

CHINESE FARM PURCHASES A “TANGLED CHARADE”

Rt. Hon Winston Peters

10 May 2010

Rt Hon Winston Peters has revealed new information about the Chinese interest in the Crafar farms and other properties, which he says threatens New Zealand's international commercial reputation and the local dairy industry.

He pointed out today that the original purchases were being made without approval under New Zealand law and the “tangled” commercial circumstances could affect New Zealand’s reputation in foreign markets.

Mr Peters said he was in possession of documents and information that gave him cause for great concern.

“At the centre of the transactions is one set of information for New Zealand eyes and a different set of information for the Hong Kong and mainland China market.

“The earliest farm sale agreements involved all the Crayfar brothers' farms and are dated 18 May 2009 – five months before the Crafar farms were placed in receivership by South Canterbury Finance, Westpac and Rabobank. These three finance institutions were not aware the Crafars had sold their Fonterra shares worth \$NZ60 million, which represented further security for them.

“Most public is the presence of one May Wang who headed the purchase operations in five packaged agreements all dated 18 May 2009 for a total of \$NZ226 million. However, the government valuation was \$NZ320 million and it is most surprising that the purchase price was \$NZ94 million less!

“The buyer was UBNZ Funds Management Limited or its nominee. 'Or nominee' is important because there had to be an on sale. The buyers never had the money. One of their principal shareholders was Jin Hui Mining, a worthless entity run by Jack Chen, a New Zealand resident.

(1)

“The end buyer was to be Natural Dairy and having reached first base May Wang, Jack Chen and others have been in Hong Kong and Mainland China seeking a float for farm purchases.

“Their blogs (within the investment market) of December 2009 and January this year said this float was seeking \$NZ500 million and later claimed success in attracting well over \$NZ250 million to their New Zealand representatives' account.

“Their lawyer Kerry Knight (Knight Coldicutt principal) said (25 March 2010) that money was needed for the Crafar acquisition but they would continue to raise funds to buy more farms and production facilities.

“The blogs, both in Hong Kong and mainland China, describe the Crafar purchase as a fait accompli. However, a disgruntled New Zealand land agent informed the Hong Kong Stock Exchange of the disparity between the total purchase price, \$NZ226 million, and the float target of \$NZ500 million. This alarmed the Hong Kong Stock Exchange, which began investigating.

“Meanwhile so-called connections of Natural Dairy have been in the deep South to buy farms unconditionally, but subject to Overseas Investment Office approval. What is not publicly known is that they have also been in Kaipara and KeriKeri in the Far North seeking 'cluster' farm purchases.

“These proposed purchases are desperately needed to replace any failure of the Crafar deals. The ramifications of such failure for Wang and Chen are extremely serious in China.

“In Northland, their legal representatives have already sent sale and purchase agreements through Barfoot and Thompson for farm purchases but these agreements are all loaded with conditions to be satisfied before they become unconditional.

“Now, New Zealand names such as Sir Ralph (Ngatata) Love and Keith Rushbrook (former KPMG partner) appear on a further entity called UBNZ Assets Holdings Ltd, a holding company for UBNZ Trustee Ltd (registered office Queen St, Auckland) and Natural Dairy (NZ) Holdings Ltd out of the Cayman Islands.

“UBNZ’s registered office is on the same floor as Goldmate Group Ltd, a Jack Chen company, which also owns shares in Chinese Business Roundtable Council Investments Ltd. However all the Chinese Business Roundtable Council Investments Ltd meetings are held at 32-34 Mahuhu Cres, Auckland – also the registered office of NZ Natural Dairy (the supposed non-Cayman Island connection).

“If the Overseas Investment Office approves, Natural Dairy will buy 100% of UBNZ Holdings and then own the farms. Reuters reported share trading in Natural Dairy being stopped on the Hong Kong market because of a 'major acquisition pending', namely the purchases of UBNZ, the farming entity.

“In the Far North the purchasers have gone with the local Mayor and the council's traffic engineer to view land designated commercial at Ngawha Springs, which is owned by the council, and then to a farm fronting a lake near KeriKeri Airport. At a local farmer’s lakeside property, two hectares of land is to be cut out and sold to UBNZ at an 'extraordinarily' high price.

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“This land purchase is vital to the plan. It is under the OIO five hectare approval threshold and proximity to significant volumes of water is needed for a milk solids to powder plant operation. The buyers were promised resource consent approval 'within 20 working days'.

“Only last week Bayley’s Real Estate heads were in Asia looking for deals on the Crafar properties although the original Chinese investors in the float are not aware of this. Acting for Receivers, KordaMentha, Bayleys are seeking buyers for the Crayfar brothers' farms in receivership.”

Mr Peters said there were other disturbing aspects to this saga.

“Everything in this story is an abrogation of the government's responsibility to protect New Zealand resources. The planned operation is in clear competition to Fonterra and it places valuable dairy farmland in foreign hands. If allowed, this move would represent the beginning of the end for the local dairy industry yet Federated Farmers leadership has astonishingly been supporting these deals.

“As a side issue, the Chinese government thinks New Zealand has First World statutory systems. Their leaders will be acutely aware of the Chinese investors’ interest. Chen’s company operations in China have already been under serious investigation. So have May Wang’s operations in New Zealand.

“These dealings should never have got off the ground. They make up a tangled commercial charade that is against New Zealand’s interests and reputation. If the government had any thought for our short and long term social and economic interests it would have stepped in a long time ago,” said Mr Peters.

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