

Heng Fung boosts stake in US bank

Staff reporter
FINANCE

Heng Fung Holdings plans to sell HK\$144 million in bonds to its chairman for his shares and warrants in a United States-listed bank he also chairs — an offer that pays almost five times more than the bank's net asset value.

The company said it would sell HK\$90 million bonds exchangeable into its shares and another HK\$54 million bonds to chairman and managing director Chan Heng-fai for 645,934 shares and 1.05 million warrants in US Nasdaq-listed American Pacific (AP) Bank, of which Chan is also the chairman.

Heng Fung's stake in the bank will increase to 66.24 per cent from 4.53 per cent if the warrants are converted, while Chan family's holding in Heng Fung will jump to 73 per cent from 43

per cent when all exchangeable bonds, bonus warrants and share options are exercised. The purchase represents a premium of 486 per cent over the bank's net asset value if the warrants were disregarded, the company said. It represents a premium of 178 per cent if the cost to exercise the warrants were factored in, it added. The exchangeable bonds carry a 5 per cent interest that pays semi-annually and a maturity of five years. The conversion price is HK\$6.25 a share, adjustable under certain conditions.

Heng Fung said the purchase would help the company diversify its business, boost its market share, save costs and foster asset growth.

AP Bank, which began operations in 1979, offers commercial banking services in three branches located in Oregon. It also has an Internet branch, American Online Bank. The bank's net earnings after taxes for the nine



Heng Fung chairman Chan Heng-fai will exchange shares in American Pacific Bank, which he also chairs, for HK\$144 million in bonds from Heng Fung

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months to the end of September jumped 266.7 per cent to US\$830,672, (HK\$6.48 million) or US\$0.56 a share, from US\$226,527, or 22 US

cents a share, for the same period last year. Total assets at the end of September rose to HK\$735.1 million from HK\$590.8 million at the end of 2001,

while net assets rose to HK\$61.7 million from HK\$52.9 million and return on average equity increased to 11.42 per cent from 8.3 per cent during the same period.

Heng Fung said the bank was in the process of forming a holding company, which would replace the bank as the US publicly held and listing unit. That would have no direct economic impact on the AP Bank's shareholders if approved, the company said.

The company also proposed to merge every 25 existing shares, both issued and unissued, into one consolidated share "to attract greater institutional and international interest".

It said to alleviate the difficulties in trading odd lots, it would appoint a broker to match on a "best effort" basis to trade the odd lots. Trading of Heng Fung shares, suspended since November 11 when the stock hit 6.5 HK cents, will resume today.