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German creditor loses patience with Beijing wheel project

By Chris Bryant in Vienna

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German investors in the world's biggest observation wheel face large potential losses after a creditor seized control of the project in Beijing - a rotating viewing platform designed to trump the London Eye.

Around 10,000 retail clients of Delbrück Bethmann Maffei Fonds Invest, the closed-funds division of ABN Amro's German private banking business, have been left fearing for their investment in a €208m (\$286m) fund called Global View.

DBM Fonds Invest created the fund in 2006 to help finance big wheel projects in Beijing, Berlin and Orlando, Florida but none has yet been completed.

Hundreds of investors - each of whom parted with at least €10,000 to buy an equity share in the wheels' profits - are now seeking compensation, claiming that they were not properly advised of the risks by distributors of the fund, who include Deutsche Bank.

Katja Fohrer, of Mattil & Partners in Munich, which represents about 100 Global View investors, questions whether advisers properly examined the plausibility of the Chinese wheel before pitching the investment to customers.

In a statement, Deutsche Bank said it had "advised customers based on the information given in the prospectus. The associated chances and risks were detailed at length."

DBM Fonds Invest seized on a demand for "experience" investments: tangible high-yield financial products that have a "story" to tell and to sell.

The fund's creators hoped to capitalise on the success of the London Eye, which since 2000 has welcomed around 36m guests, becoming a familiar feature of the capital's skyline. The ease with which the London Eye charges adult visitors more than £17 for a 30-minute ride has spawned a host of imitators in cities around the world.

But four years later, local project companies in Beijing, Berlin and Orlando have spent around €180m in Global View investors' equity, without completing a single wheel. "The fund is experiencing big difficulties, there's no doubt," said Christian Harreiner, managing director of DBM Fonds Invest. After months of negotiations Bavaria's HypoVereinsbank, which provided project financing for the Beijing wheel, finally lost patience. In January HVB terminated its loan and called in an administrator.

In a letter obtained by the Financial Times, DBM Fonds Invest warned investors that in the worse case scenario they faced a "complete writedown" of their €30m investment in the Beijing holding company.

This observation wheel was supposed to be the cream of the crop, rising more than 200m above Chaoyang Park and opening in time for the 2008 Olympic Games. But difficulties in gaining permits from Chinese authorities delayed the project, meaning only the concrete foundation has so far been built.

In the absence of ticket receipts, there was no money to repay creditors or fund dividends. Meanwhile, when the financial crisis struck it became impossible for project companies in Orlando and Berlin to obtain financing.

DBM Fonds Invest is still hopeful the Berlin wheel will move forward after cutting costs and appointing a new construction company in the coming weeks. It said that it continued to work on a remedy, "protecting the investors' interests as much as possible".

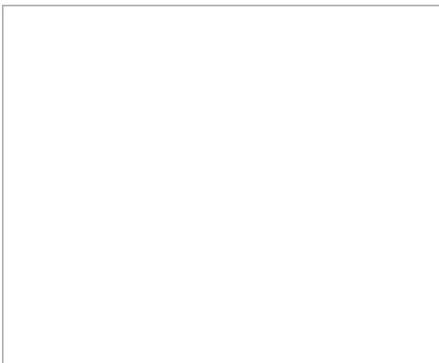
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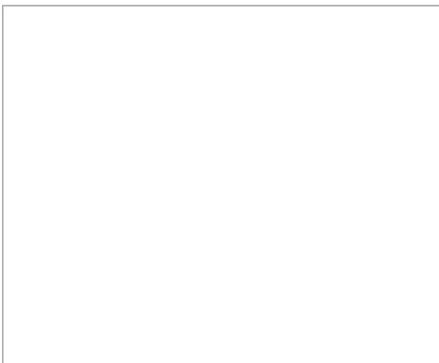
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