

## **Liquidator finds governance lapses at Celestial Nutrifooods**

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**THE provisional liquidator of beleaguered [Celestial Nutrifooods](#) yesterday disclosed troubling governance lapses by the firm, such as its transfer of funds to a third party while it appeared to be insolvent.**

At one stage, \$16.7 million was sent to a British Virgin Islands (BVI) firm.

Celestial also completely transferred ownership of its China operating subsidiaries to external parties without disclosure to the Singapore Exchange, said FTI Consulting's Mr Yit Chee Wah, provisional liquidator for the China-based firm.

Former market darling Celestial, whose shares reached \$1.95 at their height in 2006, has been suspended from trading since 2009. It has since been told to delist and faces a winding-up petition.

The maker of soya and biofuel products owes bondholders more than \$200 million. It could not pay them when they tried to redeem the debt in May 2009.

But Mr Yit said via an SGX announcement yesterday that investigations had revealed significant cash transfers to external parties in the year leading up to the liquidator's appointment last December.

This was especially pronounced in the six months prior to the appointment.

This was when the firm had appeared to be insolvent, based on the amount it owed that was immediately payable.

Mr Yit said that about \$16.7 million was paid to a company incorporated in the BVI. This BVI firm has not responded to the liquidator's attempts to contact it, but Celestial's executive chairman Ming Dequan has told the liquidator that it is a supplier to one of its China subsidiaries.

The liquidator also discovered that all of the shares of Celestial's three operating China units had been transferred to external parties, in August and December last year. These transfers were not disclosed to the SGX by the firm's directors, as required by listing rules.

Mr Ming has told the liquidator the transfers of most of these shares were because the units' banker, [China Construction Bank](#), exercised its rights to the shares after becoming aware of its impending SGX delisting.

But the liquidator noted that the existence of the share pledges had not been disclosed to the SGX. Any default of the loans by the bank, or any action taken by it, had also not been disclosed.

The liquidator is investigating the transfers of both the shares and cash. It said it is 'extremely unlikely' that Celestial's shareholders will get any dividend.

Mr Yit's statement also outlined many difficulties encountered in trying to gain control of the China units. Celestial, which is incorporated in Bermuda, held its subsidiaries via units in the BVI. But initially, the registered agent of the BVI units refused to recognise the Singapore High Court's order to appoint the provisional liquidator.

The liquidator had to seek recognition of the Singapore Court's order from the Supreme Court of

Bermuda.

When it finally got the go-ahead, the Chinese authorities were uncooperative. This was when it discovered the China units had been transferred from the BVI units.