SOUTH CHINA MORNING POST
2 NOV 1992

$2.5b World Trade Centre sale collapses

By CHRIS CHAPEL

THE $2.5 billion sale of the World Trade Centre building to a group of unidentified mainland investors has collapsed, with the buyer – Resourceful River – unable to come up with a $50 million deposit.

Several cheques paid to lawyers for World Trade Centre Group (WTCG), the building's owner, in an attempt to settle the amount have been dishonoured, according to WTCG.

WTCG has terminated the agreement and is "considering its options, including the disposal of World Trade Centre to another third party", according to a statement released yesterday.

"Pursuant to the offer letter, Resourceful was obliged to pay a deposit of $50 million to WTCG. Notwithstanding that Resourceful has delivered three different cheques in that amount to WTCG's solicitors, it has not been possible to have any of the cheques paid and those presented have been dishonoured," WTCG said.

In an earlier notice, published on October 14, WTCG said: "An initial deposit of $50 million was paid by way of delivery of a cheque on October 10 to WTCG's solicitors."

This was to have been deposited after Resourceful had obtained an undertaking from Tomson Pacific, which has a 34 per cent stake in WTCG, to vote in favour of resolutions approving the sale.

In the latest statement, WTCG said Resourceful had put itself in "fundamental breach of the offer letter" by failing to pay the deposit and had been unable to produce evidence that it could fund the portion of the purchase price due on signing.

"Accordingly, the directors announce that they had no alternative but to terminate the offer letter and a termination letter has been sent to Resourceful on October 31."

When it was first announced two weeks ago, the sale of the landmark World Trade Centre was seen as heralding a new wave of mainland investment in Hongkong.

Now that it has collapsed, some investors might fear the opposite, that the collapse is a sign of reversing mainland sentiment.

Such fears would be misguided, according to Mr Philip Nourse, director of research and marketing for Chesterton Petty.

"There has been a massive amount of mainland investment in Hongkong and some of the buyers have proved difficult to identify," he said.

"I suppose there are bound to be failures but I would not consider it a bad omen for the property market.

"I have no doubt mainland investment will continue unabated. China investors have dominated the overseas investment market here with little other interest and that is likely to continue."

Mr Nourse said the $2.5 billion price tag on the World Trade Centre which represented about $4,587 per square foot of gross floor area was achievable if a new buyer was found.

Brooke Hillier partner David Faulkner agreed: "When it was announced we thought the price was in line with expectations.

"They could get it again or very close to it. They might get $2.4 billion or $2.3 billion. There will be other buyers in the market for this building."

Mr Faulkner said he was, like most other property practitioners, unaware of the identities of the mainland groups behind Resourceful River.

But he said he suspected some might return in a new consortium to make a new bid for the property.

"In all these deals involving consortia there is an ability to mix and match. Some of the parties may well come back in."

He said the collapse of the deal – which had been rumoured since the deal was announced partly because it so closely followed the sale of Nine Queen's Road Central to the Innsbruck consortium – would not lead to any significant downturn in sentiment in the property market.

In its latest newsletter, Chesterton Petty said: "The recent sale of World Trade Centre has led to speculation that further . . . China-related buyers will enter the market. Despite this, there is a lack of genuine interest in the commercial sector with most players looking to short-term speculative gain which has generally proved very attractive in recent months."

The property consultant said such profits would become harder to find as price growth levelled off.

In its statement, WTCG said it expected its shares, which were suspended with other group companies on Friday, to resume trading today.

The stock exchange has expressed concern that WTCG might not continue to meet listing requirements if it sells its main asset.

In September, Financial Secretary Hamish Macleod appointed Mr John Lees to look into deals involving WTCG and Tomson Pacific since 1990.