining had been done on behalf of the depositors by Mr Gleeson.

Describing the deal as "a long, time-consuming and

professional job" struck between HKCB and the provisional liquidator, he said the deal struck in Hongkong must be considered in the light of problems facing BCC's parent company, Bank of Credit and Commerce International.

Since BCC was shut down worldwide in June, there have been claims of massive fraud within the BCCI organisation.

"We had to face the dangers of taking over such a bank," said Mr McGregor.

"Eventually it's up to depositors to decide which alternatives to take - liquidation or sale of the bank."

Mr Alfred Tso, a representative of another group of large depositors who between them control about \$70 million, said they had no choice but to accept the offer.

"We have no negotiating power. We don't know what the Government thinks or what is the financial arrangement with the Hongkong Chinese Bank," he said. "We simply can't judge whether it's ideal, barely acceptable or an unacceptable deal."

If the Government was serious about helping depositors, he said, it would disclose details of the proposed sale and eventually hold an independent inquiry.