

Why Govt kept mum over NST 12 OCT 1983 BMF affair

KUALA LUMPUR, Tues. — The Government had not up till now made any public statement on the BMF loans affair, the Prime Minister told a Press Conference today, because its priority was on the recovery of the loans extended to three Hong Kong property companies now in deep trouble.

"We did not want," Dr Mahathir said, "to wring the neck (of the property companies) as we would then not be able to get the golden egg. We were hoping to get something out of them."

However, with the legal action now instituted in Hong Kong against Carrian chairman George Tan and execu-

Maybank's loan to Carrian

Bank
KUALA LUMPUR, Tues — Malayan Banking is a party to a syndicated loan, totalling HK\$540 million (\$156 million) for the Carrian group, an official of the bank said today. NST 12 OCT 1983

The bank's share is "small...less than the average of the 23 banks involved in the syndication," he added.

The official said the loan, secured against a property called the Carrian Centre, was managed by Wardley Ltd. of Hong Kong.

Wardley was one of Carrian's advisers. It has since withdrawn from that role.

tive director Bentley Ho, the chances of recovery of the loans have been "very much reduced". Asked what proportion of the Hong Kong loans can now realistically be expected to be recovered, the Prime Minister gave a rough personal estimate of 25-30 per cent.

Carrian by far owes BMF the largest amount, now believed to total \$1.7 billion. The Prime Minister, however, refused to be drawn into how much the grand total was of the loans to Carrian, Eda Properties and Kevin Hsu.

He did emphasise though that the parent Bank Bumiputra company was not affected by what has happened to its BMF subsidiary, whose Hong Kong lending activities were isolated from the affairs of Bank Bumiputra.

Dr Mahathir said: "Bank Bumiputra is as sound as ever. The recent injection of \$600 million was a statutory requirement. Bank Bumiputra has assets of \$17 billion and shareholders fund of \$1.22 billion. Bank Bumiputra will be making quite a considerable profit."

BMF's troubles, the Prime

Minister continued, began with the weakening of the Hong Kong economy, particularly the collapse of the properties market. Before that, with the high property prices, Hong Kong property companies were the "Darlings" — everybody wanted to lend money to them.

"Nobody knew the property market was going to collapse," Dr Mahathir pointed out. "But now it has. Because of the ham-fisted handling (by Britain) of the relationship with China.

"There is no way they (the Chinese) are going to give in on the question of sovereignty. And they have every right. It (Hong Kong) is their territory lost through the unequal treaties at a time when China was weak. No country would accept that such treaties will go on forever," Dr Mahathir explained.

Stating that Hong Kong will be returned to China, the Prime Minister observed that the properties market will understand that in China "you do not sell land by the square inch".

This reality, he concluded, is at the bottom of the collapse of Hong Kong property prices and of the predicament BMF was in.