

Stock Journal

None

SJ – Farm sale raises FIRB query

Andrew Miller

489 words

3 May 2018

Stock Journal

FSTOCJ

17

English

Copyright 2018 Fairfax Media Publications Pty Limited. . Not available for re-distribution.

Turmoil at Australia's biggest dairy company, Tas-based Moon Lake Investments, has raised serious questions about the role of the Foreign Investment Review Board, experts on China say.

A disagreement about governance and spending by Moon Lake Investments' owner, Chinese businessman Xianfeng Lu, prompted the company's entire Australian board to step down last week.

In addition, the chief executive of Moon Lake's subsidiary company, Van Diemen's Land Company, Evan Rolley will not extend his contract beyond June 30.

Former Moon Lake deputy chairman David Crean said the board resigned after Mr Lu rejected its advice on corporate governance and the need for millions of dollars in farm upgrades.

University of Tas senior lecturer in Chinese studies Mark Harrison said the issue raised questions about the role of the FIRB.

The board approved Moon Lake's \$280-million purchase of VDL in 2016.

Dr Harrison said at the time of the purchase, Mr Lu had access to a large amount of credit, dairy consumption in China had increased sharply and there was a corresponding increase in prices.

"He was looking for overseas acquisitions, and this opportunity came up," Dr Harrison said. "But he made promises about investment and there are questions about the viability of that."

Dr Harrison said there were also questions about jurisdiction when it came to foreign investment.

"What exactly is the remit of FIRB and the remit of the state government when these types of foreign investments impact upon local communities?" he said.

"It would seem to me there is a question about exactly how you get those systems to work better."

Dr Harrison said the FIRB's remit was relatively limited, looking only at the national interest.

Australia China Business Council agribusiness and food chair Barry White agreed the troubles at Moon Lake "certainly raise a lot of question marks" about the role of the FIRB.

"We don't want to make it so restrictive that we turn people away," Mr White said.

"But there has to be a balance.

"I think the FIRB does have a role to show more interest and more understanding of these transactions."

In February 2016, Treasurer Scott Morrison said the FIRB had agreed the sale was "in the national interest".

Mr Morrison said Moon Lake had committed to a number of investment projects in the VDL farms, which would provide additional economic activity to Tas.

"Based on upon Moon Lake's estimates (that) will result in a near doubling of employment at VDL," he said.

But at the end of 2016, an independent audit found Moon Lake had recorded a net loss, after tax, of more than \$60m, between October 30, 2015, to December 31, 2016. For the 14 months, Moon Lake recorded revenue of \$39.5m. The audit found the company employed 126 people.

The FIRB was contacted for comment but did not respond before deadline.

Document FSTOCJ0020180502ee5300015