$2.5 BILLION DEAL OFF AS CHINA CHEQUE BOUNCES

By CHRISTINE CHAN

WORLD Trade Centre Ltd has aborted the $2.5 billion sale of its flagship World Trade Centre tower, after three down-payment cheques from Chinese buyer Resourceful River Ltd bounced.

The cancellation marks a major setback in what real-estate market watchers had called bullish mainland buying of local property.

This is the largest property sale collapse involving a China-backed firm since S Zhongshan International Investments pulled out of buying the Shui On Centre in Wan Chai in 1989.

The World Trade Centre sale would have been the second-largest single property transaction with a Chinese company in Hongkong this year, after Nine Queen's Road which was sold to another mainland firm, Innsbuck, for $3.8 billion.

The termination of the $2.5 billion deal was rumoured widely on Friday on Hongkong's financial markets.

Resourceful River, fronting for unknown Chinese buyers, signed the purchase agreement for the office tower in Causeway Bay on 13 October.

Resourceful River is a joint venture between Pearl River Delta International Investment (PRDII) and a Hongkong firm.

The Guangzhou-based PRDII, a wholly-owned subsidiary of Hongkong Macau International Investment Company, was represented in the sale by its local office.

World Trade Centre Ltd said Resourceful River delivered three $50 million deposit cheques to its lawyers.

All were dishonoured by the mainland firm's bank.

"As a consequence of Resourceful being unable to satisfy its deposit requirements, Resourceful is in fundamental breach of the offer letter," World Trade Centre said in a statement dated 31 October.

"As of today's date, Resourceful has not been able to produce evidence that it could, in any event, fund the portion of the purchase price due on signing."

World Trade Centre said it would consider offers for the waterfront complex from other parties.

It reserved the right to take action in relation to any and all breaches of the sale agreement. Trading in the shares of World Trade Centre and its two associates – Rivera Holdings and Tomson Pacific – was suspended on Friday, one day before the date of the signing of the official sale and purchase agreement.

The buyer was required to pay the second instalment of $700 million on Saturday.

The mainland buyers' reasons for not fulfilling its commitment was not revealed, but market sources said there had been internal disagreement between the mainland consortium partners and financial difficulties.

The termination of the sale also raised speculation that the World Trade Centre group sold the building, its main asset, in a bid to block the hostile takeover by Asean Resources for Rivera Holdings.

Rivera Holdings is the ultimate holding company of World Trade Centre.

Although announcement of the sale last month sparked market euphoria over the strength of the local property sector, it also aroused concerns over the size of the deal and whether it would go through.

China has in recent years surpassed Japan as the leading foreign buyer of Hongkong commercial property.

Shares in World Trade Centre Group will resume trading today and investors were advised to exercise extreme caution when dealing in the shares.

■ CDL Hotels International has bought the Gloucester Hotel in London for $812.02 million from Rank plc.

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